



Financial Results Briefing for the First Half of Fiscal Year Ending March 31,2024

November 15, 2023 (WED)





Agenda

- ① Financial Highlights for the First Half of Fiscal Year Ending March 31, 2024
- ② Forecast for Fiscal Year Ending March 31, 2024
- ③ Medium-term Management Plan 2023-2025
“Create the Next Generation”



1 Financial Highlights for the First Half of Fiscal Year Ending March 31, 2024



Profit and Loss Statement (Consolidated)

(Unit: million Yen)

	1st half of FY ended March 2023		1st half of FY ending March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	681,470		734,846		7.83
Gross profit	54,658	8.02	56,635	7.71	3.62
SG&A	48,823	7.16	50,142	6.82	2.70
Operating profit	5,835	0.86	6,492	0.88	11.26
Ordinary profit	7,392	1.08	7,945	1.08	7.48
Net profit*	3,598	0.53	8,782	1.20	144.08

*Profit attributable to owners of parent



Balance Sheet (Consolidated)

(Unit: million Yen)

	FY ended March 2023		1st half of FY ending March 2024			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
Current assets	533,519	74.59	620,393	77.42	86,874	Increase in cash and deposits of 51,652 Increase in accounts receivable-trade of 38,349 Decrease in merchandise and finished goods of 2,975
Non-current assets	181,768	25.41	180,986	22.58	-782	Decrease in property, plant and equipment of 1,651
Total assets	715,288	100.00	801,379	100.00	86,091	
Current liabilities	440,188	61.54	502,754	62.74	62,566	Increase in accounts payable-trade of 80,543 Decrease in current portion of bonds payable of 20,003
Non-current liabilities	32,183	4.50	53,483	6.67	21,300	Increase in bonds payable of 22,103
Total liabilities	472,372	66.04	556,237	69.41	83,865	
Net assets	242,916	33.96	245,142	30.59	2,226	Increase in retained earnings of 7,734 Increase in treasury stock of 5,971(-)
Total liabilities and net assets	715,288	100.00	801,379	100.00	86,091	

Equity-to-asset ratio FY ended March 2023: 33.93% 1st half of FY ending March 2024: 30.56%



Profit and Loss Statement (Pharmaceutical Wholesaling Business)

- Growing sales of new drugs and specialty drugs, such as cancer drugs, and sales of therapeutic drugs expanded owing to the spread of the so-called ninth wave of COVID-19.
- The Company’s net sales of limited-handling products for selected wholesalers were 98.8billion yen (21% increase from the previous period). *Excluding COVID-19 therapeutic agent
- Gross profit of customer support system 2 billion yen (5.5% increase from the previous period)

(Unit: million Yen)

	1st half of FY ended March 2023		1st half of FY ending March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	656,571		709,414		8.05
Gross profit	37,140	5.66	38,955	5.49	4.89
SG&A	32,057	4.88	32,143	4.53	0.27
Operating profit	5,082	0.77	6,811	0.96	34.02

Composition of Sales by Category and Contract Rate

Composition of sales by category

	April 2022-September 2022	April 2023-September 2023
Drugs for premium to promote the development of new drugs and eliminate off-label use	44.4%	51.0%
Patented drugs, others	27.0%	26.5%
Long-listed original drugs	16.8%	11.4%
Generic drugs	11.9%	11.2%

Contract rate

	2019/9	2020/3	2020/9	2021/3	2021/9	2022/3	2022/9	2022/3	2023/9
Value Basis	99.7%	99.7%	95.6%	100.0%	95.0%	100.0%	95.4%	98.6%	95.2%
Number Basis	100.0%	99.8%	80.6%	100.0%	71.1%	100.0%	69.6%	100.0%	69.3%



Profit and Loss Statement (Dispensing Pharmacy Business)

• We promoted responses to the revision of medical service fees and nine stores were closed or transferred with an emphasis on profitability. Three new stores opened.

• Increase in the number of prescriptions filled due to the recovery of the suppression of patient visits

(Unit: million Yen)

	1st half of FY ended March 2023		1st half of FY ending March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	45,089		46,598		3.35
Gross profit	15,736	34.90	15,871	34.06	0.86
SG&A	14,857	32.95	14,976	32.14	0.80
Operating profit	878	1.95	895	1.92	1.94

■ Number of stores (as of September 30, 2023)

	Consolidated Subsidiaries		Non-Consolidated Subsidiaries		Affiliates Companies		Total	
TOHO HOLDINGS	4 companies	76 stores	8 companies	53 stores	2 companies	16 stores	14 companies	145 stores
PharmaCluster	6 companies	474 stores	10 companies	53 stores	2 companies	87 stores	18 companies	614 stores
Total	10 companies	550 stores	18 companies	106 stores	4 companies	103 stores	32 companies	759 stores

2 Forecast for Fiscal Year Ending March 31, 2024



Forecast for Fiscal Year Ending March 31, 2024(Consolidated)

No change from initial announcement

(Unit: million Yen)

	FY ended March 2023		FY ending March 2024 (Forecasts)			
	Sum	% of net sales	Forecast		YoY change	
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)
Net sales	1,392,117		1,325,000		-67,117	-4.82
Gross profit	114,366	8.22	113,400	8.56	-966	-0.84
SG&A	98,000	7.04	101,900	7.69	3,900	3.98
Operating profit	16,365	1.18	11,500	0.87	-4,865	-29.73
Ordinary profit	19,176	1.38	13,800	1.04	-5,376	-28.04
Net profit *	13,630	0.98	12,300	0.93	-1,330	-9.76

*Profit attributable to owners of parent

1st half of FY ending March 2024	
Sum	Progress (%)
734,846	55.46
56,635	49.94
50,142	49.21
6,492	56.45
7,945	57.57
8,782	71.40



Forecast for Fiscal Year Ending March 2024 (Pharmaceutical Wholesaling Business)

(Unit: million Yen)

	FY ended March 2023		FY ending March 2024 (Forecasts)			
	Sum	% of net sales	Forecast		YoY change	
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)
Net sales	1,340,318		1,273,000		-67,318	-5.02
Gross profit	78,463	5.85	77,500	6.09	-963	-1.23
SG&A	64,468	4.81	65,500	5.15	1,032	1.60
Operating profit	13,995	1.04	12,000	0.94	-1,995	-14.26

1st half of FY ending March 2024	
Sum	Progress (%)
709,414	55.73
38,955	50.26
32,143	49.07
6,811	56.76



Forecast for Fiscal Year Ending March 2024 (Dispensing Pharmacy Business)

(Unit: million Yen)

	FY ended March 2023		FY ending March 2024 (Forecasts)			
	Sum	% of net sales	Forecast		YoY change	
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)
Net sales	92,346		92,400		54	0.06
Gross profit	32,160	34.83	32,100	34.74	-60	-0.19
SG&A	29,728	32.19	30,200	32.68	472	1.59
Operating profit	2,431	2.63	1,900	2.06	-531	-21.84

1st half of FY ending March 2024	
Sum	Progress (%)
46,598	50.43
15,871	49.44
14,976	49.59
895	47.11



Dividend Outlook

	Interim	Year End	Annual Dividend
FY ended March 2022	15yen	15yen	30yen
FY ended March 2023	16yen	16yen	32yen
FY ending March 2024 (Forecasts)	18yen (Ordinary dividend: 16yen Commemorative dividend: 2yen)	18yen (Ordinary dividend: 16yen Commemorative dividend: 2yen)	36yen (Ordinary dividend: 32yen Commemorative dividend: 4yen)

(*) We plan to pay an interim dividend of 18 yen per share and a year-end dividend of 18 yen per share for Fiscal year ending March 2024, with an annual dividend per share totaling 36 yen. Each of the interim and year-end dividends will be comprised of an ordinary dividend of 16 yen and a special dividend of 2 yen commemorating the 75th anniversary of the company's foundation.

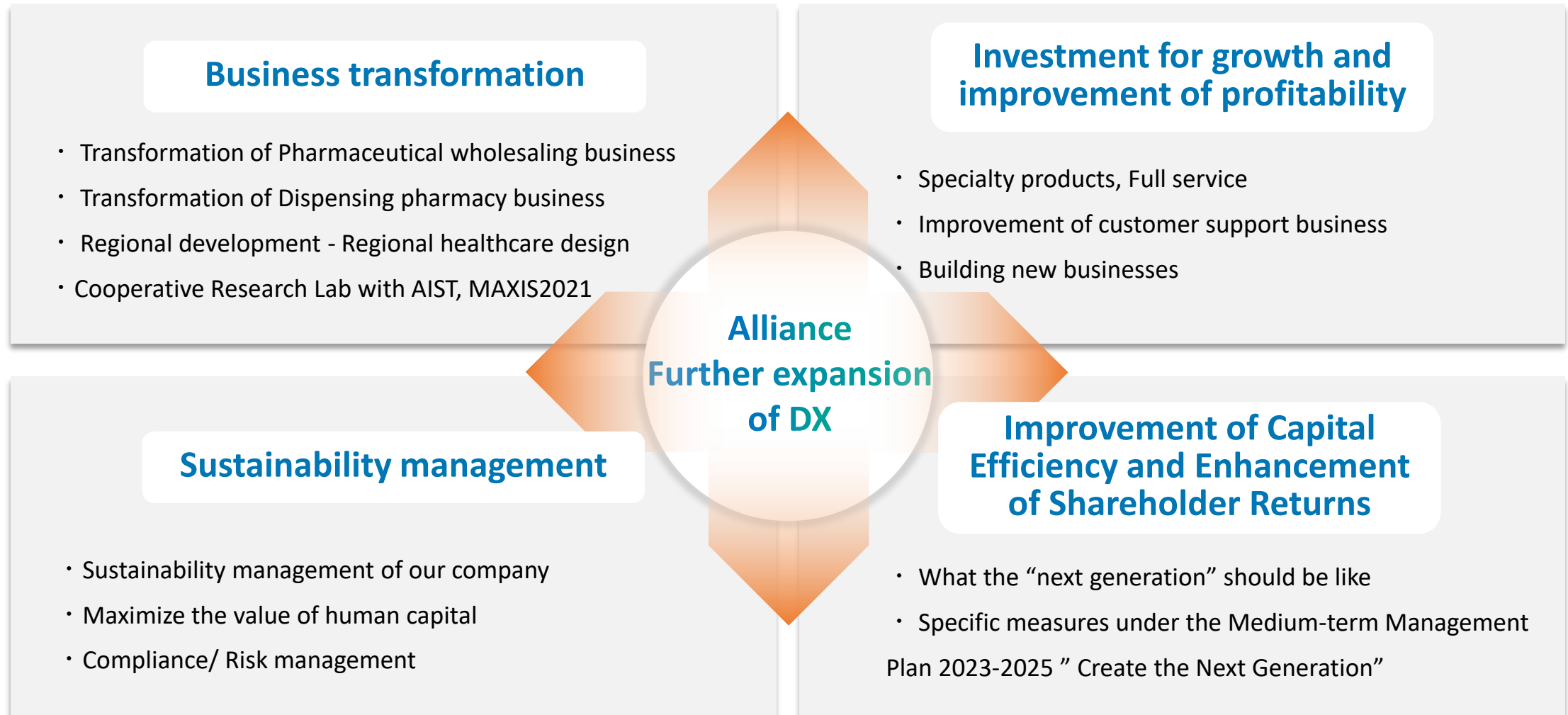


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Medium-term Management Plan 2023-2025 “Create the Next Generation”



Basic policy and specific measures of the Medium-term Management Plan 2023-2025 “Create the Next Generation”





Transformation of Pharmaceutical wholesaling business

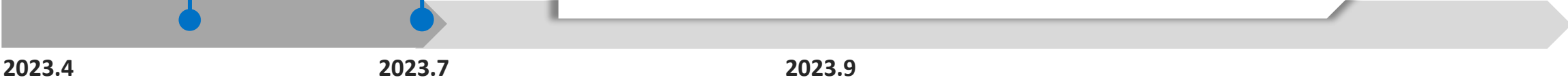
- ✓ Integration of pharmaceuticals, Reagents, medical products and consumer healthcare into the “Sales Division”
- ✓ Consolidating all strategic divisions to create new “Sales Strategy Division”

Announcing the Medium-Term Management Plan

Organizational restructuring

Strategy for unification of pharmaceuticals and reagents

1. Communalization of sales, distribution, logistics, and office work
2. Collaboration between pharmaceutical MS and reagents MS
3. Development of a new market for reagents

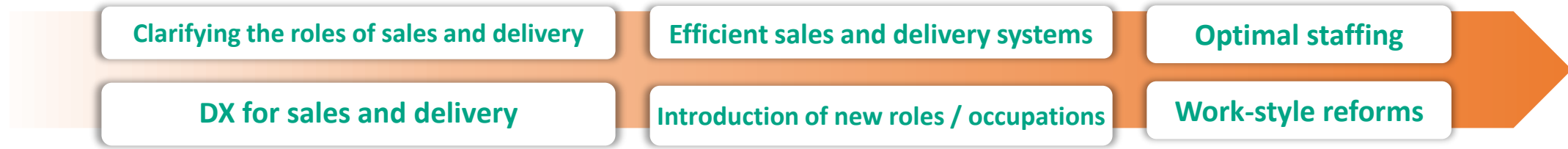


Consolidation of sales bases

Change in the number of sales bases

- * As of September 2023 (Comparison with March 2023)
- Number of sites : 216 (-5sites)
- Number of sales offices : 239 (-15offices)
- *Number of sites includes head office and distribution center

Development of optimum business sites in line with local circumstances





Transformation of Dispensing pharmacy business

Restructuring dispensing pharmacy subsidiaries

During the period of the current Medium-Term Management Plan, we will proceed with the integration and restructuring of the 27 dispensing pharmacy companies nationwide toward better functioning through concentration of management functions and system integration.

✓ Consolidated two companies on October 1

Opened new pharmacies while closing existing ones with an emphasis on profitability

✓ In the first half of the fiscal year under review, we opened three stores and closed and transferred nine stores.

Business site integration associated with the Daizawa Project

✓ PFP Daizawa, base for sales of pharmaceuticals in small lots, integrated into PFP Saitama

Promotion of DX

Improving pharmacy operational efficiency and patient convenience through active promotion of DX.

✓ Development a portal application, **Kyoso Mirai Pharmacy Health Navi**, which includes a function for sending prescriptions and an electronic medicine notebook

- Prescription sending function app
- Electronic medicine notebook app
Automated linkage of prescription data from ENIFvoice Core
- Other Customer support apps



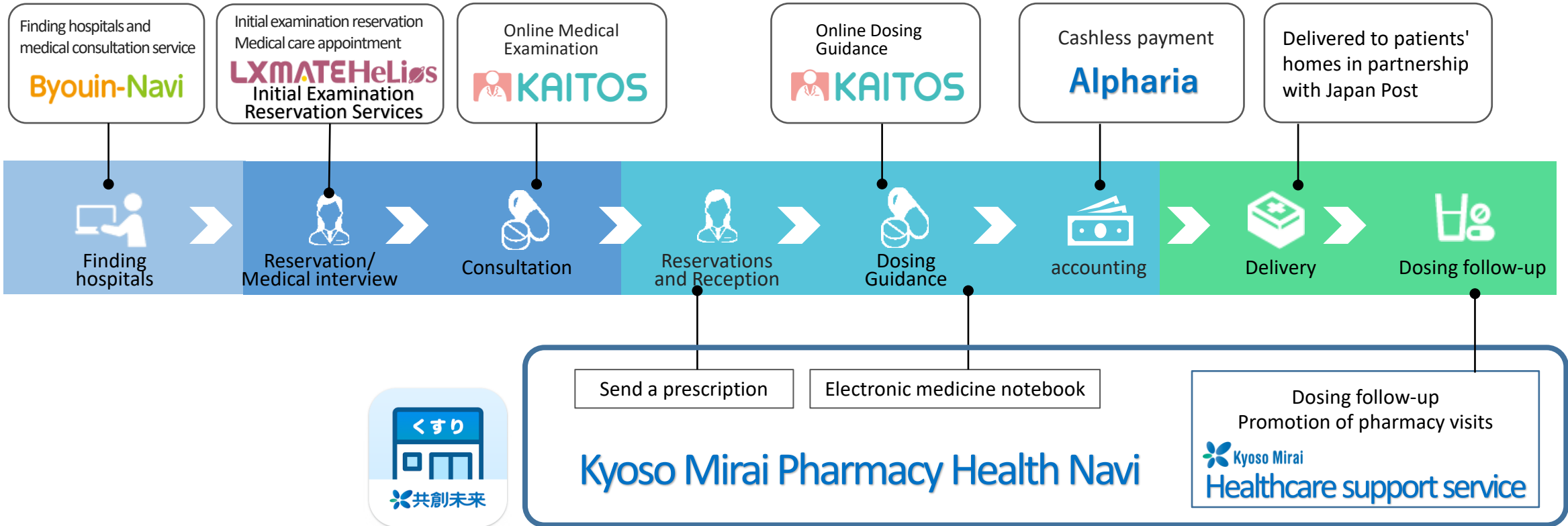


Promotion of DX for pharmacy operations



Patients

Helping patients at all stages, from finding hospitals and pharmacies to receiving and following up on medications





■ Joint research with the National Institute of Advanced Industrial Science and Technology (AIST) -Aim to realize of Universal Medical Access-



8 researchers on loan from the Group
and 16 in-house researchers

Collaborative Research Lab established to conduct joint research on four themes





Toward building "Specialty products, Full service"

{ Market derivation }

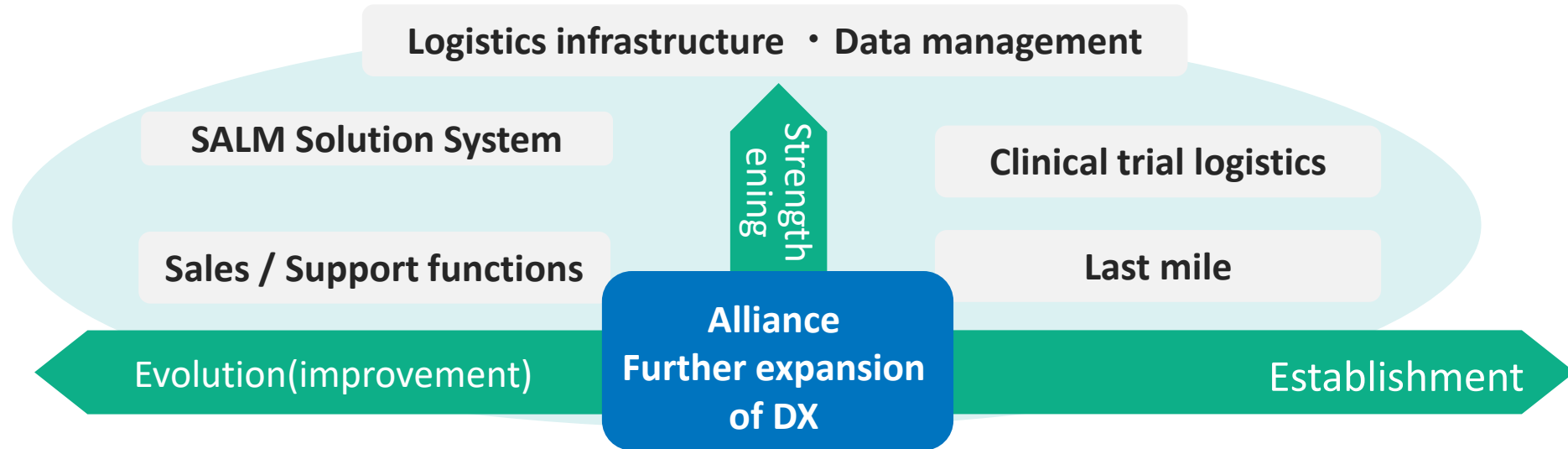
- Diversification of modalities(Diversification of needs)
- Expansion of specialty products

{ Required Features }

- BCP
- Optimization of distribution inventory
- Temperature control
- Sales/Support
- Management by patient

Initiatives in the First Half

- Compilation of "Proposal for Business Continuity Plan in the Supply of Pharmaceuticals"
- Joint Disaster Prevention Drill with the Ground Self-Defense Force

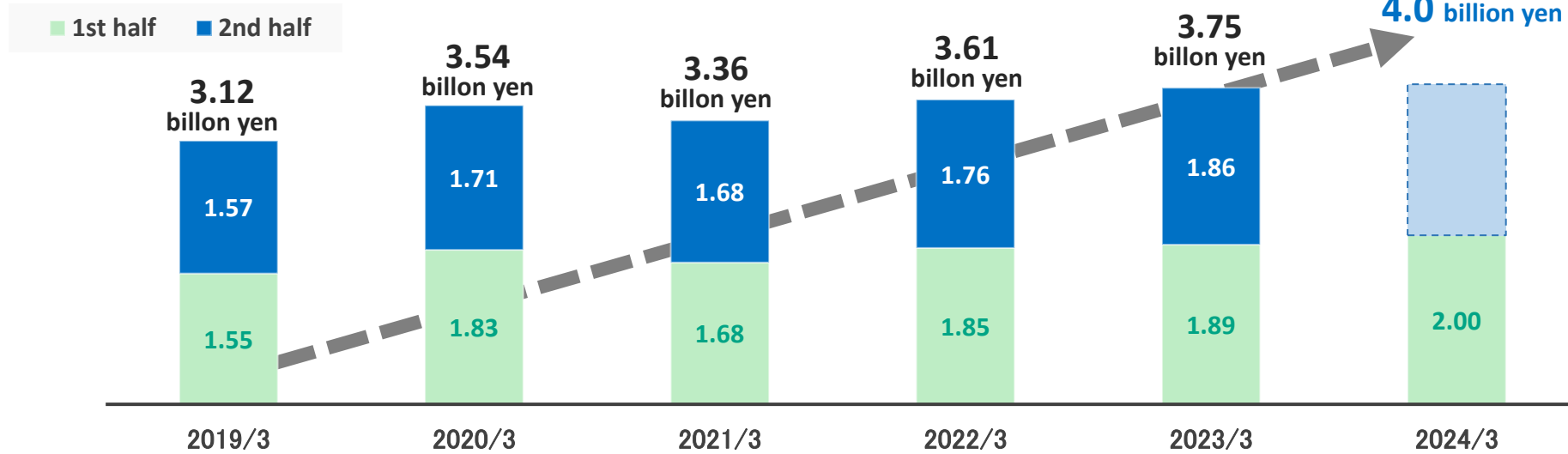


Contribution to the establishment of a system to provide safe and secure medical care to patients in need of treatment.



Improvement of customer support business

Changes in the performance of Customer Support System(Gross profit)



The entire fee business, including the Meissa Promotion System, was 3 billion yen in the first half of the year.

Improvement of existing customer support business

- Development of cloud version of LXMATE HeLios
- Promotion of switching from ENIF (free) to FutureENIF (paid)
- Taking on the challenge of new business by utilizing the voice-recognition technology cultivated by the development of the ENIFvoice series.



Development of new customer support business through alliances and internal projects

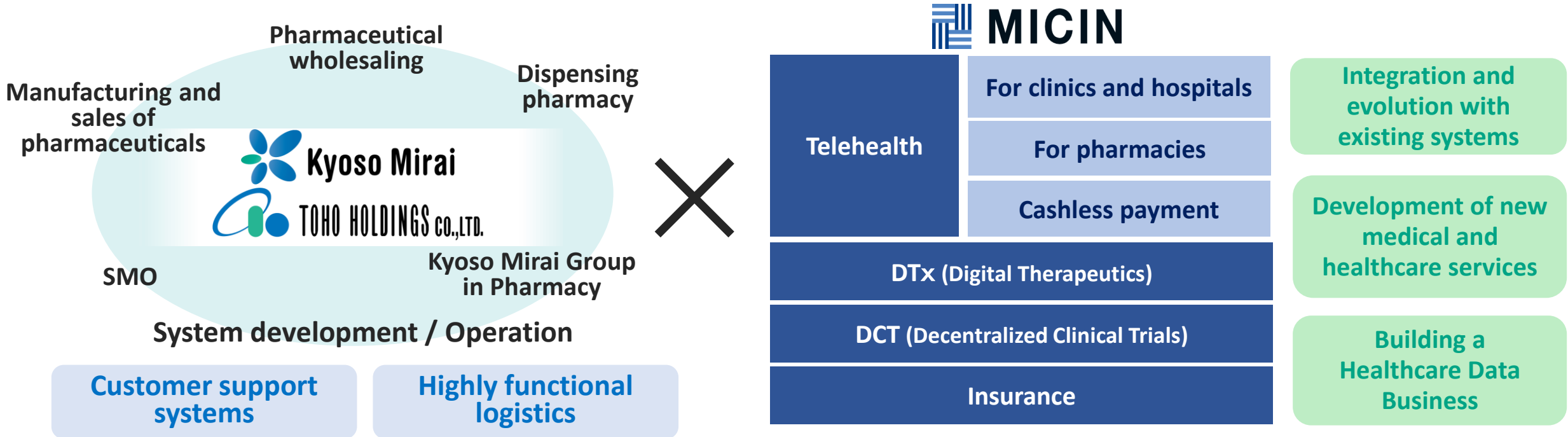


Development of portal sites for clients



■ Efforts to growth areas and new businesses

✓ Evolution of customer support business through alliances



✓ Efforts to Global Markets and EC Markets

⇒ Entry into the e-commerce business in China, which has potential for growth.

✓ Capital and business tie-up with biotech venture companies

⇒ Supporting the development of specialty products such as biomedical products and regenerative medical products and collaborating in their distribution.

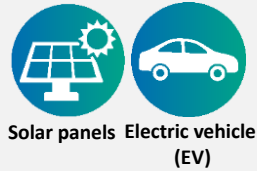
Sustainability management



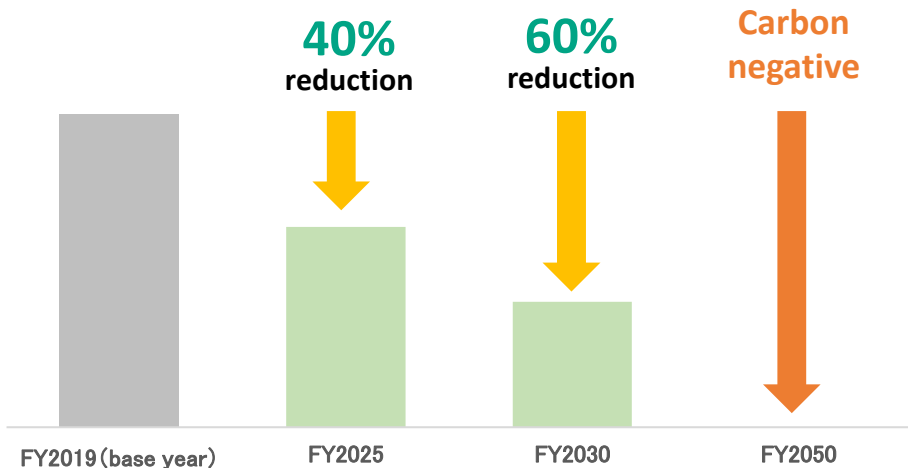
We work to solve social issues through our business and contribute to the realization of a sustainable society.

Efforts to decarbonization

- **Setting CO2 emission reduction targets**



Reduction of CO2 emissions



- **Paperless promotion**

Promotion of a 80% reduction in Headquarters-related paper due to the relocation of Head Office functions

Stable supply • BCP

With the participation of pharmaceutical companies, etc., the "the Study Group for Establishment of BCP System" was established to comply a Proposal for Business Continuity Plan in the Supply of Pharmaceuticals in the event of a disaster.

➔ We have been compiled as a "Proposal for Business Continuity Plan in the Supply of Pharmaceuticals," and will prepare to submit this Proposal to public authorities and local governments.

Human capital • Health management

Human resources/Training

Enhancement of training(Management training by external instructors, Reskilling)

Development of the personnel system

Expansion of mid-career employment, Appointment of contract employees as full-time employees

Work-style reforms

Increase in the amount of average periodic wage increase, Review of vacation days (full five-day work week/ Increase in the number of summer vacation days) and Introduction of office casual throughout the year

Work-style reforms

Strengthen promotion system and conduct training for employees

Compliance

All employees receive Group Compliance Training every month



■ Improvement of Capital Efficiency and Enhancement of Shareholder Returns

Specific measures under the Medium-term Management Plan 2023-2025

“Create the Next Generation”

1) Investment Plan	38 billion yen	3) Dividends	We will increase dividends stably with a target of a DOE (dividend on equity) of 2%.
2) Purchase of treasury shares	More than 30 billion yen	4) Cross-shareholdings	We will unwind cross-shareholdings in a phased manner through sufficient dialogue with the partner companies.

Major Results for the First Half

● Purchase of treasury shares

Acquired treasury shares to improve shareholder return and capital efficiency.

- **May 31: 6.0billion yen** *Ended June 1
- **September 15: 6.0billion yen (Maximum)** *Until March 31, 2024
(as of October 31: Total number of shares acquired: 389,100 shares/Total cost of stock acquired: 1,262,246,600 yen)

Cancellation of all shares of treasury stock acquired as described above (Planned cancellation date: March 31, 2024)

● Cross-shareholdings

Sale of investment securities to improve the asset efficiency and strengthen the financial structure of the Company.

Amount sold: 7 billion yen



References

Cash Flow



(Unit: million Yen)

	1st half of FY ended March 2023	1st half of FY ending March 2024	Major factors for 1st half of FY ending March 2024
Cash and cash equivalents at the beginning of period	90,014	81,839	
Operating activities	10,693	53,933	Profit before income taxes: 13,029 Depreciation: 3,098 Increase in trade payables: -36,996 Decrease in inventories: 3,237 Increase in trade payables: 79,022 Income taxes paid: -4,765
Investment activities	-407	3,515	Purchase of property, plant and equipment: -966 Purchase of intangible assets: -792 Purchase of investment securities: -1,955 Proceeds from sale of investment securities: 6,977
Financing activities	-2,960	-5,775	Repayments of long-term borrowings: -1,335 Issuance of bonds: 22,110 Redemption of bonds: -20,000 Purchase of treasury shares: -6,001
Cash and cash equivalents at the end of period	97,855	133,516	Increase(1st half of FY ending March 2024): 51,676

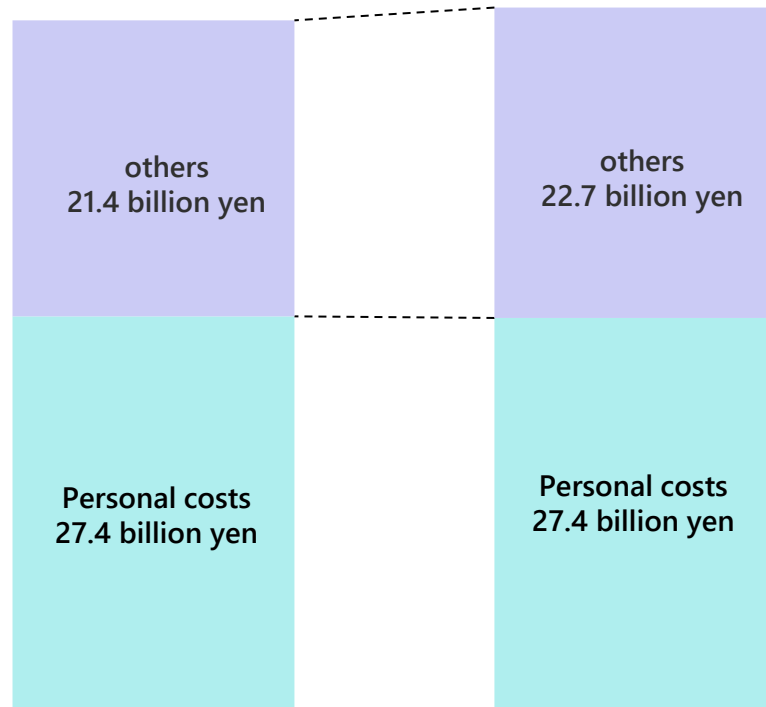
SG&A (Year on Year)



<Year on Year>

+ 1.3 billion yen

48.8 billion yen 50.1 billion yen



1st half of FY ended March 2023 1st half of FY ending March 2024

Others +1.35 billion yen

Pharmaceutical wholesaling business: +1.2 billion yen

Rent expenses on real estate +0.29 billion yen

Commission expenses +0.19 billion yen

Depreciation +0.18 billion yen

Utilities charge +0.07 billion yen

Asset retirement obligations +0.05 billion yen

Dispensing pharmacy business: +0.15 billion yen

Non-deductible temporary paid consumption tax
expense due to increased net sales +0.14 billion yen

Personal costs -0.05 billion yen

Capital Investment and Depreciation



【Capital Investment】

1st half of FY ended March 2023	1st half of FY ending March 2024	FY ending March 2024
Results : 946 million yen	Results : 1,647 million yen	Forecasts : 6,791 million yen
<p>1. “TBC Hokuriku” (system, fixtures) : 208 million yen</p> <p>2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 320 million yen</p> <p>3. Others : 418 million yen Including, replacement of core system servers : 99 million yen Replacement of WMS terminal units, etc. : 28 million yen</p>	<p>1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 589 million yen</p> <p>2. Replacement of core system servers : 459 million yen</p> <p>3. Others : 599 million yen Including, system development, etc. : 190 million yen Replacing an IP Phone, etc. : 156 million yen</p>	<p>1. Relocated to Tokyo Midtown Yaesu Move-in construction work · System · Furniture, fixtures, etc. : 970 million yen</p> <p>2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 2,506 million yen</p> <p>3. Others : 3,315 million yen Including, replacement of core system servers : 474 million yen Distribution center WMS (warehouse management system) renovation, introduction of cloud-based systems, etc. : 923 million yen</p>

【Depreciation】

1st half of FY ended March 2023	1st half of FY ending March 2024	FY ending March 2024
2,746 million yen	2,934 million yen	6,139 million yen



Major customer support systems results

ENIFvoice SP, ENIFvoice SP+A, ENIFvoice Core



Support for improving efficiency in medication counseling and the preparation of the medication history of a patient as well as up skilling at pharmacies by introducing voice input systems. In addition, ENIFvoice SP+A/ ENIFvoice Core, upgraded versions of ENIFvoice SP, enable inter-terminal and inter-store data sharing via a cloud server.

Number of sales:
16,800 units

Initial examination reservation service



Launched in 2012
Constructed an Internet environment where a new patient can easily book the first medical examination via a medical institution's website or medical institutions search site. It also enables a patient to reserve a re-examination and/or a thorough medical checkup.

Number of account
registration:
13,451 hospitals/clinics

Centralized administration system of pharmacy operation Mizar



This system realizes the centralized management of sales, inventories and accounts receivable for all pharmacy stores at the headquarters. With automatic order placement based on prescription data, it contributes to significantly reduce pharmacists' time and efforts needed for ordering.

Number of sales
(※on a contract basis):
3,228 stores

Information terminal for pharmaceutical ordering ENIF



This system makes pharmaceutical ordering operations dramatically more efficient. Any user can easily place an order simply by scanning the relevant barcode through the terminal, which eliminates the need for cumbersome ordering operations via the telephone.

Number of units introduced:
27,021 units

as of October 2023