



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

November 16, 2022 (WED)





## 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



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



# 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
<b>Total assets</b>	<b>702,376</b>	<b>100.00</b>	<b>740,650</b>	<b>100.00</b>	<b>38,274</b>	
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
<b>Total liabilities</b>	<b>461,095</b>	<b>65.65</b>	<b>495,007</b>	<b>66.83</b>	<b>33,913</b>	
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
<b>Total liabilities and net assets</b>	<b>702,376</b>	<b>100.00</b>	<b>740,650</b>	<b>100.00</b>	<b>38,274</b>	

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



## 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 (%)
<b>Net sales</b>	<b>596,983</b>		<b>654,820</b>		<b>9.69</b>
<b>Gross profit</b>	<b>33,265</b>	<b>5.57</b>	<b>35,389</b>	<b>5.40</b>	<b>6.39</b>
<b>SG&amp;A</b>	<b>32,135</b>	<b>5.38</b>	<b>32,057</b>	<b>4.90</b>	<b>-0.24</b>
<b>Operating profit</b>	<b>1,130</b>	<b>0.19</b>	<b>3,331</b>	<b>0.51</b>	<b>194.78</b>



# 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%



# 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





## 2 Forecast for Fiscal Year Ending March 31, 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



## 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



## 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



## ■ 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)



## 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



## 3 Medium- and Long-term Management Strategy



### 3 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







### 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





### 3 Medium- and Long-term Management Strategy

## ■ 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



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

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



#### ■ Pharmaceutical wholesaling business

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



TBC DynaBASE



#### 1. Strict price control

In addition to the operation of the price lock system, the system is to be operated more strictly by setting specific individual management targets.

#### 3. Highly functional distribution system

On highly accurate operations, physical inventory matches with theoretical inventory in real time. Due to accuracy and efficiency by introducing the cutting-edge technology, we establish logistics system capable of ensuring a stable supply even during a disaster.

#### 2. Centralized inventory management

The centralized mission-critical systems provide one place to manage inventory as a whole group.

Easy transfer of inventory among centers allows mutual supplementation even in the event of an emergency.

#### 4. SALM Solution System

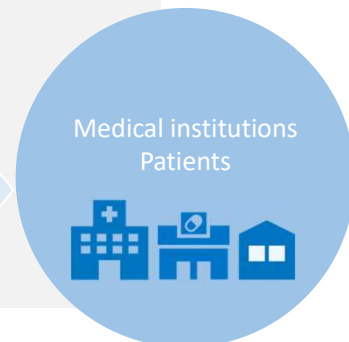
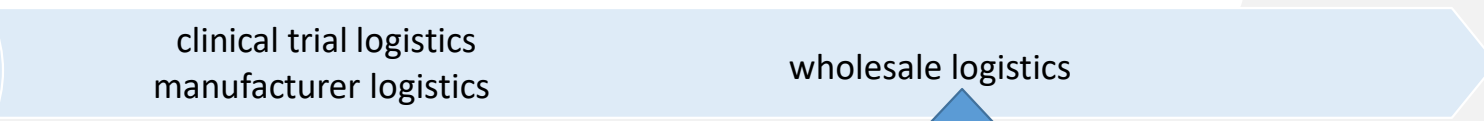
SALM Solution System is a pharmaceutical logistics system, which is realized through the combination of the Kyoso Mirai Group's cutting-edge logistics systems and the Constant-Temperature Transportation Device "SALM TS" and "SALM FZ." It allows you to return and resell the products.

- Constant temperature transport to the operating room or patient's bedside
- Large reduction in the disposal risk of high-priced pharmaceuticals by an optimal scheme for supply and demand



Convenient location	All possible measures against disasters
Automation rate: 95%	Shipping accuracy: 99.9999%

Reduction of CO2 emissions by dry ice-free contributes to reduction of environmental impact  
 → Started initiatives with SYSMEX CORPORATION in September.



- No inspection on a delivery and the direct delivery system from a center to customers
- Optimal delivery using the demand forecast ordering function of the centralized administration system for pharmacy operations "Mizar"



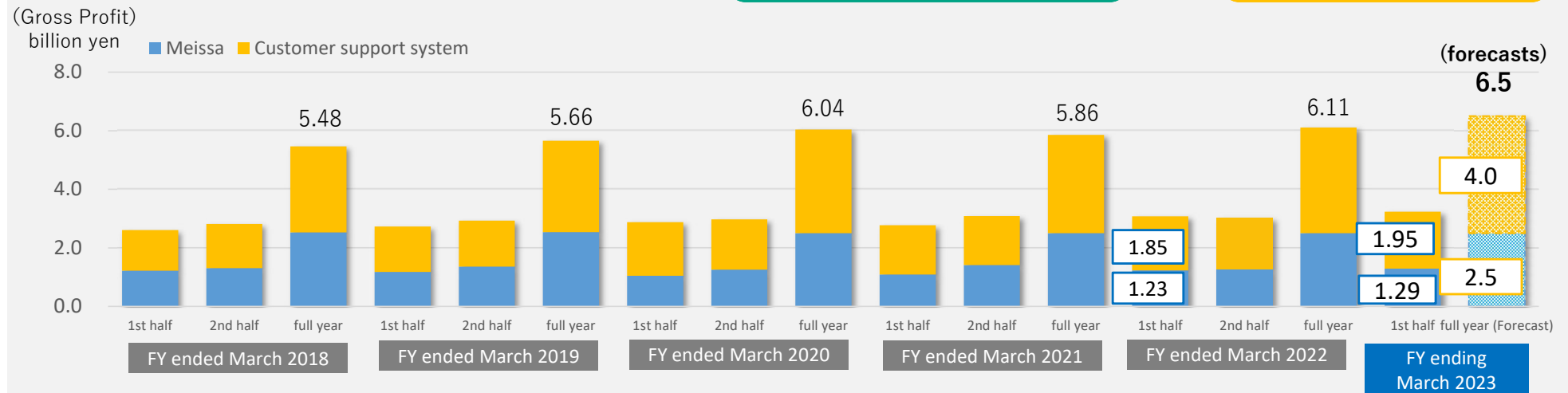
### 3 Medium- and Long-term Management Strategy -Measures by Segment-

## ■ 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 alliancing 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

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



## ■ 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



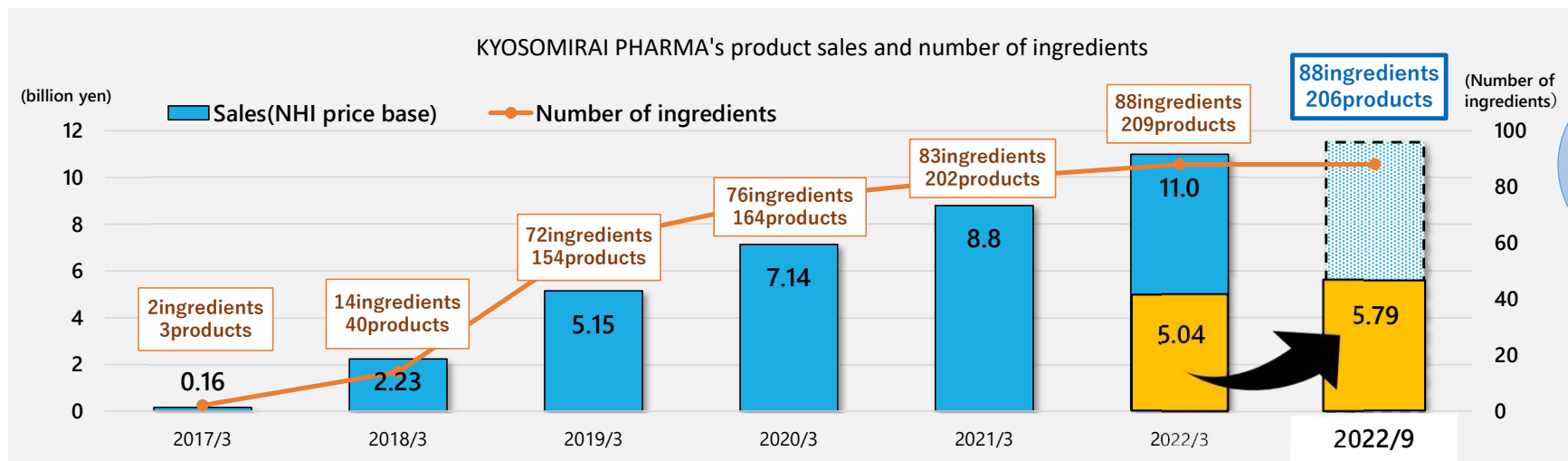
### 3 Medium- and Long-term Management Strategy -Measures by Segment-



## ■ 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



# References





# Cash Flow

(Unit: million Yen)

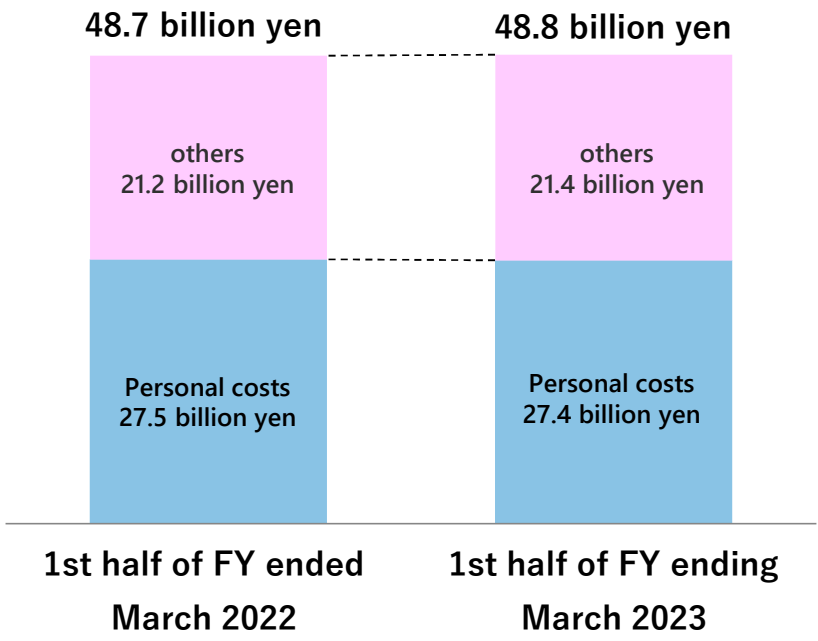
	1st half of FY ended March 2022	1st half of FY ending March 2023	Major factors for 1st half of FY ending March 2023
Cash and cash equivalents at the beginning of period	88,882	90,014	
Operating activities	11,593	10,693	Profit before income taxes: 6,012 Depreciation: 2,919 Increase in trade payables: -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>

**+ 0.1 billion yen**  
 (including an increase of 0.36 billion yen for new consolidation)



**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  2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 2,353 million yen  3. Others : 812 million yen	1. "TBC Hokuriku" (System, fixtures) : 208 million yen  2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 320 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	1. "TBC Hokuriku" (System, fixtures) : 212 million yen  2. Pharmaceutical sales office (New construction, relocation of sales office and others): 2,924 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]  
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