



Financial Results Briefing for the First Half of Fiscal Year Ending March 31, 2023

November 16, 2022 (WED)



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Thank you for participating in TOHO HOLDINGS' financial results briefing for the first half of fiscal Year ending March 31, 2023. In order to prevent COVID-19 infections, we will live-stream the briefing again.



Agenda

- 1 Financial Highlights for the First Half of Fiscal Year Ending March 31, 2023
- 2 Forecast for Fiscal Year Ending March 31, 2023
- 3 Medium- and Long-term Management Strategy

Today, we would like to begin with our financial highlights for the first half of the fiscal year ending March 2023, followed by our forecast for the fiscal year ending March 2023, and finally our medium- and long-term management strategy.



1 Financial Highlights for the First Half of Fiscal Year Ending March 31, 2023

First, we would like to explain the financial highlights for the first half of the fiscal year ending March 2023.



Profit and Loss Statement (Consolidated)

• The Company estimates the amount of the loss related to the Antimonopoly Act could total 1,400 million yen and recorded it as an extraordinary loss.

(Unit: million Yen)

	1st half of FY ended March 2022		1st half of FY ending March 2023		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	620,845		679,719		9.48
Gross profit	50,566	8.14	52,907	7.78	4.63
SG&A	48,703	7.84	48,823	7.18	0.25
Operating profit	1,863	0.30	4,084	0.60	119.22
Ordinary profit	4,802	0.77	7,392	1.09	53.94
Net profit*	3,271	0.53	3,598	0.53	10.00

*Profit attributable to owners of parent

As disclosed in the consolidated financial results for the first half last Friday, net sales were 679,719 million yen, 9.48% increase from the same period of the previous year. Gross profit was 7.78% of net sales and SG&A were 7.18% of net sales. Operating profit was 4,084 million yen, 0.60% of net sales, 119.22% increase from the same period of the previous year. Ordinary profit rose to 7,392 million yen, 1.09% of net sales, or 53.94% increase year on year. Net profit increased by 10% year on year to 3,598 million yen, or 0.53% of net sales, owing to an extraordinary loss of 1,400 million yen related to the Antimonopoly Act.



Balance Sheet (Consolidated)

(Unit: million Yen)

	FY ended March 2022		1st half of FY ending March 2023			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
Current assets	513,107	73.05	551,459	74.46	38,352	Increase in cash and deposits of 7,868 Increase in accounts receivable-trade of 24,329 Increase in merchandise and finished goods of 2,050
Non-current assets	189,268	26.95	189,190	25.54	-78	Increase in investments securities of 2,977 Decrease in property, plant and equipment of 2,567
Total assets	702,376	100.00	740,650	100.00	38,274	
Current liabilities	402,819	57.35	452,792	61.13	49,973	Increase in accounts payable-trade of 36,990 Increase in current portion of bonds payable of 20,013 Decrease in short-term borrowings of 3,668 Decrease in income taxes payable of 2,684
Non-current liabilities	58,275	8.30	42,215	5.70	-16,060	Increase in long-term borrowings of 2,162 Decrease in bonds payable of 20,023
Total liabilities	461,095	65.65	495,007	66.83	33,913	
Net assets	241,281	34.35	245,642	33.17	4,361	Increase in retained earnings of 2,515 Increase in valuation difference on available-for-sale securities of 2,045
Total liabilities and net assets	702,376	100.00	740,650	100.00	38,274	

Equity-to-asset ratio FY ended March 2022: 34.30% 1st half of FY ending March 2023: 33.13%

For the consolidated balance sheet, please refer to the material you have with you.



Profit and Loss Statement (Pharmaceutical Wholesaling Business)

- The Company showed positive growth due to growth in new drugs such as cancer drugs and specialty drugs and sales expansion of COVID-19-related products, including therapeutic agents and test kits under the circumstances of further spread of the infections as the resurgence of the seventh wave.
- The Company's net sales of limited-handling products for selected wholesalers were 81.7billion yen (15.1% increase from the previous period).

(Unit: million Yen)

	1st half of FY ended March 2022		1st half of FY ending March 2023		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	596,983		654,820		9.69
Gross profit	33,265	5.57	35,389	5.40	6.39
SG&A	32,135	5.38	32,057	4.90	-0.24
Operating profit	1,130	0.19	3,331	0.51	194.78

We will now explain the results for pharmaceutical wholesaling business. Net sales increased to 654,820 million yen, 9.69% increase year on year. The business continued to be affected by the government's measures to lower healthcare spending, including a 6.69% reduction in NHI drug prices in April 2022. However, the prescription pharmaceuticals market showed positive growth due to growth in new drugs such as cancer drugs and specialty drugs and the sales expansion of COVID-19-related products, including therapeutic agents and test kits under the circumstances of a further spread of infections in the seventh wave. The Company's net sales surpassed the market growth rate owing to the continued growth of limited-handling products for selected wholesalers, such as specialty drugs and orphan drugs, as well as a significant growth of drugs for the treatment of COVID-19 and test kits. Gross profit was 35,389 million yen, or 5.40% of net sales. The gross profit margin was a little lower than the previous year of 5.57% despite the increased gross profit in line with the increase in net sales. As a result of the strict operation of the price lock system and efforts to negotiate prices commensurate with the product value and distribution costs, we were able to achieve a certain level of improvement in the negative primary margin, despite rising costs. On the other hand, there was a negative impact from the decline in gross profit margin for COVID-19-related products, whose sales rapidly increased. SG&A remained almost unchanged at 32,057 million yen, or 4.90% of net sales, compared with the same period of the previous year. We continued to make efforts to reduce personnel expenses by not replenishing the attrition of our employees. As a result, we reduced personnel expenses by approximately 400 million yen, while rising utilities expenses and commodity prices offset the reduction. As a result, operating profit increased by 194.78% year on year, or 0.51% of net sales, to 3,331 million yen.



Composition of Sales by Category and Contract Rate

Composition of sales by category

	April 2021-September 2021	April 2022-September 2022
Drugs for premium to promote the development of new drugs and eliminate off-label use	37.8%	42.2%
Patented drugs, others	34.4%	35.3%
Long-listed original drugs	14.9%	10.4%
Generic drugs	13.0%	12.2%

Contract rate

	2018/9	2019/3	2019/9	2020年/3	2020/9	2021/3	2021/9	2022/3	2022/9
Value Basis	91.7%	95.5%	99.7%	99.7%	95.6%	100.0%	95.0%	100.0%	95.4%
Number Basis	69.6%	86.7%	100.0%	99.8%	80.6%	100.0%	71.1%	100.0%	69.6%

The upper part of the slide shows the composition of sales by category based on drug prices. Drugs for premium to promote the development of new drugs increased from 37.8% of the previous year to 42.2%, while long-listed original drugs continued to shrink from 14.9% to 10.4%. Generic drugs decreased from 13.0% to 12.2% as a result of the NHI drug price revisions in April. However, the percentage of generic drugs was higher than that of long-listed original drugs, increasing the cost of sales ratio. The lower part shows changes in the contract rate with medical institutions. As of the end of this September, it was 95.4% on a value basis and 69.6% on a number basis. The figures on a number basis are lower than the previous years owing to an increase in partial contracts with hospitals and clinics.



Profit and Loss Statement (Dispensing Pharmacy Business)

- Responding to the revision of medical treatment fees, the Company closed 7 stores with the basis of profitability.
- Declines in total net sales and operating profit, affected by the revisions of NHI drug price and dispensing fees implemented in April 2022.

(Unit: million Yen)

	1st half of FY ended March 2022		1st half of FY ending March 2023		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	45,450		45,089		-0.79
Gross profit	15,800	34.76	15,736	34.90	-0.41
SG&A	14,483	31.87	14,857	32.95	2.58
Operating profit	1,317	2.90	878	1.95	-33.33

■Number of stores (as of September 30, 2022)

	Consolidated Subsidiaries		Non-Consolidated Subsidiaries		Affiliates Companies		Total	
TOHO HOLDINGS	4 companies	78 stores	8 companies	53 stores	2 companies	16 stores	14 companies	147 stores
PharmaCluster	6 companies	474 stores	13 companies	65 stores	2 companies	89 stores	21 companies	628 stores
Total	10 companies	552 stores	21 companies	118 stores	4 companies	105 stores	35 companies	775 stores

We will explain the results of the dispensing pharmacy business. Net sales were 45,089 million yen, 0.79% decrease year on year, and gross profit was 15,736 million yen, 0.41% decrease year on year. These declines were affected by the revisions of medical treatment fees implemented in April 2022 even though the number of prescription demands is on a recovery trend. SG&A were 14,857 million yen, a slight increase from the same period of the previous fiscal year, mainly because one subsidiary was newly consolidated. As a result, operating profit decreased by 33.33% year on year to 878 million yen. The bottom of this slide shows the number of dispensing pharmacies in our group. In order to enhance profitability, we opened 11 new pharmacies, while we closed seven unprofitable pharmacies in the first half of the current fiscal year.



2 Forecast for Fiscal Year Ending March 31, 2023

Next, we will explain our forecast for the fiscal year ending March 2023.



Forecast for Fiscal Year Ending March 2023 (Consolidated)

(Unit: million Yen)

	FY ended March 2022		FY ending March 2023 (Forecasts)		1st half of FY ending March 2023	
	Sum	% of net sales	Sum	% of net sales	Sum	Progress (%)
Net sales	1,266,171		1,269,000		679,719	53.56
Gross profit	108,687	8.58	108,400	8.54	52,907	48.81
SG&A	96,159	7.59	96,100	7.57	48,823	50.80
Operating profit	12,527	0.99	12,300	0.97	4,084	33.20
Ordinary profit	18,182	1.44	17,600	1.39	7,392	42.00
Net profit *	13,379	1.06	11,300	0.89	3,598	31.84

*Profit attributable to owners of parent

This slide shows the consolidated full-year earnings forecasts. At the right end of the table is the progress in the first half towards the full-year earnings forecasts. While net sales are well above the expected progress, profits are below the expected progress. However, the consolidated financial forecast announced on May 13 remained unchanged because the spread of COVID-19 is increasing again and its impact on the business is uncertain.



Forecast for Fiscal Year Ending March 2023 (Pharmaceutical Wholesaling Business)

(Unit: million Yen)

	FY ended March 2022		FY ending March 2023 (Forecasts)		1st half of FY ending March 2023	
	Sum	% of net sales	Sum	% of net sales	Sum	Progress (%)
Net sales	1,216,019		1,221,000		654,820	53.63
Gross profit	73,735	6.06	73,700	6.04	35,389	48.02
SG&A	63,767	5.24	63,400	5.19	32,057	50.56
Operating profit	9,967	0.82	10,300	0.84	3,331	32.34

In the pharmaceutical wholesaling business, we also maintained the full-year earnings forecasts indicated at the financial results briefing on May 18.



Forecast for Fiscal Year Ending March 2023 (Dispensing Pharmacy Business)

(Unit: million Yen)

	FY ended March 2022		FY ending March 2023 (Forecasts)		1st half of FY ending March 2023	
	Sum	% of net sales	Sum	% of net sales	Sum	Progress (%)
Net sales	91,801		87,500		45,089	51.53
Gross profit	31,777	34.62	31,200	35.66	15,736	50.44
SG&A	28,813	31.39	28,600	32.69	14,857	51.95
Operating profit	2,963	3.23	2,600	2.97	878	33.77

The forecast for the dispensing pharmacy business is also unchanged.



■ Initiatives for the second half of the fiscal year

1. Profitable price negotiations after examining profit based on the price settled for the first half of the fiscal year
2. Further improvement of delivery frequency
 - : challenge to delivery once weekly through more promotion of the centralized administration system for pharmacy operations “Mizar” which has the ordering function based on the demand forecast
 - : review of the transport structure from a distribution center to a sales office for optimization of delivery frequency from a sales office
3. Further expansion of the Initial Examination Reservation Service
 - : linkage with website creation service “Byouin-Navi Homepage Service” (about 60% of the initial examination reservation to be done via a clinic’s website)
4. Appropriate fees commensurate with the value provided by our customer support systems
5. Consolidation of generic drugs to KYOSOMIRAI PHARMA products
6. Response to the dispensing fee revision
 - : Expansion of a family pharmacy and family pharmacists
7. Reduction of selling, general and administrative expenses
 - : consolidation of sales bases and review of logistics costs
 - business efficiency in administrative departments (DX, outsourcing and paperless)

This slide outlines our initiatives to achieve the full-year earnings forecasts in the second half of the fiscal year.

Firstly, as we explained before, we were able to achieve a certain level of improvement in the negative primary margin in the first half of the fiscal year. However, we still have some business partners to negotiate with again. After examining the profit based on the price settled for the first half of the fiscal year, we will further promote price negotiations with an emphasis on profitability, including the withdrawal of highly unprofitable products, in order to maintain or increase the profit level.

Secondly, in order to further optimize the delivery frequency, aiming for once weekly delivery, we will further promote the Mizar centralized administration system for pharmacy operations and review the transport structure from a distribution center to a sales office.

With regard to the third initiative: Initial Examination Reservation Service, we make proposals in conjunction with the Byouin-Navi Homepage Service since about 60% of the initial examination reservation is done via a clinic’s website.

As for the fourth initiative: Appropriate fees commensurate with the value provided by our customer support systems, the fifth initiative: Consolidation of generic drugs to KYOSOMIRAI PHARMA products, and the sixth initiative: Response to the dispensing fee revision, Mr. Umada will explain later in the medium- and long-term management strategy.

As for the last initiative of Reduction of selling, general and administrative expenses, we recently announced the integration of Ito and Numazu offices of the Shizuoka Sales Department. We will continue to consolidate or close sales bases and work to reduce logistics costs by reviewing our distribution system. In the administrative departments, it is urgent to reduce SG&A by improving operational efficiency, and we are already promoting DX, outsourcing of routine work, and paperless work. We will continue to promote these measures in the second half of the fiscal year.



Dividend Outlook

[Our policies for dividends]

We remain committed to a flexible distribution policy that takes account of results during each period, while also ensuring the enhancement of our future revenue base and the retention of sufficient earnings to allow for market fluctuations.

	Interim	Year End	Annual Dividend
FY ended March 2021	15yen	15yen	30yen
FY ended March 2022	15yen	15yen	30yen
FY ending March 2023 (Forecasts)	16yen	16yen	32yen

As announced at the beginning of the fiscal year, the interim dividend was 16 yen, an increase of 1 yen per share. As announced at the beginning of the fiscal year, we expect a 1-yen increase to 16 yen at year end and a 2-yen increase to 32 yen as the annual dividend. With regard to cash, we will continue to place the highest priority on investment for sustainable growth and implement a flexible dividend policy, taking into account our business performance each fiscal year.



3 Medium- and Long-term Management Strategy

We will now explain our medium- and long-term management strategy.



■ Sustainability management

- Aiming for sustainable growth and the enhancement of corporate value by coexisting with society and co-creating customer value

Legal Compliance

Top priority for all directors and employees is commitment to **“compliance with a related law”** and **“compliance/risk management”**.

Human Capital

Development of human resources and the personnel system to realize a better life for each employee and their family

Career development

Diverse corporate culture

ESG

Contribute to the realization of a sustainable society by clarifying ESG issues and addressing them through business activities



The Company will promote sustainability management that aims to achieve sustainable growth and enhance corporate value by coexisting with society and co-creating customer value. Legal compliance, human capital, and ESG are the three main themes to promote sustainability management. When it comes to legal compliance, we have made it a top priority for all directors and employees to commit to “compliance with a related law” and “compliance/risk management.” All employees receive monthly compliance training, and we work to ensure that all employees are fully aware of the importance of compliance through morning video meetings. We will explain human capital in detail on the next page. With regard to ESG, we will clarify issues related to the environment, society and governance, and contribute to the realization of a sustainable society by addressing these issues through our business activities. In the area of the environment in particular, our core business is the distribution of pharmaceuticals, etc., and our major challenge is how to deliver products to patients while giving consideration to environmental conservation. As mentioned before, we are working to address this issue by further optimizing the delivery frequency, aiming for once weekly delivery.

3 Medium- and Long-term Management Strategy



Sustainability management

■ Initiatives for human capital

■ Development of human resources and the personnel system to realize a better life for each employee and their family

Career development

- Strengthening the ability to propose customer support systems (Medical Total Planner training and nurturing of supervisors)
- Enhanced training by rank and job classification and reskilling
- Joint research with external organizations and secondment to IT companies, etc.
- Human resource development through Mirai Research Institute and Mirai Research Institute University
- Self-development and qualification acquisition support

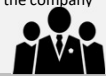
Diverse corporate culture

- Promotion of internal reforms by "MAXIS 2021", a project team led by young employees
→The team has discussed on solutions, divided into "customer support", "sales", "logistics", "internal operation work" and "others".
- Utilization of a wide range of human resources regardless of gender, nationality, etc. (Diversity & Inclusion)
→We implemented recruitment, transfer to other work and active promotion of female employees to management positions in July
- Enhancement of work styles and systems to accommodate employees' life events
- Practice of health management



Ideal human resources

- A person who has a high sense of ethics and always follows code of conduct
- A person who thinks and learns by themselves and tries new things without fear of failure
- A person who can make high-quality proposals and communicate well with others
- A person who can collaborate with business partners and other departments in the company
- A person who can work globally



We will now explain our initiatives for human capital. We promote the development of both human resources and the personnel system in order to realize a better life for each employee and their family, which we believe will lead to steady growth of the Company.

For career development, we are strengthening the ability to propose customer support systems through Medical Total Planner training and nurturing of supervisors. We also work to enhance training by rank and job classification, as well as to promote reskilling. We also promote joint research with external organizations and secondment to IT companies, etc. We will be able to explain the details of joint research with external organizations in due course. As for the Mirai Research Institute, which was established in 2014, many employees have deepened their knowledge by listening to councilors' lectures through group work and lectures at Mirai Research Institute University. At Mirai Research Institute, Dr. Yoshitake Yokokura, Honorary Chairman of the Japan Medical Association, was newly appointed as one of the councilors. Going forward, we will continue to seek further growth by receiving advice based on their high level of knowledge and abundant experience. To foster a diverse corporate culture, MAXIS 2021, a project team led by young employees, is promoting internal reforms. As mentioned before, the employees who have been seconded to IT companies also actively participate in discussions as core members of MAXIS 2021. We utilize a wide range of human resources regardless of gender, nationality, etc. As a matter of fact, in July of this year, we carried out a large-scale personnel change, where two females were appointed as Deputy (joint) Branch Manager of sales offices according to their abilities. Through these initiatives, we will develop and acquire the ideal human resources as described on the right.



■ Active investment and collaboration in growth fields

- Incorporating leading-edge technologies in growth fields where collaboration without boundaries and active investment will be promoted

Specialty pharmaceuticals

(Regenerative medical products/biomedical products)

- Access to advanced technologies and new pharmaceuticals and strengthening of sales capabilities
- Evolution of the distribution system that includes manufacturer logistics based on TBC DynaBASE (Compliance with GDP, temperature control, cold chain, and traceability)
- Taking on the challenge of clinical trial logistics for regenerative medical products and promoting alliance with bio-ventures
- Taking on the challenge of biosimilars by building sales functions at KYOSOMIRAI PHARMA
- Achieving quality enhancement and stable procurement by establishing a new API (active pharmaceutical ingredient) platform through collaboration

- | | |
|-----------------------------|------------------------------------|
| ◆ CellGenTech, Inc. | ◆ Kringle Pharma, Inc. |
| ◆ CellusionInc. | ◆ Drawbridge Health, Inc. |
| ◆ Shionogi Pharma Co., Ltd. | ◆ KUBIX Inc. |
| ◆ HekaBio K.K. | ◆ AYUMI Pharmaceutical Corporation |
| ◆ Morimoto-Pharma Co., Ltd. | and others |

Customer support systems

- Developing new customer support systems by incorporating cutting-edge technologies and collaborating with other companies

MS promotion

- Strengthening MS promotion functions with a view to living with COVID-19 and taking on the challenge of creating a next-generation model

Areas of health, pre-symptomatic disease, and prevention of disease

- Taking on the challenge of developing unexplored areas (anti-frail, anti-aging, etc.) in line with the extension of healthy life expectancy

Overseas business development

- Cross-border EC and pharmaceutical sales business by Chinese joint ventures
- Exploring business opportunities in Asia and other regions where the market is expected to expand owing to the active construction of medical infrastructure

We will incorporate leading-edge technologies in growth fields where we promote collaboration without boundaries and active investment. We have positioned five businesses as growth areas: “specialty pharmaceuticals,” “customer support systems,” “MS promotion,” “areas of health, pre-symptomatic disease, and prevention of disease,” and “overseas business development.”

As for specialty pharmaceuticals, we will take initiatives to “access to advanced technologies and new drugs and strengthen sales capabilities,” “evolve distribution systems including manufacturer logistics based on TBC DynaBASE,” “take on the challenge of clinical trial logistics for regenerative medical products and promote alliance with bio-ventures,” “take on the challenge of biosimilars by building sales functions at KYOSOMIRAI PHARMA” and “achieve quality enhancement and stable procurement by establishing a new API (active pharmaceutical ingredients) platform through collaboration.” Some of the manufacturers in which the Company has invested or with which it has alliance are listed down here. Going forward, we will continue to actively promote investments in and alliance with venture companies that develop regenerative medical products such as CellGenTech and Cellusion, and some other venture companies with advanced technologies such as Morimoto-Pharma Group and Drawbridge Health, as well as to cooperate with AYUMI Pharmaceutical, which has deep knowledge in biosimilars, and to collaborate with Shionogi Pharma for active pharmaceutical ingredients.

With regard to MS promotion, we will strengthen the functions of MS promotion with a view to living with COVID-19 and try to establish a next-generation marketing model.

In the areas of health, pre-symptomatic disease, and prevention of disease, we will take on the challenge of developing unexplored areas such as anti-frail measures and anti-aging, whose demand is expected to increase in the future in line with the extension of healthy life expectancy.

In our overseas business development, we will explore business opportunities in China and the Asian region, where market expansion is expected. Mr. Umada will continue explanations from the next slide.



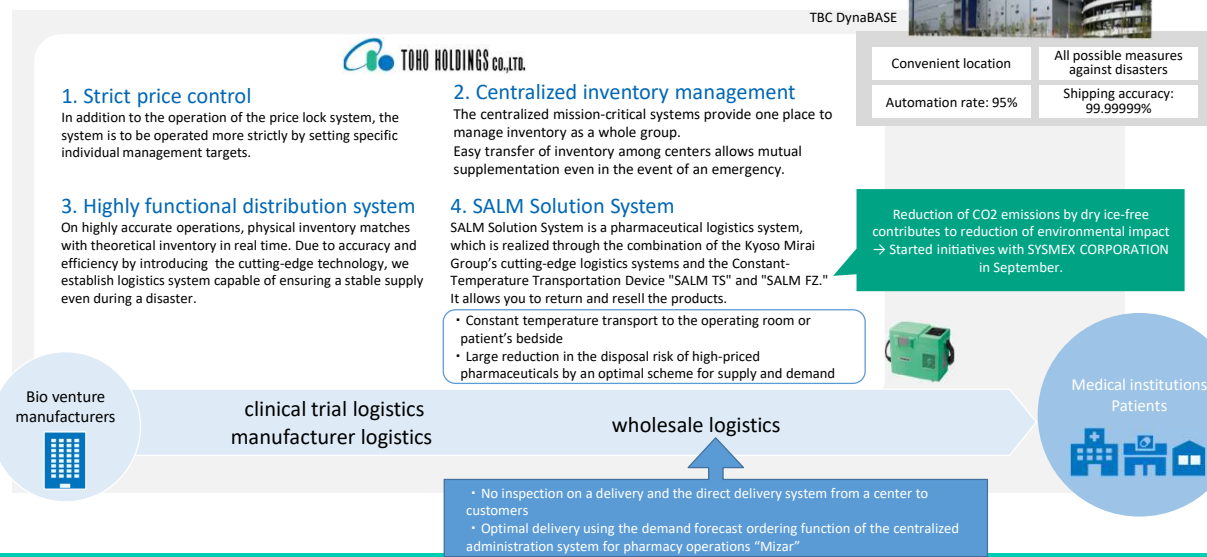
3 Medium- and Long-term Management Strategy - Measures by Segment -

I'm Umada. I will talk about the measures for each segment of the medium- and long-term management strategy.

3 Medium- and Long-term Management Strategy -Measures by Segment-

■ Pharmaceutical wholesaling business

- Development of sales/logistics system responding to variety of pharmaceuticals -



First, I will explain the initiatives of pharmaceutical wholesaling business. In recent years, there have been many new expensive drugs that require strict control, such as gene therapy pharmaceuticals and regenerative medical products, and so the pharmaceutical modality has changed significantly. We intend to further develop the sales and distribution systems that can accommodate this diversity of pharmaceuticals. As described here, the Company's major strengths are, firstly, the strict price management system utilizing the price lock system, secondly, the centralized inventory management as a whole group that enables mutual supplementation even in the event of an emergency, and, lastly, the construction of a highly functional logistics system that combines accuracy and efficiency through the introduction of cutting-edge technologies. Together with these strengths of the Company, it has been evaluated for its convenient access, BCP functions, and shipping accuracy of TBC DynaBASE. Therefore, the Company receives requests not only for wholesale logistics but also for clinical trial logistics and manufacturer logistics from a large number of manufacturers, mainly bio-ventures. As for the cold chain, which was a major issue for us, we have upgraded the SALM constant-temperature transportation device, which enables strict temperature control and recording, and have newly developed an ultra-low temperature transportation device version of SALM that can maintain temperatures at -25° C to +4° C. Because of its compact size and portable weight, SALM can be carried to the operating room or the patient's bedside at a controlled temperature. In addition, the recording device built into the unit can prove that the quality of pharmaceuticals is fully guaranteed, so that even expensive pharmaceuticals can be returned or resold, which is expected to greatly reduce the disposal risk of high-priced pharmaceuticals. Furthermore, compared to cooling methods such as ice packs and dry ice, it significantly reduces CO₂ emissions, thus contributing to the reduction of environmental impact. In September of this year, we began using this SALM for the delivery of SYSMEX's products. We plan to gradually promote this device.

3 Medium- and Long-term Management Strategy -Measures by Segment-

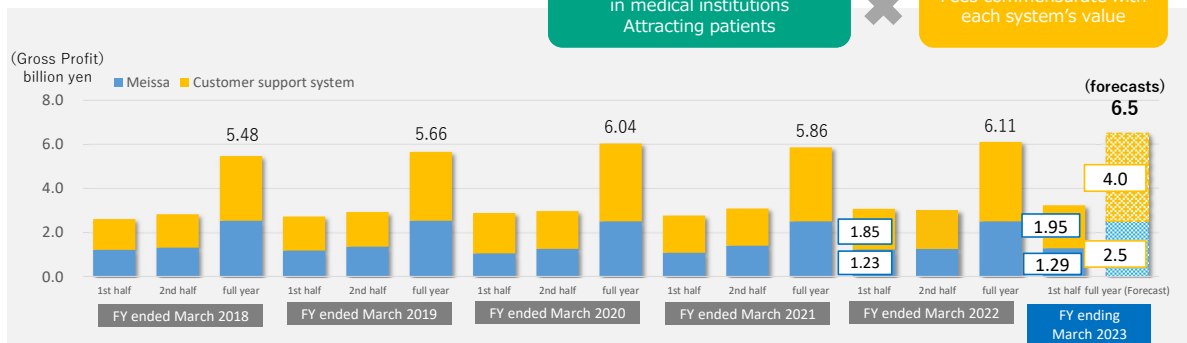


■ Pharmaceutical wholesaling business

- Customer support system -

Business efficiency improvement
in medical institutions
Attracting patients

Fees commensurate with
each system's value



Evolution of customer support systems

- ◇ Enhance functionality of online medical examination / dosing guidance system "KAITOS"
: app version released
- ◇ Develop a new system by allying with a company that possesses state-of-the-art technology



Better proposal/sales capabilities

- ◇ Nurturing and expansion of supervisors
- ◇ Promotion using enTouch remote detailing
- ◇ Introduction of area system

Next, I will explain the customer support systems. For our continued growth going forward, we believe that customer support systems will be our most important competitive advantage. We will incorporate state-of-the-art technology in this area, collaborate with companies that possess such technology, and make active investments to that end. We have heard that the company's customer support systems have made a significant contribution to the acquisition of new patients at medical institutions, the reduction of overtime work costs, and the enhancement of operational efficiency. We want to achieve growth for both our customers and the Company by receiving appropriate fees commensurate with the value of our systems and services. At the same time, we are actively developing new products, renewing existing products, and adding new functions to them. In September, we released an application of KAITOS, an online medical examination / dosing guidance system, to enhance convenience for patients. The application gives patients easy access to a clinic due to the enhancement of display speed and operability, and they can easily receive online medical examination using their smartphone. We also work to upgrade the display screen at medical institutions, including the collective management of medical questionnaires and medical records, and the scheduling function. And we nurture supervisors to strengthen their ability to make proposals and their sales skills. We have also started promoting 18 products by using remote detailing services of enTouch a subsidiary of the Company. Furthermore, in the personnel change in July, the CS Sales Department, which promotes customer support systems, introduced an area system in which the General Manager was assigned to each area to strengthen promotion through collaboration with each branch office. As shown in the graph, the results of the fee business in the first half of this fiscal year totaled 3.24 billion yen for the customer support systems and Meissa promotion, and we are on track to achieve this fiscal year's target of 6.5 billion yen.



■ Dispensing pharmacy business ~ Contribution to integrated community care-system ~

- Restructuring dispensing pharmacy business companies
- Opening of new stores and closure on the basis of profitability
- Response to the dispensing fee revision

- ◇ Functional shift of Pharmacies collaborating with local communities and Pharmacies collaborating with specialized medical institutions : training specialized pharmacists in the oncology and other areas

Pharmacies collaborating with local communities : 29 pharmacies are certified (40 pharmacies are scheduled to be certified within this fiscal year)
 Pharmacies collaborating with specialized medical institutions : (1 pharmacy is scheduled to be certified within this fiscal year)

- ◇ Promotion of home medical care : strengthening the function as a family pharmacy, expanding family pharmacists and collaborating with registered dietitian team

■ Business streamlining : utilization of ICT

- ◇ Utilization of customer support systems (centralized administration system of pharmacy operations “MIZAR”, ENIFvoice)
- ◇ Online dosing guidance, using SNS to support patient adherence and providing healthcare support service
- ◇ Development of environment to respond to electronic prescription and online qualification confirmation

TOPIC Electronic prescriptions model program

“Kyoso Mirai Akiho pharmacy”, one of Pharma Mirai’s pharmacies, has participated in a model program in Sakata area of Yamagata prefecture toward initiatives for electronic prescriptions that will be launched in January 2023. (for a year from the end of October 2022)

■ Others

- ◇ Building last mile
- ◇ Expansion of healthcare product sales through collaboration with eKenkoshop Corporation



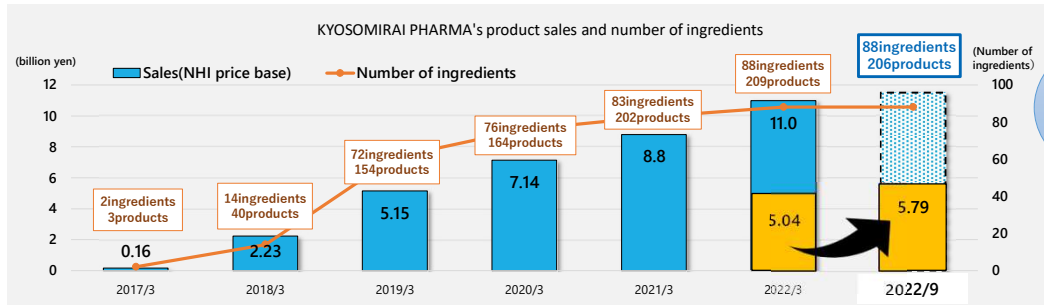
In the dispensing pharmacy business, we are strengthening its functions and creating a system in order to play an important role in the comprehensive community care that the government aims to have fully developed by 2025. As one of the measures, we will strengthen the pharmacy business foundation and enhance management efficiency, including the reduction of management costs, by promoting the reorganization of dispensing pharmacy companies within the Group. We have been working to promote the penetration of our group pharmacy brand, including the installation of unified designed signs. We will take this reorganization as an opportunity to accelerate the strengthening of the brand. We will also actively promote the opening of new pharmacies and close some pharmacies on the basis of profitability, aiming to increase profitability. In addition, we will respond to the dispensing fee revision in an effort to make a functional shift of pharmacies collaborating with local communities and those collaborating with specialized medical institutions. For the pharmacies collaborating with local communities, 40 pharmacies are scheduled to be certified within this fiscal year, and for the pharmacies collaborating with specialized medical institutions, one pharmacy is scheduled to be certified within this fiscal year. In addition, we will strengthen the functions of family pharmacies and expand family pharmacists, and promote home medical care in collaboration with a nationally registered dietitian team. As described in this slide, Kyoso Mirai Akiho pharmacy of Pharma Mirai in Sakata City, Yamagata prefecture has participated in a model program toward initiatives for electronic prescriptions that will be launched by the government in January 2023. It works to collect examples of electronic prescriptions and issues that need addressing. We will also work to build the last mile and expand product sales in collaboration with eKenkoshop Corporation.



■ Pharmaceutical manufacturing and sales business

■ KYOSOMIRAI PHARMA

- ◇ Stable supply by demand-chain management
- ◇ Consolidation into KYOSOMIRAI PHARMA's products
- ◇ Expansion of product lineup



KYOSOMIRAI PHARMA products are utilized at **886** university hospitals and large hospitals with over 200 beds.(as of October 31, 2022)

■ Business Expansion

- ◇ Challenge to growth areas (specialty pharmaceuticals/biosimilar products)
- ◇ Advancement into original drugs domains
- ◇ Expansion of entrusted manufacturing of injection drugs
- ◇ Challenge to consignment business of operational process

The graph on this slide shows the sales of KYOSOMIRAI PHARMA's products based on drug prices in the Company's wholesaling business. In the first half of this fiscal year, sales of the products based on drug prices were 5.79 billion yen, 15% increase from the same period last year.

As of the end of October 2022, its products were expanded for use at 886 university hospitals and large hospitals. While shipping adjustments of generic drugs continue to be a major issue throughout the supply chain, KYOSOMIRAI PHARMA strives to ensure a stable supply of high-quality, high-value-added drugs by establishing a planned production system based on demand. We will also contribute to the reduction of distribution costs in the pharmaceutical wholesaling business by consolidating into KYOSOMIRAI PHARMA's products. We expanded our product lineup including the launch of two ingredients and three products of generic drugs on the NHI drug price listing in June 2022. In August 2022, we obtained approval of manufacturing and sales of one ingredient and two generic drugs. As shown here, we will continue to promote the expansion of growth areas such as orphan drugs and biosimilars, advancement into original drug domains, expansion of entrusted manufacturing of injection drugs, and taking on the challenge of the consignment of the operational process. That's all for our explanation.



References



Cash Flow

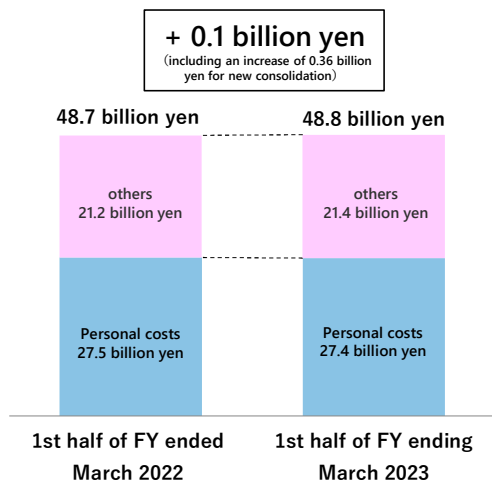
(Unit: million Yen)

	1st half of FY ended March 2022	1st half of FY ending March 2023	Major factors for 1st half of FY ending March 2023
Cash and cash equivalents at the beginning of period	88,882	90,014	
Operating activities	11,593	10,693	Profit before income taxes: 6,012 Depreciation: 2,919 Increase in trade payables: -24,070 Increase in inventories: -1,891 Increase in trade payables: 36,716 Income taxes paid: -6,348
Investment activities	-1,445	-407	Proceeds from sale of property, plant and equipment: 679 Purchase of property, plant and equipment: -502 Purchase of intangible assets: -431 Purchase of shares of subsidiaries and associates: -254
Financing activities	-2,202	-2,960	Proceeds from long-term borrowings: 3,610 Repayments of long-term borrowings: -5,044 Dividends paid: -1,058
Cash and cash equivalents at the end of period	97,124	97,855	Increase(1st half of FY ending March 2023): 7,841



SG&A (Year on Year)

<Year on Year>



- Others +0.2 billion yen**
- **Newly consolidated company: +0.2 billion yen (Dispensing pharmacy)**
 - **Existing consolidated companies: 0 billion yen**
 - Pharmaceutical wholesaling business : +0.1 billion yen
 - Commission expenses +0.3 billion yen
(Increase in WMS cloud services in the distribution centers, etc.)
 - Utilities charge +0.1 billion yen (price hike)
 - Impairment losses -0.3 billion yen
 - Dispensing pharmacy business : -0.1 billion yen
 - Non-deductible temporary paid consumption tax expense due to decreased net sales: -0.1 billion yen
 - Personal costs -0.1 billion yen**
 - **Newly consolidated companies : +0.16 billion yen (Dispensing pharmacy)**
 - **Existing consolidated companies : -0.26 billion yen**
 - Pharmaceutical wholesaling business : -0.39 billion yen
 - Dispensing pharmacy business : +0.13 billion yen



Capital Investment and Depreciation

【Capital Investment】

FY ended March 2022	1st half of FY ending March 2023	FY ending March 2023
Results : 4,480 million yen	Results : 946 million yen	Forecasts : 6,838 million yen
1. "TBC Hokuriku" (Building, system) : 1,315 million yen	1. "TBC Hokuriku" (System, fixtures) : 208 million yen	1. "TBC Hokuriku" (System, fixtures) : 212 million yen
2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 2,353 million yen	2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 320 million yen	2. Pharmaceutical sales office (New construction, relocation of sales office and others): 2,924 million yen
3. Others : 812 million yen	3. Others : 418 million yen Including, replacement of core system servers : 99 million yen Replacement of WMS terminal units, etc. : 28 million yen	3. Others: 3,702 million yen Including, replacement of core system servers : 1,096 million yen Replacement of WMS terminal units, etc. : 979 million yen

【Depreciation】

FY ended March 2022	1st half of FY ending March 2023	FY ending March 2023
6,087 million yen	2,746 million yen	5,953 million yen



Total commitment to good health



[Front office in charge of IR]
Corporate Communications and Investor Relations
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<https://www.tohohd.co.jp>

[Notice]

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