

# Consolidated Financial Statements for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 12, 2023

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

Stock exchange listing: Tokyo Stock Exchange

Code number: 3151

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

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Scheduled date of annual meeting of shareholders: June 28, 2023

Scheduled date of commencing dividend payments: June 8, 2023

Scheduled date of filing securities report: June 30, 2023

Preparation of supplementary explanatory materials: Yes

Financial results briefing: Yes (for institutional investors and analysts)

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

## 1. Consolidated Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

(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                             | %     |
| Year ended     |             |     |                  |        |                 |       |   |       |
| March 31, 2023 | 579,772     | 0.4 | 2,470            | (16.1) | 5,960           | 2.2   | 4,831                                   | 1.3   |
| March 31, 2022 | 577,249     | 7.5 | 2,945            | -      | 5,834           | 741.4 | 4,770                                   | 307.1 |

(Note) Comprehensive income: Year ended March 31, 2023: ¥2,491 million [-%]

Year ended March 31, 2022: ¥(1,663) million [-%]

|                | Basic earnings per share | Diluted earnings per share | Return on equity | Ratio of ordinary profit to total assets | Ratio of operating profit to net sales |
|----------------|--------------------------|----------------------------|------------------|--|--|
| Year ended     | Yen                      | Yen                        | %                | %  | %                                      |
| March 31, 2023 | 92.69                    | -                          | 4.9              | 2.0                                      | 0.4                                    |
| March 31, 2022 | 87.88                    | -                          | 4.7              | 1.9                                      | 0.5                                    |

(Note) Share of profit (loss) of entities accounted for using equity method: Year ended March 31, 2023: ¥108 million

Year ended March 31, 2022: ¥87 million

## (2) Consolidated Financial Position

|                | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------|--------------|-------------|--------------|----------------------|
| As of          | Million yen  | Million yen | %            | Yen                  |
| March 31, 2023 | 297,316      | 100,165     | 33.3         | 1,911.44             |
| March 31, 2022 | 313,033      | 100,041     | 31.6         | 1,858.86             |

(Reference) Equity: As of March 31, 2023: ¥98,986 million

As of March 31, 2022: ¥98,961 million

## (3) Consolidated Cash Flows

|                | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at year-end |
|----------------|--------------------------------------|--------------------------------------|--------------------------------------|---------------------------------------|
| Year ended     | Million yen                          | Million yen                          | Million yen                          | Million yen                           |
| March 31, 2023 | (3,001)                              | (1,038)                              | (4,080)                              | 15,147                                |
| March 31, 2022 | 7,487                                | (2,013)                              | (8,486)                              | 23,239                                |

## 2. Cash Dividends

|                                       | Cash dividends per share |                 |                 |          |       | Total dividends (annual) | Payout ratio (consolidated) | Ratio of dividends to net assets (consolidated) |
|---------------------------------------|--------------------------|-----------------|-----------------|----------|-------|--------------------------|-----------------------------|---|
|                                       | 1st quarter-end          | 2nd quarter-end | 3rd quarter-end | Year-end | Total |                          |                             |   |
| Year ended                            | Yen                      | Yen             | Yen             | Yen      | Yen   | Million yen              | %                           | %   |
| March 31, 2022                        | -                        | 12.00           | -               | 14.00    | 26.00 | 1,400                    | 29.6                        | 1.4   |
| March 31, 2023                        | -                        | 12.00           | -               | 27.00    | 39.00 | 2,019                    | 42.1                        | 2.1   |
| Year ending March 31, 2024 (Forecast) | -                        | 19.00           | -               | 20.00    | 39.00 |                          | 38.8                        |   |

## 3. Forecast of Consolidated Results for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% 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                      |
| First half | 290,000     | - | 2,400            | - | 3,100           | 27.9 | 2,000                                   | 39.1 | 38.62                    |
| Full year  | 576,000     | - | 4,700            | - | 6,000           | 0.7  | 5,200                                   | 7.6  | 100.41                   |

\* For the forecast of consolidated results for the year ending March 31, 2024, percentage changes in comparison with the results for the year ended March 31, 2023 have been omitted. For performance forecast, please see “1. Overview of Operating Results, etc.; (4) Future Outlook” on page 4.

### \* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) 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

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

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

March 31, 2023: 61,224,796 shares

March 31, 2022: 61,224,796 shares

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

March 31, 2023: 9,438,699 shares

March 31, 2022: 7,987,331 shares

3) Average number of shares during the period:

Year ended March 31, 2023: 52,119,939 shares

Year ended March 31, 2022: 54,280,124 shares

**(Reference) Summary of Non-consolidated Results****1. Non-consolidated Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)**

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

| Year ended     | Net sales   |      | Operating profit |       | Ordinary profit |       | Profit      |       |
|----------------|-------------|------|------------------|-------|-----------------|-------|-------------|-------|
|                | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen | %     |
| March 31, 2023 | 5,161       | 5.3  | 4,392            | 6.6   | 4,355           | 6.6   | 4,355       | 6.9   |
| March 31, 2022 | 4,901       | 93.1 | 4,118            | 118.6 | 4,085           | 118.3 | 4,073       | 121.9 |

| Year ended     | Basic earnings per share | Diluted earnings per share |
|----------------|--------------------------|----------------------------|
|                | Yen                      | Yen                        |
| March 31, 2023 | 83.57                    | -                          |
| March 31, 2022 | 75.04                    | -                          |

(2) Non-consolidated Financial Position

| As of          | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------|--------------|-------------|--------------|----------------------|
|                | Million yen  | Million yen | %            | Yen                  |
| March 31, 2023 | 69,162       | 48,251      | 69.8         | 931.75               |
| March 31, 2022 | 69,162       | 46,251      | 66.9         | 868.78               |

(Reference) Equity: As of March 31, 2023: ¥48,251 million

As of March 31, 2022: ¥46,251 million

\* These financial results are outside the scope of audit procedures 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. For cautionary notes on assumptions that form the basis of the performance forecast and the use of performance forecast, please see "Overview of Operating Results, etc." on page 2 of the attached materials.
- The Company plans to hold a financial results briefing for institutional investors and analysts on May 17, 2023. The presentation materials to be used at the briefing will be posted on the Company's website immediately after the briefing.

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## 1. Overview of Operating Results, etc.

### (1) Overview of Operating Results for the Fiscal Year Under Review

The Japanese economy during the year ended March 31, 2023 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 year ended March 31, 2023, net sales were ¥579,772 million (100.4% of that of the same period of the previous year), operating profit was ¥2,047 million (83.9% of that of the same period of the previous year), ordinary profit was ¥5,960 million (102.2% of that of the same period of the previous year), and profit attributable to owners of parent was ¥4,831 million (101.3% of that of the same period of the previous year).

Performance results by business segment are as follows.

#### 1) Pharmaceutical Wholesale Business

In the year ended March 31, 2023, the pharmaceutical wholesale business, which is our Group’s primary business segment, achieved steady sales, mainly of COVID-19-related prescription pharmaceuticals and medical devices and clinical test reagents, etc., despite the negative impact of NHI drug price revision rate of 6.69% on a pharmaceutical spending basis. As a result, sales increased from the previous year.

Operating profit was expected to exceed the level a year earlier due to increased sales of 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, in addition to thorough price negotiations with an awareness of transaction costs and sales of vaccines.

However, on October 28, 2022, some of the Group’s customers 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. Although the Company subsequently reversed the allowance for doubtful accounts in the fourth quarter on expectations that a portion of the receivables is recoverable, profitability was still adversely impacted and operating profit was below the level a year earlier.

As a result, net sales were ¥546,058 million (100.3% of that of the same period of the previous year), and segment profit (operating profit) was ¥2,053 million (84.0% 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 ¥18,361 million

(99.8% of the level a year earlier) and segment profit (operating profit) was ¥106 million (51.9% of the level a year earlier).

### 3) Veterinary Drug Wholesale Business

In the veterinary drug wholesale business, although net sales were ¥10,879 million (104.6% of the level a year earlier) due to increased sales of pet-related products, segment profit (operating profit) was ¥339 million (91.4% of the level a year earlier) due to the recording of an allowance for doubtful accounts.

### 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 ¥4,473 million (106.5% of the level a year earlier), and segment loss (operating loss) was ¥204 million (segment loss of ¥131 million in the same period of the previous year).

## (2) Overview of Financial Position for the Fiscal Year Under Review

Assets as of the end of the year ended March 31, 2023 amounted to ¥297,316 million, a decrease of ¥15,717 million from the end of the previous consolidated fiscal year. Assets comprised ¥188,502 million of current assets and ¥108,813 million of non-current assets.

Current assets mainly comprised ¥19,029 million of cash and deposits, ¥118,386 million of notes and accounts receivable - trade, ¥30,846 million of inventories and ¥16,665 million of accounts receivable - other. Current assets decreased ¥10,030 million from the end of the previous consolidated fiscal year, due primarily to a decrease of ¥7,942 million in cash and deposits and a decrease of ¥1,146 million in notes and accounts receivable - trade.

Non-current assets comprised ¥49,024 million of property, plant and equipment, ¥3,377 million of intangible assets and ¥56,411 million of investments and other assets. Non-current assets decreased ¥5,687 million from the end of the previous consolidated fiscal year, due primarily to a decrease of ¥2,865 million in investment securities, a decrease of ¥2,056 million in goodwill, and a decrease of ¥1,597 million in construction in progress, offsetting an increase of ¥4,182 million in land.

Liabilities amounted to ¥197,150 million, a decrease of ¥15,841 million from the end of the previous consolidated fiscal year. Liabilities comprised ¥178,659 million of current liabilities and ¥18,491 million of non-current liabilities.

Current liabilities mainly comprised ¥164,571 million of notes and accounts payable - trade and ¥2,095 million of income taxes payable. Current liabilities decreased ¥11,433 million from the end of the previous consolidated fiscal year, due primarily to a decrease of ¥12,113 million in notes and accounts payable - trade and a decrease of ¥303 million in income taxes payable.

Non-current liabilities mainly comprised ¥8,676 million of deferred tax liabilities, ¥6,790 million of long-term borrowings, and ¥1,498 million of lease obligations. Non-current liabilities decreased ¥4,407 million from the end of the previous consolidated fiscal year, due primarily to a decrease of ¥1,774 million in retirement benefit liability and a decrease of ¥1,068 million in deferred tax liabilities.

Net assets amounted to ¥100,165 million, an increase of ¥123 million from the end of the previous consolidated fiscal year, due primarily to the reporting of profit attributable to owners of parent of ¥4,831 million, a decrease of ¥994 million due to an increase in treasury shares and a ¥1,672 million decrease in valuation difference on available-for-sale securities.

### (3) Overview of Cash Flows for the Fiscal Year Under Review

Cash and cash equivalents (collectively, “Cash”) as of the end of the year ended March 31, 2023 amounted to ¥15,147 million (compared to ¥23,239 million at the end of the previous consolidated fiscal year).

#### a) Cash Flows from Operating Activities

Cash used in operating activities during the year ended March 31, 2023 was ¥3,001 million (¥7,487 million provided for the previous consolidated fiscal year). This is attributable mainly to decreasing factors such as a decrease in trade payables of ¥12,113 million (an increase of ¥9,624 million for the previous consolidated fiscal year), a gain on sale and valuation of investment securities of ¥4,118 million (¥2,536 million for the previous consolidated fiscal year), and income taxes paid of ¥3,527 million (¥1,512 million for the previous consolidated fiscal year), offsetting increasing factors such profit before income taxes of ¥8,111 million (¥7,648 million for the previous consolidated fiscal year), a decrease in trade receivables of ¥1,146 million (an increase of ¥4,933 million for the previous consolidated fiscal year), and a decrease in guarantee deposits of ¥4,278 million (a decrease of ¥13 million for the previous consolidated fiscal year).

#### b) Cash Flows from Investing Activities

Cash used in investing activities during the year ended March 31, 2023 was ¥1,038 million (¥2,013 million used for the previous consolidated fiscal year). This is attributable mainly to decreasing factors such as purchase of property, plant and equipment of ¥5,840 million (¥3,415 million for the previous consolidated fiscal year) and purchase of intangible assets of ¥759 million (¥725 million for the previous consolidated fiscal year) despite increasing factors such as proceeds from sale of investment securities of ¥5,491 million (¥2,588 million for the previous consolidated fiscal year).

#### c) Cash Flows from Financing Activities

Cash used in financing activities during the year ended March 31, 2023 was ¥4,080 million (¥8,486 million used for the previous consolidated fiscal year). This is attributable to decreasing factors such as dividends paid of ¥1,365 million (¥651 million for the previous consolidated fiscal year), repayments of long-term borrowings of ¥970 million (¥5,370 million for the previous consolidated fiscal year) and purchase of treasury shares of ¥998 million (¥1,559 million for the previous consolidated fiscal year).

### (4) Future Outlook

With the year 2025 just around the corner, when the baby boomers will be late-stage elderly, the restrictions on social security payments and revisions to the system in anticipation of social structural changes that have been implemented are considered to continue in the future. Similarly, although in the pharmaceutical wholesale business, the core business of the Group, the market for new drugs such as anticancer drugs is expected to continued growing and demand will be strong, overall growth is expected to be restrained, reflecting less frenzied sales of COVID-related products in addition to ongoing drug price revisions and continued encouragement of the use of generics, and it will be necessary to realize further efficiency in distribution channels in order to ensure a stable supply.

In the field of medical care, new diagnostic and therapeutic techniques that use cutting-edge technology is about to bring forth substantial innovations. In addition to regenerative medicine, new diagnostic drugs, medical devices, robots, and other means of diagnosis and medical treatment will drive future market growth, while also





- consolidated net assets by the year ending March 31, 2026 and to less than 10% by the year ending March 31, 2032
- ROE targets 5.2% for the year ending March 31, 2024 and 8.0% for the year ending March 31, 2032

As for the forecast of results for the year ending March 31, 2024, the Company expects net sales of ¥576,000 million, operating profit of ¥4,700 million, ordinary profit of ¥6,000 million (100.7% of that of the same period of the previous year), and profit attributable to owners of parent of ¥5,200 million (107.6% of that of the same period of the previous year)

Income from the provision of sales information to manufacturers was previously recognized as administrative service fee income under non-operating income; however, from now on, given the Group's policy of expanding business utilizing digital data, income from the information business including income from the provision of sales information to manufacturers will also be considered as income from core business activities and we have therefore decided to include this income in net sales from the year ending March 31, 2024, and this change in presentation method is reflected in this forecast of consolidated results.

(5) Important Events Related to Going Concern Assumption

Not applicable.

(6) Dividend Policy and Payments for This Period and Next Period

The Group recognizes the return of profits to shareholders as a management task of paramount importance. To fulfill this task, it will make efforts to maintain stable and continuous dividend payment and to enhance internal reserves from the long-term perspective of maximizing corporate value.

For the year ended March 31, 2023, the Group has decided to pay the interim dividend of ¥12 per share, as previously paid, and a year-end dividend of ¥27 per share, bringing the total annual dividend to ¥39 per share.

For the year ending March 31, 2024, based on its policy of DOE of 2% or more, the Group expects to pay an annual dividend of ¥39 per share consisting of the interim dividend of ¥19 per share and the year-end dividend of ¥20 per share.

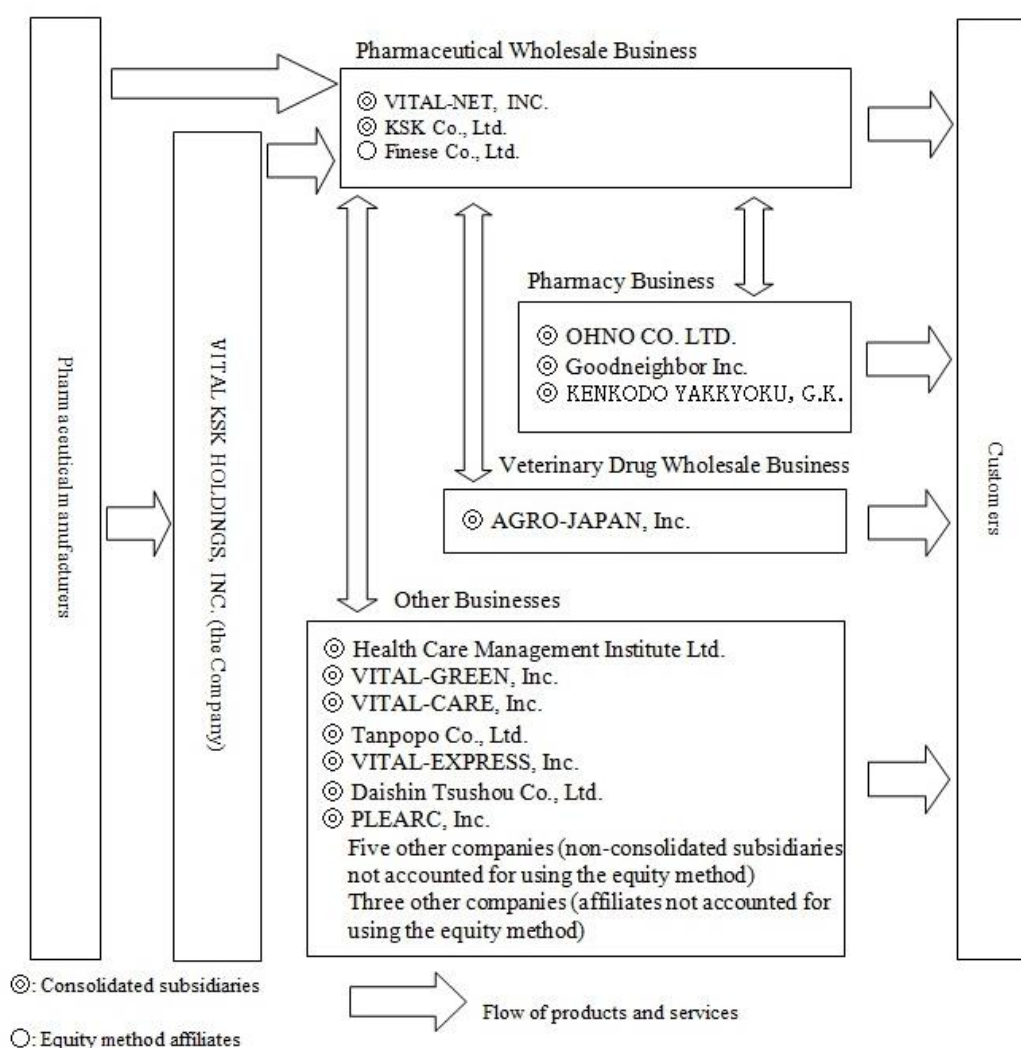
## 2. Overview of the Corporate Group

The Group (the Company and the associated companies of the Company) comprises the Company, its 18 subsidiaries and four affiliates. The Group is mainly engaged in businesses associated with the four businesses of the pharmaceutical wholesale business, the pharmacy business, the veterinary drug wholesale business, and other businesses. Other businesses include the retail of pharmaceuticals, the wholesale of agricultural chemicals, the transportation business, the nursing care service business, the consulting services for medical institutions, the non-life insurance agency business, the real estate brokerage business and the operation of parking lots.

| Business                           | Associated companies   |
|------------------------------------|--|
| Pharmaceutical Wholesale Business  | VITAL KSK HOLDINGS, INC. (the Company), VITAL-NET, INC., KSK Co., Ltd., Finese Co., Ltd.   |
| Pharmacy Business                  | OHNO CO. LTD., Goodneighbor Inc., KENKODO YAKKYOKU, G.K.   |
| Veterinary Drug Wholesale Business | AGRO-JAPAN, Inc.   |
| Other Businesses                   | Health Care Management Institute Ltd., VITAL-GREEN, Inc., VITAL-CARE, Inc., Tanpopo Co., Ltd., VITAL-EXPRESS, Inc., Daishin Tsushou Co., Ltd., PLEARC, Inc., 8 other companies |

The following figure illustrates the Company's business structure.

<Business Flow>



### 3. Management Policy

#### (1) Basic Management Policies

On April 1, 2009, the VITAL KSK Group was launched upon the establishment of VITAL KSK HOLDINGS, INC., a joint holding company, through the share transfer of VITAL-NET, INC. and KSK Co., Ltd. and 14 years have passed since then.

With “Towards realization of healthy and prosperous society” as its corporate slogan, the VITAL KSK Group adopted "To transform the future of medical care by transcending boundaries and "acting as a bridge" to cutting-edge medicines" as its new long-term vision from the year ending March 31, 2024, and is working to tackle the practical issues described above.

#### (2) Target Management Indicators

The Group formulated 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.

##### Targets

|   | Year ending March 31, 2023 |                    |            | Year ending March 31, 2024 |                    |            | Year ending March 31, 2025 |                    |            |
|---|----------------------------|--------------------|------------|----------------------------|--------------------|------------|----------------------------|--------------------|------------|
|   | Plan<br>(Million<br>yen)   | Sales ratio<br>(%) | YoY<br>(%) | Plan<br>(Million<br>yen)   | Sales ratio<br>(%) | YoY<br>(%) | Plan<br>(Million<br>yen)   | Sales ratio<br>(%) | YoY<br>(%) |
| Net sales                               | 563,300                    |                    | 97.6       | 576,000                    |                    | —          | 576,000                    |                    | 100.0      |
| Operating profit                        | 2,300                      | 0.41               | 78.1       | 4,700                      | 0.82               | —          | 5,300                      | 0.92               | 112.8      |
| Ordinary profit                         | 4,900                      | 0.87               | 84.0       | 6,000                      | 1.04               | 122.4      | 6,200                      | 1.08               | 103.3      |
| Profit attributable to owners of parent | 4,500                      | 0.80               | 94.3       | 5,200                      | 0.90               | 115.6      | 5,400                      | 0.94               | 103.8      |

\* As explained earlier, income from the provision of sales information to manufacturers was previously recognized as administrative service fee income under non-operating income; however, from now on, given the Group's policy of expanding business utilizing digital data, income from the information business including income from the provision of sales information to manufacturers will also be considered as income from core business activities. The presentation method has, therefore, changed and income will be included in net sales from the year ending March 31, 2024. The plans for the year ending March 31, 2024 and the year ending March 31, 2025 in the above chart have also been changed accordingly. Year-on-year comparisons for net sales and operating profit for the year ending March 31, 2024 are omitted due to this change in the presentation method.

#### (3) Medium- and Long-term Business Strategies

As stated above, the Group started its fifth medium-term management plan in April 2022. The Group aims to realize its newly established Long-term Vision: “Vision 2035: To transform the future of medical care by transcending boundaries and “acting as a bridge” to cutting-edge medicines.” Additionally, in its fifth medium-term management plan, in order to achieve its medium-term vision “To Drive Business Model Innovation for the Next Generation,” the Group is working through the three basic policies, “Exploring a pharmaceutical distribution model to adopt changes in the market structure and meet market characteristics,” “Evolving distribution and marketing models tailored to the advancement of DX in the field of medical care,” and “Promoting the Group management that meets Prime Market requirements.”

[Major Practical Issues]

<Pharmaceutical Wholesale Business>

1. Establishing a system that accommodates changes in the market structure
  - (1) Realizing low-cost operations with improved and optimized processes
  - (2) Conducting efficient and effective marketing activities to prescribers
  - (3) Expanding MS functions (to replace MR functions)
2. Strengthening efforts for “hospitals,” the core regional health care providers, and reorganizing sales structures
3. Promoting DX for dispensing pharmacies
4. Sustainably improving supply chain management capabilities
  - (1) Expanding the scope of packaged product delivery using inventory management systems
  - (2) Developing a third-party logistics (3PL) business
  - (3) Implementing a supply chain concept utilizing dispensing centers
  - (4) Sustainably increasing logistics quality and efficiency

<Group management strategy>

1. Financial strategy
  - (1) Achieving ROE of 5% or more
  - (2) Implementing appropriate shareholder return policies  
(Dividend on equity (DOE) of 2% or more and total return ratio of 50% or more)
  - (3) Reducing cross-shareholdings
2. Reviewing and developing corporate governance at a higher level
3. Further enhancing corporate communication (CC)
  - (1) Conducting appropriate CC activities in light of the Internet age and the financial strategy
  - (2) Enhancing disclosure in English (including the Company’s website, notices of convocation of general meetings of shareholders)
  - (3) Conducting CC activities that address task force on climate-related financial disclosures (TCFD) in addition to environmental, social, and governance (ESG) activities

(4) Issues to be Addressed

Amid ongoing changes in the social structure and discussions about reforming social security systems and drug pricing systems, including health system reform, workstyle reform for doctors, revision of the Infectious Diseases Control Act and other laws, digital transformation of health care and Community Health Care Visions, in the prescription pharmaceuticals domain, drug prices were revised five times in the space of three-and-a-half years: in October 2019, April 2020, April 2021, April 2022 and April 2023. Drug price revisions are planned to take place every year and the government is likely to continue with its policy to limit medical costs in the future.

Under such circumstances, the Group started its fifth medium-term management plan in April 2022. In the pharmaceutical wholesale business, not only did the Group construct a business system to continue to create profits even under low growth in the prescription pharmaceutical market, but based on a foundation of the

Group's strengths in moving deeper into regional healthcare through its network with local governments, nursing professionals and other regional healthcare providers, in addition to its network of medical institutions developed through the prescription pharmaceutical wholesale business, the Group has made efforts to "become the corporate group of choice" for manufacturers, public administration, customers, and the community by providing support and solutions through a wide range of products and services as it steadily progresses into growth sectors. In particular, we will focus our efforts on being able to meet needs for digital transformation in the field of medical care, which is expected to advance rapidly in the future. We will also continue to develop medical-related business and explore new sources of revenue, aiming to realize our long-term vision newly established in 2023.

(5) Other Important Management Matters

Not applicable.

4. Basic Idea for Selection of Accounting Standards

In order to ensure comparability between companies over time, the Group prepares its consolidated financial statements in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters 7 and 8) (Ordinance of the Ministry of Finance No. 28 of 1976).

The Group will appropriately apply international accounting standards, while taking domestic and overseas situations into account.

## 5. Consolidated Financial Statements and Primary Notes

### (1) Consolidated Balance Sheets

(Million yen)

|  | As of March 31, 2022 | As of March 31, 2023 |
|--|----------------------|----------------------|
| <b>Assets</b>                          |                      |                      |
| Current assets                         |                      |                      |
| Cash and deposits                      | 26,971               | 19,029               |
| Notes and accounts receivable - trade  | 119,533              | 118,386              |
| Inventories                            | 31,788               | 30,846               |
| Accounts receivable - other            | 16,617               | 16,665               |
| Other                                  | 3,672                | 3,616                |
| Allowance for doubtful accounts        | (50)                 | (41)                 |
| Total current assets                   | 198,532              | 188,502              |
| Non-current assets                     |                      |                      |
| Property, plant and equipment          |                      |                      |
| Buildings and structures               | 47,987               | 50,310               |
| Accumulated depreciation               | (28,684)             | (29,940)             |
| Buildings and structures, net          | 19,303               | 20,370               |
| Machinery, equipment and vehicles      | 1,951                | 1,988                |
| Accumulated depreciation               | (1,355)              | (1,451)              |
| Machinery, equipment and vehicles, net | 595                  | 537                  |
| Land                                   | 20,735               | 24,917               |
| Leased assets                          | 6,814                | 6,604                |
| Accumulated depreciation               | (3,929)              | (4,229)              |
| Leased assets, net                     | 2,885                | 2,375                |
| Construction in progress               | 1,629                | 31                   |
| Other                                  | 3,739                | 4,184                |
| Accumulated depreciation               | (3,126)              | (3,391)              |
| Other, net                             | 612                  | 792                  |
| Total property, plant and equipment    | 45,761               | 49,024               |
| Intangible assets                      |                      |                      |
| Goodwill                               | 2,874                | 818                  |
| Software                               | 1,356                | 1,415                |
| Other                                  | 805                  | 1,143                |
| Total intangible assets                | 5,036                | 3,377                |
| Investments and other assets           |                      |                      |
| Investment securities                  | 47,508               | 44,642               |
| Long-term loans receivable             | 1,588                | 1,419                |
| Retirement benefit asset               | 7,684                | 7,589                |
| Deferred tax assets                    | 383                  | 400                  |
| Other                                  | 7,115                | 3,362                |
| Allowance for doubtful accounts        | (576)                | (1,002)              |
| Total investments and other assets     | 63,703               | 56,411               |
| Total non-current assets               | 114,501              | 108,813              |
| <b>Total assets</b>                    | <b>313,033</b>       | <b>297,316</b>       |

(Million yen)

|   | As of March 31, 2022 | As of March 31, 2023 |
|---|----------------------|----------------------|
| <b>Liabilities</b>  |                      |                      |
| Current liabilities   |                      |                      |
| Notes and accounts payable - trade                                      | 176,685              | 164,571              |
| Short-term borrowings   | 990                  | 990                  |
| Current portion of long-term borrowings                                 | 970                  | 970                  |
| Income taxes payable  | 2,399                | 2,095                |
| Provision for bonuses   | 1,542                | 1,569                |
| Other   | 7,505                | 8,462                |
| Total current liabilities   | 190,092              | 178,659              |
| Non-current liabilities   |                      |                      |
| Long-term borrowings  | 7,760                | 6,790                |
| Lease liabilities   | 2,129                | 1,498                |
| Deferred tax liabilities  | 9,744                | 8,676                |
| Provision for retirement benefits for directors<br>(and other officers) | 193                  | 196                  |
| Provision for share awards for directors (and<br>other officers)        | 51                   | 54                   |
| Retirement benefit liability  | 2,629                | 855                  |
| Other   | 391                  | 419                  |
| Total non-current liabilities   | 22,898               | 18,491               |
| <b>Total liabilities</b>  | <b>212,991</b>       | <b>197,150</b>       |
| <b>Net assets</b>   |                      |                      |
| Shareholders' equity  |                      |                      |
| Share capital   | 5,000                | 5,000                |
| Capital surplus   | 12,810               | 12,810               |
| Retained earnings   | 64,402               | 67,864               |
| Treasury shares   | (6,581)              | (7,575)              |
| Total shareholders' equity  | 75,631               | 78,099               |
| Accumulated other comprehensive income                                  |                      |                      |
| Valuation difference on available-for-sale<br>securities                | 21,645               | 19,972               |
| Remeasurements of defined benefit plans                                 | 1,683                | 913                  |
| Total accumulated other comprehensive<br>income                         | 23,329               | 20,886               |
| Non-controlling interests   | 1,080                | 1,179                |
| <b>Total net assets</b>   | <b>100,041</b>       | <b>100,165</b>       |
| <b>Total liabilities and net assets</b>                                 | <b>313,033</b>       | <b>297,316</b>       |

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

(Million yen)

|   | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|---|---|---|
| Net sales   | 577,249                                     | 579,772                                     |
| Cost of sales   | 533,272                                     | 534,809                                     |
| Gross profit  | 43,976                                      | 44,963                                      |
| Selling, general and administrative expenses                  | 41,030                                      | 42,492                                      |
| Operating profit  | 2,945                                       | 2,470                                       |
| Non-operating income  |   |   |
| Gain on investments in investment partnerships                | 62  | 617   |
| Interest income   | 49  | 31  |
| Dividend income   | 804   | 751   |
| Share of profit of entities accounted for using equity method | 87  | 108   |
| Rental income   | 240   | 240   |
| Administrative service fee income                             | 1,556                                       | 1,554                                       |
| Other   | 300   | 377   |
| Total non-operating income                                    | 3,100                                       | 3,682                                       |
| Non-operating expenses  |   |   |
| Interest expenses   | 99  | 96  |
| Rental expenses   | 85  | 79  |
| Other   | 27  | 15  |
| Total non-operating expenses                                  | 212   | 192   |
| Ordinary profit   | 5,834                                       | 5,960                                       |
| Extraordinary income  |   |   |
| Gain on sale of non-current assets                            | 310   | 22  |
| Gain on sale of investment securities                         | 2,545                                       | 4,201                                       |
| Other   | 18  | -   |
| Total extraordinary income                                    | 2,873                                       | 4,224                                       |
| Extraordinary losses  |   |   |
| Loss on sale of non-current assets                            | 19  | 14  |
| Loss on retirement of non-current assets                      | 4   | 3   |
| Impairment losses   | 946   | 1,791                                       |
| Loss on sale of investment securities                         | -   | 26  |
| Loss on valuation of investment securities                    | 8   | 56  |
| Other   | 80  | 180   |
| Total extraordinary losses                                    | 1,059                                       | 2,072                                       |
| Profit before income taxes                                    | 7,648                                       | 8,111                                       |
| Income taxes - current  | 2,575                                       | 3,184                                       |
| Income taxes - deferred                                       | 191   | (7)   |
| Total income taxes  | 2,767                                       | 3,177                                       |
| Profit  | 4,880                                       | 4,934                                       |
| Profit attributable to non-controlling interests              | 110   | 102   |
| Profit attributable to owners of parent                       | 4,770                                       | 4,831                                       |



Consolidated Statements of Comprehensive Income

(Million yen)

|   | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|---|---|---|
| Profit  | 4,880                                       | 4,934                                       |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities                             | (5,819)                                     | (1,690)                                     |
| Remeasurements of defined benefit plans, net of tax                               | (546)                                       | (762)                                       |
| Share of other comprehensive income of entities accounted for using equity method | (178)                                       | 11  |
| Total other comprehensive income  | (6,543)                                     | (2,442)                                     |
| Comprehensive income  | (1,663)                                     | 2,491                                       |
| Comprehensive income attributable to  |   |   |
| Comprehensive income attributable to owners of parent                             | (1,773)                                     | 2,388                                       |
| Comprehensive income attributable to non-controlling interests                    | 110   | 102   |

## (3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 5,000                | 12,810          | 60,285            | (5,025)         | 73,070                     |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (653)             |                 | (653)                      |
| Profit attributable to owners of parent              |                      |                 | 4,770             |                 | 4,770                      |
| Purchase of treasury shares                          |                      |                 |                   | (1,559)         | (1,559)                    |
| Disposal of treasury shares by stocks payment trust  |                      |                 |                   | 3               | 3                          |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | -                    | -               | 4,116             | (1,555)         | 2,561                      |
| Balance at end of period                             | 5,000                | 12,810          | 64,402            | (6,581)         | 75,631                     |

|  | Accumulated other comprehensive income                |   |  | Non-controlling interests | Total net assets |
|--|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 27,652  | 2,220                                   | 29,873                                       | 972                       | 103,916          |
| Changes during period                                |   |   |  |                           |                  |
| Dividends of surplus                                 |   |   |  |                           | (653)            |
| Profit attributable to owners of parent              |   |   |  |                           | 4,770            |
| Purchase of treasury shares                          |   |   |  |                           | (1,559)          |
| Disposal of treasury shares by stocks payment trust  |   |   |  |                           | 3                |
| Net changes in items other than shareholders' equity | (6,006)   | (537)                                   | (6,543)                                      | 108                       | (6,435)          |
| Total changes during period                          | (6,006)   | (537)                                   | (6,543)                                      | 108                       | (3,874)          |
| Balance at end of period                             | 21,645  | 1,683                                   | 23,329                                       | 1,080                     | 100,041          |

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period                       | 5,000                | 12,810          | 64,402            | (6,581)         | 75,631                     |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (1,369)           |                 | (1,369)                    |
| Profit attributable to owners of parent              |                      |                 | 4,831             |                 | 4,831                      |
| Purchase of treasury shares                          |                      |                 |                   | (998)           | (998)                      |
| Disposal of treasury shares for stocks payment trust |                      |                 |                   | 4               | 4                          |
| Change in scope of consolidation                     |                      |                 | 0                 |                 | 0                          |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | -                    | -               | 3,461             | (994)           | 2,467                      |
| Balance at end of period                             | 5,000                | 12,810          | 67,864            | (7,575)         | 78,099                     |

|  | Accumulated other comprehensive income                |   |  | Non-controlling interests | Total net assets |
|--|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of period                       | 21,645  | 1,683                                   | 23,329                                       | 1,080                     | 100,041          |
| Changes during period                                |   |   |  |                           |                  |
| Dividends of surplus                                 |   |   |  |                           | (1,369)          |
| Profit attributable to owners of parent              |   |   |  |                           | 4,831            |
| Purchase of treasury shares                          |   |   |  |                           | (998)            |
| Disposal of treasury shares for stocks payment trust |   |   |  |                           | 4                |
| Change in scope of consolidation                     |   |   |  |                           | 0                |
| Net changes in items other than shareholders' equity | (1,672)   | (769)                                   | (2,442)                                      | 98                        | (2,343)          |
| Total changes during period                          | (1,672)   | (769)                                   | (2,442)                                      | 98                        | 123              |
| Balance at end of period                             | 19,972  | 913                                     | 20,886                                       | 1,179                     | 100,165          |

## (4) Consolidated Statements of Cash Flows

(Million yen)

|  | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|--|---|---|
| Cash flows from operating activities                                 |   |   |
| Profit before income taxes   | 7,648                                       | 8,111                                       |
| Depreciation   | 2,780                                       | 3,010                                       |
| Impairment losses  | 946   | 1,791                                       |
| Amortization of goodwill   | 343   | 343   |
| Increase (decrease) in allowance for doubtful accounts               | (15)  | 416   |
| Increase (decrease) in provision for bonuses                         | 106   | 26  |
| Increase (decrease) in retirement benefit liability                  | (3,323)                                     | (1,679)                                     |
| Interest and dividend income   | (853)                                       | (783)                                       |
| Rental income  | (240)                                       | (240)                                       |
| Administrative service fee income                                    | (1,556)                                     | (1,554)                                     |
| Interest expenses  | 99  | 96  |
| Loss (gain) on investments in investment partnerships                | -   | (617)                                       |
| Share of loss (profit) of entities accounted for using equity method | (87)  | (108)                                       |
| Loss (gain) on sale and valuation of investment securities           | (2,536)                                     | (4,118)                                     |
| Loss on valuation of shares of subsidiaries and associates           | 11  | -   |
| Loss (gain) on sale and retirement of property, plant and equipment  | (286)                                       | (4)   |
| Decrease (increase) in trade receivables                             | (4,933)                                     | 1,146                                       |
| Decrease (increase) in inventories                                   | (2,450)                                     | 942   |
| Decrease (increase) in accounts receivable - other                   | (1,109)                                     | (73)  |
| Decrease (increase) in guarantee deposits                            | 13  | 4,278                                       |
| Increase (decrease) in trade payables                                | 9,624                                       | (12,113)                                    |
| Other, net   | 1,348                                       | (1,468)                                     |
| Subtotal   | 5,528                                       | (2,597)                                     |
| Interest and dividends received                                      | 852   | 790   |
| Office work fee received   | 1,548                                       | 1,580                                       |
| Interest paid  | (98)  | (96)  |
| Income taxes paid  | (1,512)                                     | (3,527)                                     |
| Income taxes refund  | 1,156                                       | 836   |
| Other, net   | 10  | 12  |
| Net cash provided by (used in) operating activities                  | 7,487                                       | (3,001)                                     |

(Million yen)

|  | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|--|---|---|
| <b>Cash flows from investing activities</b>  |   |   |
| Net decrease (increase) in time deposits   | (200)                                       | (150)                                       |
| Purchase of property, plant and equipment  | (3,415)                                     | (5,840)                                     |
| Proceeds from sale of property, plant and equipment  | 551   | 200   |
| Purchase of intangible assets  | (725)                                       | (759)                                       |
| Purchase of investment securities  | (885)                                       | (353)                                       |
| Proceeds from sale of investment securities  | 2,588                                       | 5,491                                       |
| Proceeds from repayment of investment securities   | 7   | 4   |
| Proceeds from redemption of investment securities  | -   | 100   |
| Loan advances  | (10)  | (60)  |
| Proceeds from collection of loans receivable   | 40  | 89  |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation                 | (217)                                       | -   |
| Other, net   | 252   | 238   |
| Net cash provided by (used in) investing activities  | (2,013)                                     | (1,038)                                     |
| <b>Cash flows from financing activities</b>  |   |   |
| Net increase (decrease) in short-term borrowings   | (210)                                       | -   |
| Repayments of long-term borrowings   | (5,370)                                     | (970)                                       |
| Repayments of lease liabilities  | (694)                                       | (742)                                       |
| Purchase of treasury shares  | (1,559)                                     | (998)                                       |
| Dividends paid   | (651)                                       | (1,365)                                     |
| Other, net   | (2)   | (4)   |
| Net cash provided by (used in) financing activities  | (8,486)                                     | (4,080)                                     |
| Net increase (decrease) in cash and cash equivalents   | (3,013)                                     | (8,121)                                     |
| Cash and cash equivalents at beginning of period   | 26,252                                      | 23,239                                      |
| Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation | -   | 29  |
| Cash and cash equivalents at end of period   | 23,239                                      | 15,147                                      |

## (5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(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 consolidated fiscal year under review, and has decided to 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. There are no effects on the consolidated financial statements for the fiscal year under review due to the application of the Implementation Guidance

(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 fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

|  | Reportable segment                      |                      |   |         | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Amount<br>recorded in<br>Consolidated<br>Statements of<br>Income<br>(Note 3) |
|--|---|----------------------|---|---------|--------------------|---------|------------------------|--|
|  | Pharmaceutical<br>Wholesale<br>Business | Pharmacy<br>Business | Veterinary<br>Drug<br>Wholesale<br>Business | Total   |                    |         |                        |  |
| Net sales  |   |                      |   |         |                    |         |                        |  |
| Net sales to outside<br>customers                                      | 544,249                                 | 18,397               | 10,399                                      | 573,047 | 4,201              | 577,249 | -                      | 577,249  |
| Inter-segment net sales<br>or transfers                                | 8,811                                   | 3                    | 0   | 8,815   | 2,502              | 11,317  | (11,317)               | -  |
| Total  | 553,061                                 | 8,401                | 10,399                                      | 581,862 | 6,704              | 588,566 | (11,317)               | 577,249  |
| Segment income (loss)  | 2,443                                   | 205                  | 371   | 3,020   | (131)              | 2,889   | 56                     | 2,945  |
| Segment assets   | 295,496                                 | 10,610               | 5,186                                       | 311,292 | 8,780              | 320,073 | (7,039)                | 313,033  |
| Other items  |   |                      |   |         |                    |         |                        |  |
| Depreciation   | 2,476                                   | 144                  | 14  | 2,636   | 144                | 2,780   | -                      | 2,780  |
| Amortization of<br>goodwill  | 15                                      | 327                  | -   | 343     | -                  | 343     | -                      | 343  |
| Increase in property,<br>plant and equipment, and<br>intangible assets | 3,218                                   | 48                   | 112   | 3,380   | 803                | 4,184   | -                      | 4,184  |

- (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 ¥56 million and adjustment of segment assets of ¥(7,039) million refer to elimination of inter-segment transactions.
3. Adjustments are made to reconcile segment income to operating loss reported on the consolidated statements of income.

For the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

|  | Reportable segment                      |                      |   |         | Others<br>(Note 1) | Total   | Adjustment<br>(Note 2) | Amount<br>recorded in<br>Consolidated<br>Statements of<br>Income<br>(Note 3) |
|--|---|----------------------|---|---------|--------------------|---------|------------------------|--|
|  | Pharmaceutical<br>Wholesale<br>Business | Pharmacy<br>Business | Veterinary<br>Drug<br>Wholesale<br>Business | Total   |                    |         |                        |  |
| Net sales  |   |                      |   |         |                    |         |                        |  |
| Net sales to outside<br>customers                                      | 546,058                                 | 18,361               | 10,879                                      | 575,299 | 4,473              | 579,772 | -                      | 579,772  |
| Inter-segment net<br>sales or transfers                                | 10,452                                  | 9                    | 0   | 10,462  | 2,553              | 13,015  | (13,015)               | -  |
| Total  | 556,511                                 | 18,371               | 10,879                                      | 585,761 | 7,026              | 592,788 | (13,015)               | 579,772  |
| Segment income (loss)  | 2,053                                   | 106                  | 339   | 2,499   | (204)              | 2,295   | 175                    | 2,470  |
| Segment assets   | 281,594                                 | 8,794                | 5,288                                       | 295,676 | 9,666              | 305,343 | (8,027)                | 297,316  |
| Other items  |   |                      |   |         |                    |         |                        |  |
| Depreciation   | 2,640                                   | 142                  | 17  | 2,800   | 210                | 3,010   | -                      | 3,010  |
| Amortization of<br>goodwill  | 15                                      | 327                  | -   | 343     | -                  | 343     | -                      | 343  |
| Increase in property,<br>plant and equipment,<br>and intangible assets | 6,070                                   | 57                   | 9   | 6,137   | 836                | 6,974   | -                      | 6,974  |

(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 ¥175 million and adjustment of segment assets of ¥(8,027) million refer to elimination of inter-segment transactions.

3. Adjustments are made to reconcile segment income to operating profit reported on the consolidated statements of income.

[Related information]

1. Information by product and service

Statement has been omitted as net sales to outside customers in a single product/service category exceed 90% of total net sales in the consolidated statements of income.

2. Information by geographic area

(1) Net sales

Not applicable as there are no net sales to outside customers other than in Japan.

(2) Property, plant and equipment

Not applicable as there are no property, plant or equipment in areas other than in Japan.

3. Information by major customer

Statement has been omitted as no outside customer accounts for 10% or more of total net sales in the consolidated statements of income.



[Information concerning impairment loss on non-current assets by reportable segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

|                   | Reportable segment                |                   |                                    |       | Others | Total | Adjustment | Amount recorded in Consolidated Statements of Income |
|-------------------|-----------------------------------|-------------------|------------------------------------|-------|--------|-------|------------|--|
|                   | Pharmaceutical Wholesale Business | Pharmacy Business | Veterinary Drug Wholesale Business | Total |        |       |            |  |
| Impairment losses | 922                               | 23                | -                                  | 946   | -      | 946   | -          | 946  |

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

|                   | Reportable segment                |                   |                                    |       | Others | Total | Adjustment | Amount recorded in Consolidated Statements of Income |
|-------------------|-----------------------------------|-------------------|------------------------------------|-------|--------|-------|------------|--|
|                   | Pharmaceutical Wholesale Business | Pharmacy Business | Veterinary Drug Wholesale Business | Total |        |       |            |  |
| Impairment losses | 78                                | 1,713             | -                                  | 1,791 | -      | 1,791 | -          | 1,791  |

[Information concerning amortization of goodwill and unamortized balances by reportable segment]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

|                          | Reportable segment                |                   |                                    |       | Others | Total | Adjustment | Amount recorded in Consolidated Statements of Income |
|--------------------------|-----------------------------------|-------------------|------------------------------------|-------|--------|-------|------------|--|
|                          | Pharmaceutical Wholesale Business | Pharmacy Business | Veterinary Drug Wholesale Business | Total |        |       |            |  |
| (Goodwill)               |                                   |                   |                                    |       |        |       |            |  |
| Amortization expense     | 15                                | 327               | -                                  | 327   | -      | 343   | -          | 343  |
| Balance at end of period | 35                                | 2,839             | -                                  | 2,874 | -      | 2,874 | -          | 2,874  |

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

|                          | Reportable segment                |                   |                                    |       | Others | Total | Adjustment | Amount recorded in Consolidated Statements of Income |
|--------------------------|-----------------------------------|-------------------|------------------------------------|-------|--------|-------|------------|--|
|                          | Pharmaceutical Wholesale Business | Pharmacy Business | Veterinary Drug Wholesale Business | Total |        |       |            |  |
| (Goodwill)               |                                   |                   |                                    |       |        |       |            |  |
| Amortization expense     | 15                                | 327               | -                                  | 343   | -      | 343   | -          | 343  |
| Balance at end of period | 19                                | 798               | -                                  | 818   | -      | 818   | -          | 818  |

(Per share information)

|                          | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|--------------------------|---|---|
| Net assets per share     | ¥1,858.86                                   | ¥1,911.44                                   |
| Basic earnings per share | ¥87.88                                      | ¥92.69                                      |

(Notes) 1. Diluted earnings per share is not stated as there are no dilutive shares.

2. Basis of calculation of basic earnings per share and diluted earnings per share is as follows:

|  | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|--|---|---|
| Basic earnings per share   |   |   |
| Profit income attributable to owners of parent (Million yen)                             | 4,770                                       | 4,831                                       |
| Amount not attributable to common stockholders (Million yen)                             | -   | -   |
| Profit attributable to owners of parent relating to common stock (Million yen)           | 4,770                                       | 4,831                                       |
| Average number of shares of common stock outstanding during the period (Thousand shares) | 54,280                                      | 52,119                                      |

3. Basis for the calculation of net assets per share is as follows:

|   | For the fiscal year ended<br>March 31, 2022 | For the fiscal year ended<br>March 31, 2023 |
|---|---|---|
| Total net assets (Million yen)  | 100,041                                     | 100,165                                     |
| Amount deducted from total net assets (Million yen)   | 1,080                                       | 1,179                                       |
| (Non-controlling interests) (Million yen)   | (1,080)                                     | (1,179)                                     |
| Year-end net assets corresponding to common stock (Million yen)                                 | 98,961                                      | 98,986                                      |
| Number of common stock at the year-end used to calculate net assets per share (Thousand shares) | 53,237                                      | 51,786                                      |

(Note) The Company shares held by the Custody Bank of Japan, Ltd. (Trust Account E) as trust assets for the “Board Benefit Trust (BBT)” are included in treasury stock to be deducted in the calculation of average number of shares during the period for the purpose of calculating basic earnings per share (120 thousand shares for the fiscal year ended March 31, 2022, and 116 thousand shares for the fiscal year ended March 31, 2023).

(Significant subsequent events)

Not applicable.