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August 6 2024

## Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange  
 Securities code: 8129  
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 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

### 1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	373,044	6.2	2,278	22.9	2,928	16.1	1,804	18.0
June 30, 2023	351,179	8.3	1,853	-18.2	2,521	-19.8	1,529	-25.8

Note: Comprehensive income For the three months ended June 30, 2024: ¥2,032 million [-61.2%]  
 For the three months ended June 30, 2023: ¥5,241 million [47.7%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2024	28.75	25.46
June 30, 2023	23.07	21.12

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	770,234	250,402	32.5
March 31, 2024	773,427	249,437	32.2

Reference: Equity As of June 30, 2024: ¥250,149 million  
 As of March 31, 2024: ¥249,188 million

### 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	18.00	—	22.00	40.00
Fiscal year ending March 31, 2025	—				
Fiscal year ending March 31, 2025 (Forecast)		25.00	—	25.00	50.00

Note: Revision to the forecast of cash dividends most recently announced: None

Breakdown of cash dividends for the FY ended March 2024: Commemorative dividend: 4.00yen; Ordinary dividend: 36.00yen

### 3. Consolidated financial forecast for fiscal year ending March 31, 2025(from April 1, 2024 to March 31, 2025)

(Percentages indicate the rate of change compared with the preceding fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First Half	731,000	-0.5	6,900	6.3	7,900	-0.6	4,900	-44.2	78.14
Full year	1,492,000	1.0	18,200	-5.9	20,100	-7.7	12,500	-39.5	202.36

Note: Revision of consolidated financial forecast most recently announced: None

#### \* Notes

- (1) Significant changes in the scope of consolidation during the period: None  
 Newly included: —  
 Excluded: —
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
  - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
  - (ii) Changes in accounting policies due to other reasons: None
  - (iii) Changes in accounting estimates: None
  - (iv) Restatement: None
- (4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2024	76,431,342 shares
As of March 31, 2024	76,431,342 shares

- (ii) Number of treasury shares at the end of the period

As of June 30, 2024	13,651,058 shares
As of March 31, 2024	13,650,854 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024	62,780,374 shares
Three months ended June 30, 2023	66,293,007 shares

\* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

\* Proper use of earnings forecasts, and other special matters

Any forward-looking statements contained in this report, including performance projections, are based on information currently available to the Company as well as certain assumptions that the Company determined to be rational at the time of the release of this report, and it is not intended that the Company undertake to achieve such results. Actual results may differ significantly from the projections above, due to a variety of factors. Please refer to Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2025 on page 4 of this report (the attached document) for the suppositions on which the performance projections are based and points that have to be borne in mind for the use of such projections.

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## 1. Qualitative Information on Financial Results for the Three Months Ended June 30, 2024

### (1) Explanation of Management Results

In the prescription pharmaceuticals market in the first quarter under review, NHI drug price revisions were implemented in April 2024, lowering NHI drug prices by 4.67% on a drug cost basis. With the end of government subsidies for COVID-19 treatment in April of this year, sales of related products such as therapeutic drugs and reagents were expected to decline. However, owing to the emergence of new variants and other factors, the number of newly infected patients is currently on the rise, and the outlook remains uncertain.

The Group developed the Medium-term Management Plan 2023-2025 “Create the Next Generation,” for a period of three years from 2023. It set out four basic policies: (1) Business transformation, (2) Investment for growth and improvement of profitability, (3) Sustainability management, and (4) Improvement of capital efficiency and enhancement of shareholder returns. Based on these policies, we implemented specific measures to maintain sustainable growth and enhance corporate value through such means as active business alliances and digital transformation (DX).

With regard to business transformation, in order to shift to a team system centered on secondary medical care areas, which we aim to start in FY2026, we are implementing various initiatives, including joint promotion of pharmaceutical MSs (marketing specialists) and reagent MSs, and the consolidation and closure of business sites. In June 2024, we began offering the Kyoso Mirai Portal, which provides at-a-glance information on order history, delivery schedule, stockout, etc., with a view to improving the work efficiency of our sales staff and the convenience of our customers.

As initiatives regarding investment for growth and improvement of profitability, we have been entrusted since April 2024 with the distribution of the regenerative medical product Sakracy® by Hirosaki Lifescience Innovation, Inc. (hereinafter, “Hirosaki LI”). We invested in Hirosaki LI in July to support its business development and production capacity improvement. The Group is determined to fully cooperate with Hirosaki LI on distribution as well by utilizing the Group’s nationwide distribution network, sophisticated distribution system, and know-how in emergency response.

In the area of sustainability management, in order to conduct responsible procurement activities based on a relationship of trust with our suppliers, we have formulated and announced the Group’s Procurement Policy and participated in the Declaration of Partnership Building to promote coexistence and co-prosperity with our suppliers in the entire supply chain. We have also established the Purchasing Management Department to address issues in the Group’s purchasing activities.

In addition, we have invested in One Capital, Inc., a domestic venture capital firm, and employed its DX advisory team, which has many years of experience and a track record in global major consulting firms, in a Group-wide effort to promote DX.

Furthermore, the Management Strategy Committee, which was established for the purpose of accelerating the implementation of the initiatives of the Medium-term Management Plan and enhancing their effectiveness, focuses first on verifying profit growth strategies and proceeds with discussions on (1) specific action plans for improving profitability and productivity in each business (including indirect divisions) and (2) growth investments in existing businesses, peripheral businesses and new businesses. Specifically, with the top priority of steadily achieving an ROE of 8% and establishing an earnings and financial structure that can maintain an ROE of 8% or higher on an ongoing basis, we are examining measures to increase profitability and productivity and investment for growth centered on our core pharmaceutical wholesaling business. At the same time, bearing in mind the declining trend in gross profit margin, which is a structural problem in the pharmaceutical wholesaling business, we are examining not only measures to improve productivity in the wholesaling business, but also the strategies for, and the possibility of growth investment in, other business segments (dispensing pharmacy business, pharmaceutical manufacturing and marketing business, and other peripheral businesses), as well as the possibility of new businesses that leverage our strengths, in order to establish a second pillar of earnings. Based on these examinations, we plan to clarify our ideal state for the next generation, build the optimal business portfolio to achieve it, and, based on that, decide on a policy for holding assets, such as cross-shareholdings, together with a medium-term capital allocation policy.

The Company’s consolidated operating results for the three months ended June 30, 2024 recorded 373,044 million yen for net sales (an increase of 6.2% on a year-on-year basis), 2,278 million yen for operating profit (an increase of 22.9% on a year-on-year basis), 2,928 million yen for ordinary profit (an increase of 16.1% on a year-on-year basis), and 1,804 million yen for profit attributable to owners of parent (an increase of 18.0% on a year-on-year basis).

The outline of business segment operating results are as follows.

In the pharmaceutical wholesaling business, while sales of COVID-19-related products decreased compared to the same period of the previous year, sales of specialty pharmaceuticals and other limited-handling products for selected wholesalers continued to grow steadily. In price negotiations with medical institutions, in order to comply with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies that were revised in April 2024, we continued our efforts to negotiate unit prices for individual products to better reflect their individual value and distribution costs. We also worked to negotiate separately for drugs that are particularly needed for medical purposes. As for customer support

systems, we strengthened the proposal of simplified Mizar and promoted the switch from ENIF to FutureENIF. As a result, the pharmaceutical wholesaling business posted net sales of 360,544 million yen (an increase of 6.3% on a year-on-year basis) and segment profit (operating profit) of 2,660 million yen (an increase of 19.7% on a year-on-year basis) for the three months ended June 30, 2024 under review.

In the dispensing pharmacy business, in order to implement the transformation of the dispensing pharmacy business, which is a key measure of the Medium-term Management Plan, we pressed ahead with the reorganization of operating companies. Consequently, the number of dispensing pharmacy companies decreased from 27 at the end of March 2024 to 17 by July 1 this year, and the reorganization in East Japan is almost complete. Moreover, in order to promote pharmacy DX, we worked to promote the use of the My Number health insurance card, online medication instructions, etc. As a result, Net sales of the dispensing pharmacy business were 22,932 million yen (an increase of 0.5% year on year) and segment loss (operating loss) was 492 million yen.

In the pharmaceutical manufacturing and sales business, the Group has been engaged in the stable supply of high-quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on its own verification system and establishing a planned production system. In addition, we launched 3 ingredients and 8 products of generic drugs in June 2024. As a result, the pharmaceutical manufacturing and sales business posted net sales of 2,904 million yen (an increase of 9.2% on a year-on-year basis.) and segment profit (operating profit) of 369 million yen (an increase of 25.9% on a year-on-year basis.).

In the other peripheral businesses, net sales amounted to 1,523 million yen (an increase of 3.4% on a year-on-year basis.) and segment profit (operating profit) was 51 million yen (an increase of 43.3% on a year-on-year basis.).

(Note) Segment sales include inter-segment transactions.

## (2) Explanation of Financial Position

### (Assets)

Current assets decreased 1.1 % from the end of the previous consolidated fiscal year to 591,417 million yen with a decrease in notes and accounts receivable-trade of 5,259 million yen, and a decrease in merchandise and finished goods of 2,256 million yen in other.

Non-current assets increased 1.9% from the end of the previous consolidated fiscal year to 178,817 million yen with an increase in property, plant and equipment of 677 million yen, and an increase in investment securities of 1,471 million yen and deferred tax assets of 827 million yen included in other under investments and other assets. As a result, consolidated net assets decreased 0.4% from the end of the previous consolidated fiscal year, to 770,234 million yen.

### (Liabilities)

Current liabilities decreased 0.9% from the end of the previous consolidated fiscal year to 466,838 million yen with an increase in notes and accounts payable-trade of 1,550 million yen, and a decrease in income taxes payable of 5,222 million yen in other.

Non-current liabilities increased 0.6% from the end of the previous consolidated fiscal year to 52,993 million yen. As a result, total liabilities decreased 0.8 % from the end of the previous consolidated fiscal year, to 519,832 million yen.

### (Net assets)

Total net assets increased 0.4% from the end of the previous consolidated fiscal year to 250,402 million yen with an increase in retained earnings of 738 million yen in other.

## (3) Explanation of Projections of Consolidated Operating Results for Fiscal Year ending March 31, 2025

There are no changes in the projected consolidated results of operations for the first half of fiscal year ending March 2025 and the full-term of the fiscal year published on May 10, 2024.

2. Quarterly Consolidated Financial Statements and Main Notes  
(1) Quarterly Consolidated Balance Sheets

(Unit: million yen)

	As of March 31, 2024	As of June 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	132,970	133,365
Notes and accounts receivable-trade	338,726	333,467
Merchandise and finished goods	87,107	84,851
Raw materials and supplies	180	154
Other	39,263	39,936
Allowance for doubtful accounts	-359	-357
<b>Total current assets</b>	<b>597,888</b>	<b>591,417</b>
Non-current assets		
Property, plant and equipment	87,478	88,156
Intangible assets		
Goodwill	297	253
Other	5,339	5,245
<b>Total intangible assets</b>	<b>5,636</b>	<b>5,499</b>
Investments and other assets		
Other	83,793	86,559
Allowance for doubtful accounts	-1,369	-1,397
<b>Total investments and other assets</b>	<b>82,423</b>	<b>85,162</b>
<b>Total non-current assets</b>	<b>175,538</b>	<b>178,817</b>
<b>Total assets</b>	<b>773,427</b>	<b>770,234</b>

(Unit: million yen)

	As of March 31, 2024	As of June 30, 2024
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	438,072	439,622
Short-term borrowings	552	546
Income taxes payable	7,429	2,206
Provision for bonuses	3,681	5,436
Provision for bonuses for directors	43	11
Other	21,527	19,015
Total current liabilities	471,305	466,838
Non-current liabilities		
Bonds payable	22,092	22,087
Long-term borrowings	6,074	5,974
Provision for loss on guarantees	148	154
Retirement benefit liability	2,539	2,598
Asset retirement obligations	2,846	2,853
Provision for loss on Antimonopoly Act	4,849	4,849
Other	14,134	14,477
Total non-current liabilities	52,684	52,993
Total liabilities	523,990	519,832
Net assets		
Shareholders' equity		
Share capital	10,649	10,649
Capital surplus	45,212	45,212
Retained earnings	209,746	210,485
Treasury shares	-30,907	-30,908
Total shareholders' equity	234,701	235,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	18,770	18,993
Revaluation reserve for land	-4,283	-4,283
Total accumulated other comprehensive income	14,486	14,710
Share acquisition rights	144	144
Non-controlling interests	104	109
Total net assets	249,437	250,402
Total liabilities and net assets	773,427	770,234

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statements of Comprehensive Income  
Quarterly Consolidated Profit and Loss Statement  
[Cumulative Period for the Consolidated First Quarter]

(Unit: million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	351,179	373,044
Cost of sales	324,287	345,351
Gross profit	26,892	27,692
Selling, general and administrative expenses		
Remuneration, salaries and allowances for directors	9,998	10,241
Provision for bonuses	1,664	1,877
Provision for bonuses for directors	10	11
Retirement benefit expenses	67	69
Welfare expenses	1,904	1,965
Vehicle expenses	246	248
Provision of allowance for doubtful accounts	54	20
Depreciation	1,467	1,315
Amortization of goodwill	67	62
Rent expenses	2,124	1,957
Taxes and dues	546	480
Non-deductible temporary paid consumption tax expense	1,682	1,718
Other	5,203	5,445
Total selling, general and administrative expenses	25,038	25,413
Operating profit	1,853	2,278
Non-operating income		
Interest income	10	12
Dividend income	412	391
Share of profit of entities accounted for using equity method	91	21
Rental income from real estate	209	201
Other	172	102
Total non-operating income	897	730
Non-operating expenses		
Interest expenses	15	10
Bond issuance costs	83	—
Real estate lease expenses	44	44
Other	87	26
Total non-operating expenses	230	81
Ordinary profit	2,521	2,928



(Unit: million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Extraordinary income		
Gain on sales of non-current assets	18	0
Gain on extinguishment of tie-in shares	—	22
Other	0	0
Total extraordinary income	18	24
Extraordinary loss		
Loss on disposal of non-current assets	41	18
Impairment losses	—	18
Loss on valuation of investment securities	5	30
Other	0	4
Total extraordinary losses	47	71
Profit before income taxes	2,492	2,880
Income taxes-current	1,706	1,940
Income taxes-deferred	-746	-869
Total income taxes	959	1,070
Net profit	1,533	1,809
Profit attributable to non-controlling interests	3	4
Profit attributable to owners of parent	1,529	1,804

Quarterly Consolidated Statements of Comprehensive Income  
 [Period for the Consolidated First Quarter]

(Unit: million yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net profit	1,533	1,809
Other comprehensive income		
Valuation difference on available-for-sale securities	3,662	208
Share of other comprehensive income of entities accounted for using equity method	46	14
Total other comprehensive income	3,708	223
Comprehensive income	5,241	2,032
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,238	2,028
Comprehensive income attributable to non-controlling interests	3	4

(3) Notes Concerning Quarterly Consolidated Financial Statements  
(Notes Concerning Premise of a Going Business)  
Not applicable.

(Notes Concerning Material Changes in Shareholders' Equity)  
Not applicable.

(Application of the Accounting Standard for Current Income Taxes, etc.)

The Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter, "Revised Accounting Standard 2022"), etc. have been applied from the beginning of the first quarter of the fiscal year ending March 31, 2025. Revisions concerning the categories in which current income taxes should be recorded (taxes on other comprehensive income) are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment set forth in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter, "Revised Guidance 2022"). The change in accounting policies had no impact on the consolidated financial statements for the first quarter under review.

With regard to revisions related to changes in the accounting treatment for consolidated financial statements when gains/losses on sale of shares, etc. in subsidiaries resulting from transactions between consolidated subsidiaries are deferred for tax purposes, the Company has applied the Revised Guidance 2022 from the beginning of the first quarter under review. The change in accounting policies was applied retrospectively to the consolidated financial statements for the first quarter of the previous fiscal year and the entire previous fiscal year. The change in the accounting policies had no impact on the consolidated financial statements for the first quarter of the previous fiscal year or the entire previous fiscal year.

(Segmental Information)

I Previous consolidated first quarter (from April 1, 2023 to June 30, 2023)

1. Information about sales and profit or loss by reportable segment

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	Pharmaceutical Manufacturing and Sales (million yen)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	326,610	22,825	608	1,134	351,179	—	351,179
(2) Inter-segment sales	12,507	1	2,050	338	14,897	-14,897	—
Total	339,117	22,827	2,658	1,473	366,077	-14,897	351,179
Segment profit	2,223	112	293	35	2,664	-810	1,853

- (Note) 1. The amount of the adjustments for segment profits shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.  
2. The amounts for profit in the reportable segments were subsequently adjusted with the amount of operating profit on the quarterly consolidated profit and loss statement.

2. Information about impairment losses on non-current assets or goodwill by each business segment  
Not applicable.

II This consolidated first quarter (from April 1, 2024 to June 30, 2024)

1. Information about sales and profit or loss by reportable segment

	Reportable segments					Adjustments (million yen) (Note 1)	Amount on the quarterly consolidated profit and loss statement (million yen) (Note 2)
	Pharmaceutical Wholesaling (million yen)	Dispensing Pharmacy (million yen)	Pharmaceutical Manufacturing and Sales (million yen)	Other Peripheral Businesses (million yen)	Total (million yen)		
Net Sales							
(1) Sales to external customers	348,207	22,925	778	1,132	373,044	—	373,044
(2) Inter-segment sales	12,336	6	2,126	391	14,861	-14,861	—
Total	360,544	22,932	2,904	1,523	387,905	-14,861	373,044
Segment profit	2,660	-492	369	51	2,588	-309	2,278

- (Note) 1. The amount of the adjustments for segment profits or losses shows the elimination of internal transactions and unrealized profit and corporate expenses not attributable to any reportable segment.  
2. The amounts for profits or losses in the reportable segments were subsequently adjusted with the amount of operating profit on the quarterly consolidated profit and loss statement.

2. Information about impairment losses on non-current assets or goodwill by each business segment  
Not applicable.

(Notes Concerning Consolidated Statements of Cash Flows)

Quarterly consolidated statements of cash flows for the first quarter of the current fiscal year are not prepared. Depreciation (Including amortization of intangible assets excluding goodwill.) and goodwill for the first quarter of the current fiscal year are as follows.

	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,548 million yen	1,406 million yen
Amortization of goodwill	67 million yen	62 million yen

(Significant Subsequent Events)

(Acquisition of Own Shares and Cancellation of Treasury Stock)

The Company has resolved, at a meeting of the Board of Directors held on August 6, 2024, the matters concerning the acquisition of own shares pursuant to the provisions of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the provisions of Article 165, paragraph (3) of the same Act, and to cancel those shares pursuant to the Article 178 of the same Act.

1. Reason for Acquisition of Own Shares

To enhance shareholder return and improve capital efficiency

2. Details of matters related to acquisition

(1) Class of shares to be acquired	Common shares
(2) Total number of shares to be acquired	Up to 5,000,000 shares (7.96 % of total number of issued shares (excluding treasury shares))
(3) Total amount of share acquisition costs	¥ 15,000,000,000 (Maximum)
(4) Acquisition period	From August 7, 2024 to March 31, 2025
(5) Method of acquisition	Market Purchase at the Tokyo Stock Exchange Some or all orders may not be executed due to market trends, etc.

3. Details of Cancellation

(1) Class of share to be cancelled	Common shares
(2) Total number of shares to be cancelled	All of the shares acquired as described in 2. above
(3) Planned cancellation date	March 31, 2025