

# Consolidated Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2023 [Japanese GAAP]



February 3, 2023

Company name: **VITAL KSK HOLDINGS, INC.**

Stock exchange listing: Tokyo Stock Exchange

Code number: 3151

URL: <https://www.vitalksk.co.jp/>

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Scheduled date of filing quarterly report: February 10, 2023

Scheduled date of commencing dividend payments: —

Preparation of supplementary explanatory materials: Yes

Quarterly financial results meeting: None

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Results for the Third Quarter of the Fiscal Year Ending March 31, 2023

(April 1, 2022 – December 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended								
December 31, 2022	443,190	0.9	1,866	(10.5)	4,302	1.9	2,433	(0.6)
December 31, 2021	439,329	7.5	2,086	—	4,220	665.7	2,448	629.2

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥ 4,749 million [–%]  
 Nine months ended December 31, 2021: ¥(554) million [–%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
December 31, 2022	46.59	—
December 31, 2021	44.84	—

## (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of			
December 31, 2022	336,058	102,417	30.1
March 31, 2022	313,033	100,041	31.6

(Reference) Equity: As of December 31, 2022: ¥101,263 million

As of March 31, 2021: ¥98,961 million

## 2. Cash Dividends

	Cash dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	12.00	—	14.00	26.00
Year ending March 31, 2023	—	12.00	—		
Year ending March 31, 2023 (forecast)				27.00	39.00

(Note) Revision to the forecast for dividends announced most recently: None

**3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2022  
(April 1, 2022 - March 31, 2023)**

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	567,300	(1.7)	1,940	(34.1)	4,900	(16.0)	4,400	(7.8)	84.42

(Note) Revision to forecast of consolidated results announced most recently: None

**\* Notes:**

(1) Changes in significant subsidiaries during the period under review: None

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: Yes

\* For details, please see “(3) Notes to Quarterly Consolidated Financial Statements (Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)” on page 8 of the attached materials.

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of outstanding shares (common shares)

1) Total number of outstanding shares at the end of the period (including treasury stocks):

December 31, 2022: 61,224,796 shares

March 31, 2022: 61,224,796 shares

2) Total number of treasury stocks at the end of the period:

December 31, 2022: 9,438,644 shares

March 31, 2022: 7,987,331 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 52,229,190 shares

Nine months ended December 31, 2021: 54,604,495 shares

\* These quarterly financial results are outside the scope of quarterly review by certified public accountants or audit corporations.

\* Explanation of the proper use of performance forecast and other notes

The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and thus actual results may differ significantly from these forecasts due to a wide range of factors.

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## 1. Qualitative Information on Quarterly Financial Results

### Explanation of Operating Results

The Japanese economy during the nine months ended December 31, 2022 remained unpredictable with the ongoing COVID-19 pandemic, while vaccination rates increased.

Under these circumstances, the Group started its fifth medium-term management plan for the three-year period from the year ending March 31, 2023 to the year ending March 31, 2025. In the fifth medium-term management plan, the Company will continue to work on its long-term vision toward 2025 of “Becoming an indispensable presence in regional and community healthcare by strategically providing products and services to support medicine and nursing.” In addition, under its medium-term vision “to drive business model innovation for the next generation,” the Company has set out practical tasks to “1. Explore a pharmaceutical distribution model to adapt to changes in the market structure and meet market characteristics,” “2. Evolve distribution and marketing models tailored to the advancement of DX in the field of medical care,” and “3. Promote the Group management that meets Prime Market requirements.” By steadily solving these issues, we will aim to further evolve as a company indispensable for local healthcare.

For the nine months ended December 31, 2022, net sales were ¥443,190 million (100.9% of that of the same period of the previous year), operating profit was ¥1,866 million (89.5% of that of the same period of the previous year), ordinary profit was ¥4,302 million (101.9% of that of the same period of the previous year), and profit attributable to owners of parent was ¥2,433 million (99.4% of that of the same period of the previous year).

Performance results by business segment are as follows.

#### 1) Pharmaceutical Wholesale Business

In the nine months ended December 31, 2022, in the pharmaceutical wholesale business, our Group’s primary business segment, although it was negatively affected by the NHI drug price revision rate of 6.69% on a pharmaceutical spending basis, sales, mainly of COVID-19-related medical devices and clinical test reagents, etc., remained steady. As a result, sales increased from the same period of the previous year.

Even after absorbing the impact of negative accounting treatment for old and new settlement prices of inventories as of the end of the previous year associated with drug price revisions that occurred in the first quarter of the fiscal year under review, operating profit was expected to significantly exceed the level a year earlier due to thorough price negotiations with an awareness of transaction costs and increased sales of vaccines and COVID-19-related medical equipment and clinical test reagents, etc., as well as higher-than-expected revenue from COVID-19 vaccine delivery continued to be commissioned by national and local governments since the previous fiscal year.

However, on October 28, 2022, some of the Group’s customer filed for voluntary bankruptcy with the Tokyo District Court. The Group judged that its receivables may become uncollectible and recorded an allowance for doubtful accounts in the second quarter, resulting in lower operating profit than the level a year earlier. As a result, net sales were ¥418,262 million (100.8% of that of the same period of the previous year), and segment profit (operating profit) was ¥1,623 million (96.1% of that of the same period of the previous year).

## 2) Pharmacy Business

In the pharmacy business, we worked to calculate relevant dispensing fees, aiming to offer family pharmacies as required by the government; however, due to the impact of drug price revisions, net sales were ¥13,769 million (99.8% of the level a year earlier) and segment profit (operating profit) was ¥77 million (47.7% of the level a year earlier).

## 3) Veterinary Drug Wholesale Business

In the veterinary drug wholesale business, net sales were ¥8,157 (103.9% of the level a year earlier) due to the increase in sales of high-profit margin products, while due to an increase in distribution costs, segment profit (operating profit) was ¥276 million (86.6% of the level a year earlier).

## 4) Other Businesses

In other businesses, strong sales in the agricultural chemicals wholesale business were offset by a lackluster performance in the nursing care business and the sports facility management business due to impacts of COVID-19, and net sales were ¥3,000 million (107.5% of the level a year earlier), and segment loss (operating loss) was ¥236 million (segment loss of ¥119 million in the same period of the previous year).

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	26,971	35,219
Notes and accounts receivable - trade	119,533	132,150
Inventories	31,788	35,205
Accounts receivable - other	16,617	16,821
Other	3,672	3,149
Allowance for doubtful accounts	(50)	(50)
Total current assets	198,532	222,495
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	19,303	20,678
Land	20,735	20,655
Other, net	5,722	4,216
Total property, plant and equipment	45,761	45,550
Intangible assets		
Goodwill	2,874	2,617
Other	2,162	2,134
Total intangible assets	5,036	4,751
Investments and other assets		
Investment securities	47,508	51,191
Other	16,771	13,520
Allowance for doubtful accounts	(576)	(1,452)
Total investments and other assets	63,703	63,259
Total non-current assets	114,501	113,562
Total assets	313,033	336,058

(Million yen)

	As of March 31, 2022	As of December 31, 2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	176,685	201,769
Short-term borrowings	990	990
Current portion of long-term borrowings	970	970
Income taxes payable	2,399	534
Provision for bonuses	1,542	613
Other	7,505	8,163
Total current liabilities	190,092	213,041
Non-current liabilities		
Long-term borrowings	7,760	7,032
Other provisions	244	240
Retirement benefit liability	2,629	626
Other	12,265	12,700
Total non-current liabilities	22,898	20,598
Total liabilities	212,991	233,640
<b>Net assets</b>		
Shareholders' equity		
Share capital	5,000	5,000
Capital surplus	12,810	12,810
Retained earnings	64,402	65,469
Treasury shares	(6,581)	(7,575)
Total shareholders' equity	75,631	75,704
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	21,645	24,144
Remeasurements of defined benefit plans	1,683	1,414
Total accumulated other comprehensive income	23,329	25,559
Non-controlling interests	1,080	1,154
Total net assets	100,041	102,417
Total liabilities and net assets	313,033	336,058

(2) Quarterly Consolidated Statements of Income and Comprehensive Income Quarterly Consolidated Statements of Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31, 2021 and 2022

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	439,329	443,190
Cost of sales	407,034	409,345
Gross profit	32,295	33,844
Selling, general and administrative expenses	30,208	31,977
Operating profit	2,086	1,866
Non-operating income		
Interest income	37	51
Dividend income	578	555
Share of profit of entities accounted for using equity method	49	83
Administrative service fee income	1,180	1,194
Other	453	695
Total non-operating income	2,298	2,580
Non-operating expenses		
Interest expenses	74	74
Rental expenses	64	60
Other	25	9
Total non-operating expenses	164	144
Ordinary profit	4,220	4,302
Extraordinary income		
Gain on sale of non-current assets	12	15
Gain on sale of investment securities	–	59
Other	5	–
Total extraordinary income	17	74
Extraordinary losses		
Loss on sale of non-current assets	19	0
Impairment losses	47	22
Loss on valuation of investment securities	8	56
Soil treatment cost	–	136
Other	16	28
Total extraordinary losses	92	244
Profit before income taxes	4,145	4,132
Income taxes	1,608	1,622
Profit	2,536	2,510
Profit attributable to non-controlling interests	88	77
Profit attributable to owners of parent	2,448	2,433



Quarterly Consolidated Statements of Comprehensive Income  
 Nine Months Ended December 31, 2021 and 2022

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	2,536	2,510
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,629)	2,416
Remeasurements of defined benefit plans, net of tax	(291)	(267)
Share of other comprehensive income of entities accounted for using equity method	(169)	81
Total other comprehensive income	(3,091)	2,230
Comprehensive income	(554)	4,740
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(642)	4,663
Comprehensive income attributable to non-controlling interests	88	77

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Not applicable.

(Notes in the case of significant changes in amount of shareholders' equity)

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

Not applicable.

(Accounting policies adopted specially for the preparation of quarterly consolidated financial statements)

Calculation of tax expenses

Tax expenses are calculated by the method in which the effective tax rate on profit before income taxes for the current consolidated fiscal year after application of tax effect accounting is reasonably estimated, and profit before income taxes was multiplied by the estimated effective tax rate.

(Changes in accounting policies)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the first quarter, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. The decision does not affect the quarterly consolidated financial statements.

(Segment information)

#### 1. Overview of reportable segments

The Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the company's Board of Directors to decide how to allocate resources and assess performance.

The Group's segment is categorized based on the business of its operating company, and thus its main segments, the "Pharmaceutical Wholesale Business," the "Pharmacy Business," and the "Veterinary Drug Wholesale Business" comprise the Group's reportable segments.

The "Pharmaceutical Wholesale Business" is engaged in sales of drugs, diagnostic products, medical devices, materials, etc. to medical institutions, such as hospitals, clinics, and pharmacies. The "Pharmacy Business" is engaged in sales of drugs, medical devices and equipment, and hygiene materials, etc. to general consumers. The "Veterinary Drug Wholesale Business" is engaged in sales of veterinary drugs, feeds, etc. to farms, ranches, veterinary hospitals, clinics, etc.

#### 2. Method of measurement for the amounts of net sales, income (loss), assets and other items for each reportable segment

The method of accounting for the reportable business segments is generally the same as those stated in "Basis for the Presentation of the Consolidated Financial Statements."

Profit in the reportable segments is based on operating profit.

Inter-segment revenues and transfers are calculated at prevailing market prices.

3. Information on net sales, income (loss), assets and other items by reportable segment  
For the nine months ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Pharmaceutical Wholesale Business	Pharmacy Business	Veterinary Drug Wholesale Business	Total				
Net sales								
Net sales to outside customers	414,895	13,791	7,850	436,537	2,791	439,329	–	439,329
Inter-segment net sales or transfers	6,611	1	0	6,613	1,859	8,472	(8,472)	–
Total	421,507	13,792	7,850	443,150	4,651	447,801	(8,472)	439,329
Segment income (loss)	1,688	162	318	2,169	(119)	2,050	36	2,086

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as wholesale of agricultural chemicals, nursing care service business, transportation business, and consulting services for medical institutions.  
2. Adjustment of segment income (loss) of ¥36 million refers to elimination of inter-segment transactions.  
3. Adjustments are made to reconcile segment income (loss) to operating profit reported on the consolidated statements of income.

For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Consolidated Statements of Income (Note 3)
	Pharmaceutical Wholesale Business	Pharmacy Business	Veterinary Drug Wholesale Business	Total				
Net sales								
Net sales to outside customers	418,262	13,769	8,157	440,189	3,000	443,190	–	443,190
Inter-segment net sales or transfers	7,976	6	0	7,983	1,896	9,880	(9,880)	–
Total	426,239	13,776	8,157	448,173	4,896	453,070	(9,880)	443,190
Segment income (loss)	1,623	77	276	1,976	(236)	1,740	126	1,866

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as wholesale of agricultural chemicals, nursing care service business, transportation business, and consulting services for medical institutions.  
2. Adjustment of segment income (loss) of ¥126 million refers to elimination of inter-segment transactions.  
3. Adjustments are made to reconcile segment income (loss) to operating profit reported on the consolidated statements of income.