



Financial Results Briefing for the First Half of Fiscal Year Ending March 31, 2022

NOVEMBER 16, 2021 (TUE)

[Notice]

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Full Enforcement of Legal Compliance

～ Measures to Prevent Recurrence ～

- Court judgment for TOHO PHARMACEUTICAL CO., LTD. and one employee of the Company regarding violation of the Antimonopoly Act (June 30)
- Administrative sanction on the pharmacy operated by PHARMA MIRAI (August 19)

↳ The person in charge and other related personnel were given disciplinary action, and the management system and the organization were reorganized (2019 to 2020).

● Further enhancement of the compliance system

1. Strengthen the functions and effectiveness of the Group Compliance Risk Management Committee

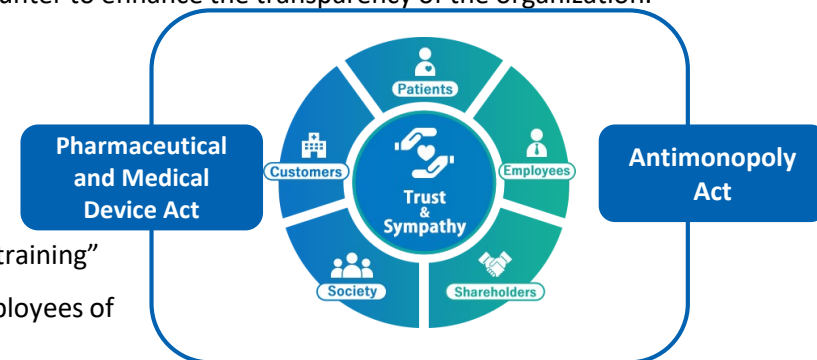
- ✓ Hold regular meetings of the Group Compliance Risk Management Committee chaired by Udo Atsushi, President and Representative Director
- ✓ The Committee collects and evaluates information on the Group's management risks, and identifies major risks. It then considers how to avoid or minimize them.

2. Create an organization to increase transparency

- ✓ In the dispensing pharmacy business, we established the compliance counter to enhance the transparency of the organization.

● Thorough compliance training

- ✓ We implement monthly compliance training for all employees of TOHO HOLDINGS CO., LTD. and TOHO PHARMACEUTICAL CO., LTD.
- ✓ All employees involved in sales are required to take an “Antitrust Law training”
- ✓ We regularly implement video training and recognition tests for all employees of PHARMA MIRAI.





Agenda

- 1. Financial Highlights for the First Half of Fiscal Year Ending March 31, 2022**
- 2. Medium- and Long-term Management Strategy**
- 3. Initiatives to Enhance Corporate Value**



1. Financial Highlights for the First Half of Fiscal Year Ending March 31, 2022



Profit and Loss Statement (Consolidated)

- Achieved the target of both net sales and income for the first half of the fiscal year
- The situation of limited clinic visits by patients has been on a recovery trend and both sales and income increased.

(Unit: million Yen)

	1st half of FY ended March 2021	1st half of FY ending March 2022				Forecasts for FY ending March 2022	Progress (%)
		Forecasts	Sum	YoY change (%)	Ratio to forecast (%)		
Net sales	595,997	596,000	620,845	4.17	104.17	1,192,000	52.08
Gross income (Gross income ratio)	49,071 (8.23%)	50,500 (8.47%)	50,566 (8.14%)	3.05	100.13	103,000 (8.64%)	49.09
SG&A (SG&A ratio)	47,791 (8.02%)	48,800 (8.19%)	48,703 (7.84%)	1.91	99.80	96,600 (8.10%)	50.42
Operating income (Operating income ratio)	1,279 (0.21%)	1,700 (0.29%)	1,863 (0.30%)	45.66	109.59	6,400 (0.54%)	29.11
Ordinary income (Ordinary income ratio)	4,225 (0.71%)	4,500 (0.76%)	4,802 (0.77%)	13.66	106.71	11,900 (1.00%)	40.35
Net income* (Net income ratio)	1,820 (0.31%)	3,100 (0.52%)	3,271 (0.53%)	79.73	105.52	7,400 (0.62%)	44.20

*Profit attributable to owners of parent



Balance Sheet (Consolidated)

(Unit: million Yen)

	FY ended March 2021		1st half of FY ending March 2022			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
Current assets	486,911	71.27	501,589	72.07	14,678	Increase in cash and deposits of 8,286 Increase in accounts receivable-trade of 3,372 New component of return assets of 5,129
Noncurrent assets	196,269	28.73	194,341	27.93	-1,928	Decrease in property, plant and equipment of 1,790
Total assets	683,181	100.00	695,931	100.00	12,750	
Current liabilities	376,717	55.14	387,682	55.71	10,965	Increase in accounts payable-trade of 4,891 New component of refund liability of 5,328
Noncurrent liabilities	69,058	10.11	67,498	9.70	-1,559	Decrease in log-term borrowings of 1,333
Total liabilities	445,775	65.25	455,181	65.41	9,406	
Net assets	237,405	34.75	240,749	34.59	3,344	Increase in retained earnings of 2,430 Increase in valuation difference on available-for-sale securities of 830
Total liabilities and net assets	683,181	100.00	695,931	100.00	12,750	

Shareholder's Equity Ratio FY ended March 2021: 34.73%, 1st half of FY ending March 2022: 34.55%



Profit and Loss Statement (Pharmaceutical Wholesaling Business)

- Increase in sales of COVID-19-related products and limited-handling products for selected wholesalers
- Failed to achieve the gross profit ratio target because hiked rates of manufacturer invoice prices were not be fully covered by that of selling prices despite efforts to increase the selling prices.
- Selling, general and administrative expenses increased from the same period of the previous fiscal year due to an increase in depreciation associated with start of operation of TBC DynaBASE.

(Unit: million Yen)

	1st half of FY ended March 2021	1st half of FY ending March 2022				Forecasts for FY ending March 2022	Progress (%)
		Forecasts	Sum	YoY change (%)	Ratio to forecast (%)		
Net sales	572,708	571,000	596,983	4.24	104.55	1,139,000	52.41
Gross income (Gross income ratio)	32,731 (5.72%)	33,100 (5.80%)	33,265 (5.57%)	1.63	100.50	67,200 (5.90%)	49.50
SG&A (SG&A ratio)	30,886 (5.39%)	31,600 (5.53%)	32,135 (5.38%)	4.04	101.69	62,500 (5.49%)	51.42
Operating income (Operating income ratio)	1,844 (0.32%)	1,500 (0.26%)	1,130 (0.19%)	-38.72	75.33	4,700 (0.41%)	24.04



Composition of sales by category and Contract rate

Composition of sales by category

	April 2020-September 2020	April 2021-September 2021
Drugs for premium to promote the development of new drugs and eliminate off-label use	35.9%	40.3%
Patented drugs, others	33.9%	33.7%
Long-listed original drugs	16.7%	12.7%
Generic drugs	13.5%	13.3%

Contract rate

	2017/9	2018/3	2018/9	2019/3	2019/9	2020/3	2020/9	2021/3	2021/9
Value Basis	98.0%	99.9%	91.7%	95.5%	99.7%	99.7%	95.6%	100.0%	95.0%
Number Basis	87.9%	100.0%	69.6%	86.7%	100.0%	99.8%	80.6%	100.0%	71.1%



Profit and Loss Statement (Dispensing Pharmacy Business)

- Achieved the gross profit ratio target by working on responding to dispensing fee revisions.
- Reduced selling, general and administrative expenses by promoting operational improvement and efficiency with customer support systems.

(Unit: million Yen)

	1st half of FY ended March 2021	1st half of FY ending March 2022				Forecasts for FY ending March 2022	Progress (%)
		Forecasts	Sum	YoY change (%)	Ratio to forecast (%)		
Net sales	45,077	45,600	45,450	0.83	99.67	92,800	48.98
Gross income (Gross income ratio)	15,440 (34.25%)	15,700 (34.43%)	15,800 (34.76%)	2.33	100.64	32,000 (34.48%)	49.38
SG&A (SG&A ratio)	14,677 (32.56%)	14,600 (32.02%)	14,483 (31.87%)	△1.32	99.20	28,800 (31.03%)	50.29
Operating income (Operating income ratio)	763 (1.69%)	1,100 (2.41%)	1,317 (2.90%)	72.61	119.73	3,200 (3.45%)	41.16

■ Number of stores (as of September 30, 2021)

	Consolidated Subsidiaries	Non-Consolidated Subsidiaries	Affiliates Companies	Total
TOHO HOLDINGS	4companies 79stores	9companies 55stores	3companies 21stores	16companies 155stores
PharmaCluster	5companies 466stores	16companies 68stores	2companies 90stores	23companies 624stores
Total	9companies 545stores	25companies 123stores	5companies 111stores	39companies 779stores



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 2020	20yen (Ordinary dividend: 15 yen Commemorative dividend: 5 yen)	20yen (Ordinary dividend: 15 yen Commemorative dividend: 5 yen)	40yen (Ordinary dividend: 30 yen Commemorative dividend: 10 yen)
FY ended March 2021	15yen	15yen	30yen
FY ending March 2022	15yen	15yen (Forecasts)	30yen (Forecasts)



2. Medium- and Long-term Management Strategy

1. Acquire new revenue sources not only from the existing businesses
2. Our social mission as a pharmaceutical wholesale company
 - ✓ Initiatives against COVID-19
 - ✓ Initiatives for stable supply – collection of generic drugs and response to shipping adjustments –
 - ✓ Online Medical Examination/ Dosing Guidance System “KAITOS”
 - ✓ Highly functional distribution system
3. Further enhancement of the wholesale functions and business base
4. Initiatives for Specialty and Orphan Medicinal Products
5. Improving profitability through fee business
6. Initiatives in Dispensing Pharmacy Business
7. Initiatives in KYOSOMIRAI PHARMA



Review of business segments

● The Group's three companies engaged in the customer support systems, which significantly contribute to increasing its profits, have been newly consolidated for "other peripheral businesses."

Pharmaceutical Wholesaling Business

1st half of FY ending March 2022
Net sales: 596,983million yen
Operating income: 1,130million yen

Dispensing Pharmacy Business

1st half of FY ending March 2022
Net sales: 45,450million yen
Operating income: 1,317million yen

Pharmaceutical Manufacturing and Sales Business

1st half of FY ending March 2022
Net sales: 4,028million yen
Operating income: 312million yen

Other Peripheral Businesses

1st half of FY ending March 2022
Net sales 2,672million yen
Operating income 100million yen

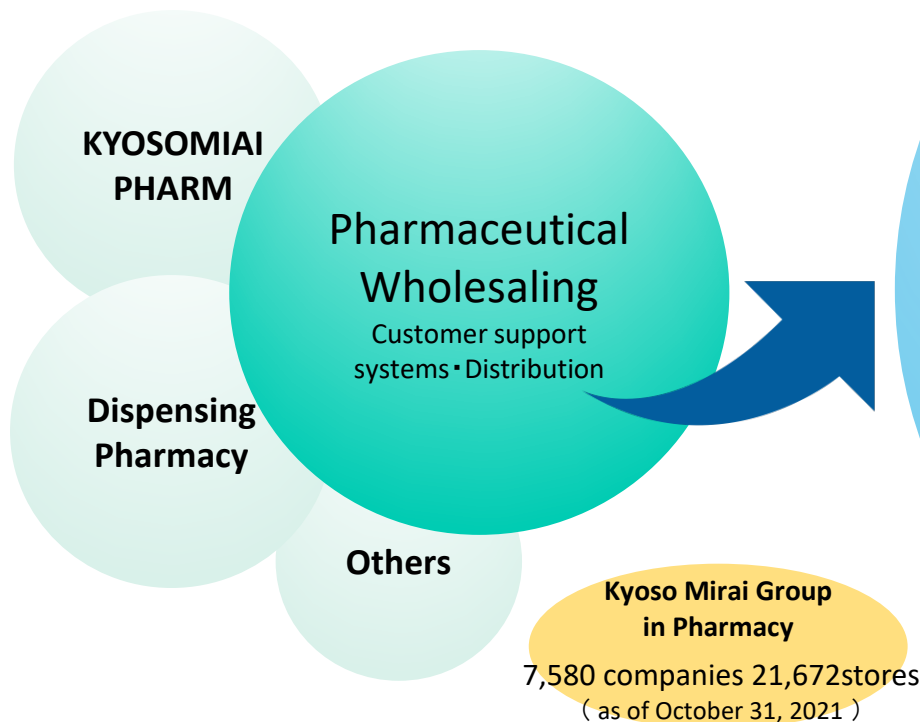
From this fiscal year, Nextit Research Institute, Inc., eKenkoshop Corporation, and K.K.eHealthcare have been newly consolidated.



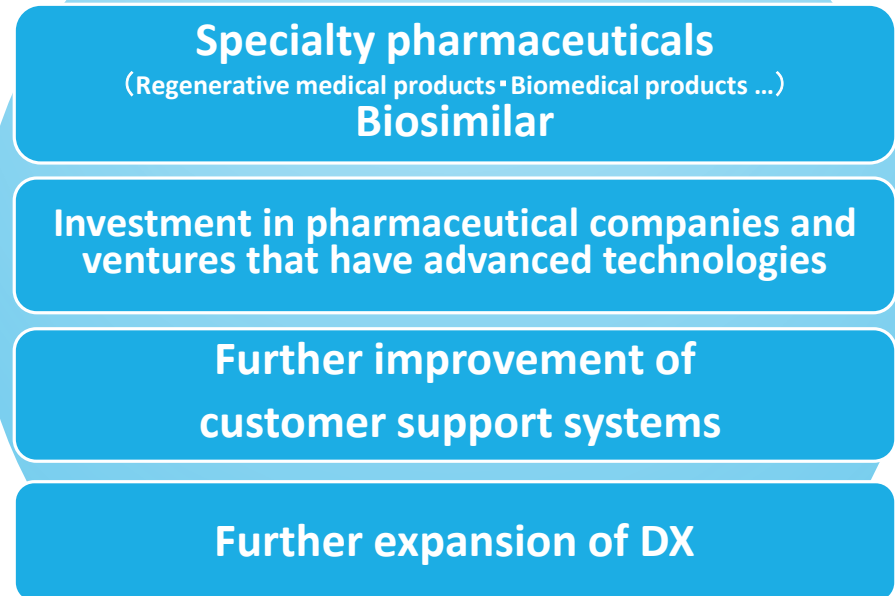
1. Acquire new revenue sources not only from the existing businesses

In addition to the Group's functions and infrastructure with competitive advantages, we will co-create new functions and business bases by working with outside partners.

<Existing business>



<Growth field>





1. Acquire new revenue sources not only from the existing businesses

● Specialty pharmaceuticals (Regenerative medical products • Bio-medical products ...) / Biosimilar

- Started clinical trial logistics
- Construct a streamlined logistics functionality, including manufacturers' logistics and wholesalers' logistics
- Construct a cold chain
- HekaBio (new radiation therapy using alpha-particle source), Kringle Pharma (regenerative drug discovery of recombinant HGF protein)

● Investment in pharmaceutical companies and ventures that have advanced technologies

- Morimoto-Pharma : Pharmaceutical formulation technology for freeze-dried COVID-19 vaccines
- Drawbridge : Research and development of blood self-collecting device

● Further improvement of customer support systems

- Online Medical Examination/ Dosing Guidance System "KAITOS"
- Customer support systems that contributes to reducing face-to-face communication during the COVID-19 crisis (Centralized administration system of pharmacy operation "Mizar", Medical appointment system ...)
- Further utilize voice-recognition technology

● Further expansion of DX

- New consolidation of K.K.eHealthcare, Nextit Research Institute, Inc., and eKenkoshop Corporation
- Second to IT companies
- Streamlining through DX (streamlining of Head Office functions, consolidation of sales and logistic bases, increasing of the productivity of MS)



2. Our social mission as a pharmaceutical wholesale company ～Initiatives against COVID-19～

- Transportation of therapeutic drugs, vaccines, needles and syringes
- COVID-19-related products
(Reagents, test equipment, collecting instrument)
- Sales of medical antigen test kits → Started sales in wholesales in small lots



SARS Coronavirus Antigen Kit

鼻腔スワブ入り



Small lots



Sets of small lots

- Workplace vaccination

→ About 7,400 employees, their family members, and other concerned people of the Group have been vaccinated by September 1.



2. Our social mission as a pharmaceutical wholesale company

Initiatives for stable supply

~ collection of generic drugs and response to shipping adjustments ~

Frequent collection and adjusted shipment of generic drugs

Increasing burden of
workload at workplace

In addition to normal work...

- Collection and preparation replacement
- Handwriting slips



Add new functions to the internal core systems

(Automated processing of out-of-stock products and selection of replacement)

Significantly reduced burden of
workload for MS, staff of office
and logistics

Enable timely provision of
information for customers



**We will continue to fulfil our social mission as
a pharmaceutical wholesale company**



2. Our social mission as a pharmaceutical wholesale company ～Online Medical Examination/ Dosing Guidance System “KAITOS”～

Authorities move

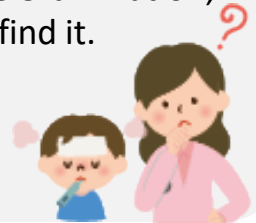
- Medical fees paid by the government more than double when the doctor examines home-care patients with COVID-19 by phone or online.
- For the 2022 revision of medical fee system, the government considers “the realization of society where people can receive familiar and appropriate medical treatment at ease wherever they live.”

Online examinations have become a means of medical treatment in addition to in-person examinations.



Patients' concerns

- I want to take an online examination, but I don't know how to find it.
- I'm not sure that I can connect properly.



Identify patients' needs
Solution of issues

Online Medical Examination/ Dosing Guidance System

<Product Characteristics>

- In collaboration with “Byouin-Navi,” a web-portal site for finding hospitals/clinics, KAITOS enables users to search for medical institutions that provide online examinations.
- Established the dedicated KAITOS website for medical institutions and the search page for online examination for patients.
- Also established a call center available for patients.





2. Our social mission as a pharmaceutical wholesale company


～Highly functional distribution system～

Highly functional distribution system centered on a state-of-the art logistics center



- Promoting no inspection at delivery and establishing the direct delivery system of products to customers.
- Realized optimal delivery once or twice a week by linking with the demand forecast ordering function based on the prescription data of the centralized administration system for pharmacy operations “MIZAR”

Pursuing further possibilities by utilizing TBC DynaBASE

- 
- Streamlining by consolidating sales and logistics bases
 - Further strengthening of disaster-response measures through demonstration experiments working with the local government
 - Clinical trial logistics, Manufacturer logistics, Establish a distribution platform for regenerative medical products and cell medical products

TBC Hokuriku (Kawaraichimachi, Kanazawa city, Ishikawa)

- Expected operation: in spring 2022
- Capital investment amount 1.5 billion yen
- Promote reduction of environmental impact by introducing BEMS*

*Building Energy Management System

Under construction



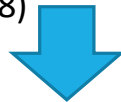


3. Further enhancement of the wholesale functions and business base

1. Succession of constant-temperature transportation device business

Succeeded the high-quality and highly functional transfer system business that is required for the transfer of regenerative medical products, biomedical products and blood etc.

("SALM" has already implemented the delivery of specialty pharmaceutical products since 2018)



Enhances temperature control and data management from the manufacturer to the wholesaler and the wholesaler to the medical institution

Development of ultra-low temperature transfer equipment responding to the cold chain



2. Succession of the pharmaceutical wholesaling business

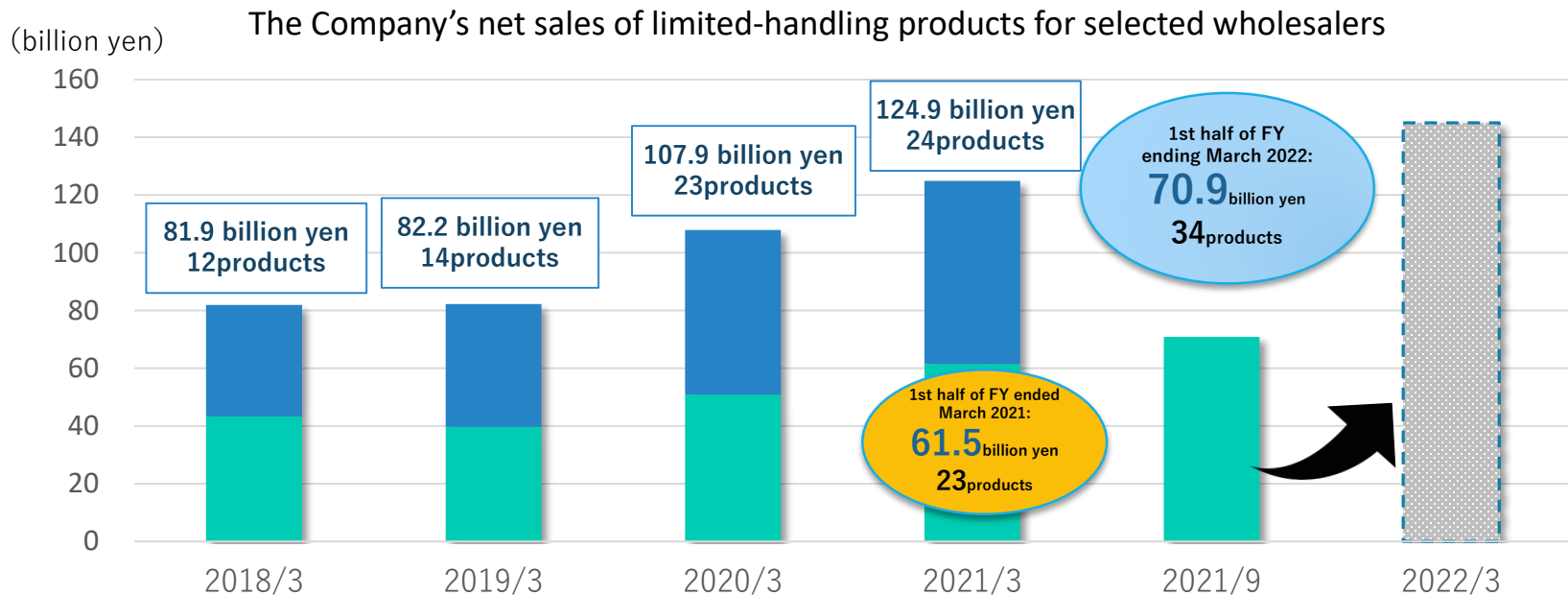
Succeeded the pharmaceutical wholesaling business operated by the Kobe Medical Cooperative Association (about 1,350 hospitals/clinics)



Expansion of sales network for pharmaceuticals and customer support systems



4. Initiatives for Specialty and Orphan Medicinal Products



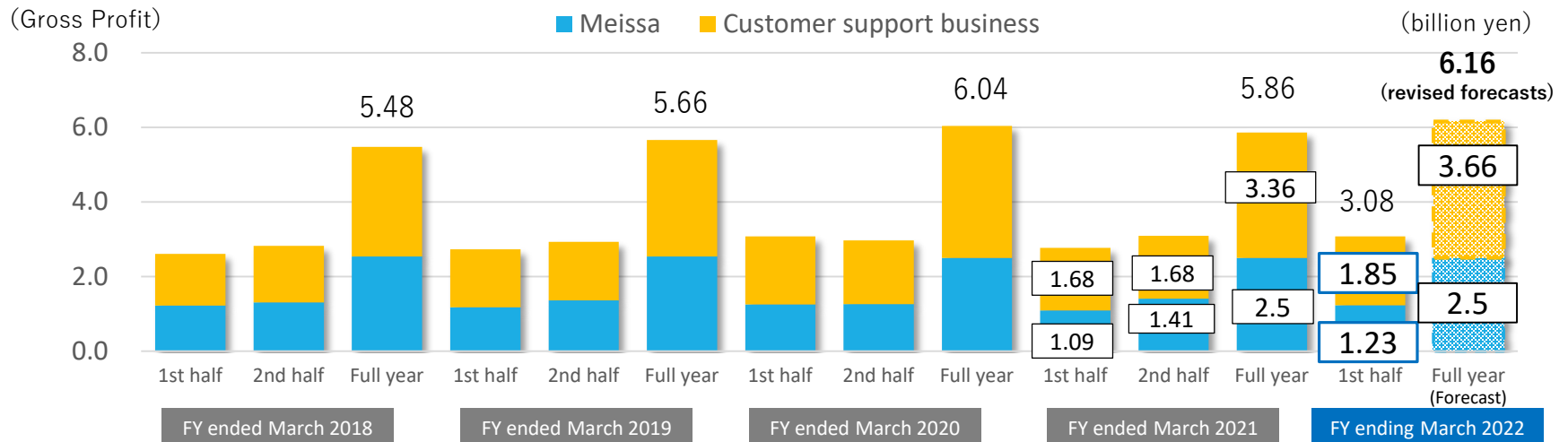
To be selected by Manufacturers

1. Strict price control (Price lock system)
2. Constructed a centralized system for managing the inventory of the entire Group
3. Highly accurate operations that match physical inventory with theoretical inventory in real time
4. Complete traceability of temperature management from shipping to delivery
5. Logistics system capable of ensuring a stable supply even during a disaster



5. Improving profitability through fee business

● The systems significantly contribute to increasing the Group's profits, with steady increases in monthly fees received from customers, which account for the majority of the profits, in addition to fees at the initial system installation.



■ **Meissa (MS Promotion System)** Number of contracts with pharmaceutical companies: 5 companies / 8 companies (spot, 1st half)

■ **Business results of the major customer support systems** (as of October 31, 2021)

Initial examination reservation service

Number of account registration: 12,528 hospitals/clinics

FutureENIF / ENIF

Number of ENIF used in medical institutions: 30,991 machines

Centralized administration system of pharmacy operation "Mizar"

Number of sales: 2,837 stores*

ENIFvoice SP+A / ENIFvoice Core

Number of sales and contract: 14,212 sets

Medical appointment system

Number of sales : 3,818 machines *

(※on a contract basis)



6. Initiatives in Dispensing Pharmacy Business

● Response to the amendment of the Act on Securing Quality, Efficacy and Safety of Products, Including Pharmaceuticals and Medical Devices and the dispensing fee revision in 2022

- Shift from work for objects to interpersonal work
 - : Focus on interpersonal work by streamlining work with the use of customer support systems
- Strengthening the function as a family pharmacy
 - : Promotion of dosing follow-up using SNS/ Expanding OTC and healthcare product sales
- Online dosing guidance system
- Functional shift of Pharmacies collaborating with local communities and Pharmacies collaborating with specialized medical institutions
 - 【 Pharmacies collaborating with local communities Four pharmacies are certified (21 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) 】
 - : Training in hospital as specialized pharmacists in the oncology area

● Initiative to community comprehensive healthcare systems and home medical care

- Strengthened cooperation with medical institutions and the Community Comprehensive Support Center
- Our unique initiatives taken by the community-based pharmacies



Dementia cafe

A cafe for those with dementia is held regularly at Kyoso Mirai-Koga minami Pharmacy (PHARMA MIRAI).



Sales of aroma oil

Aroma oil sales and a workshop are implemented at 16 pharmacies of VEGA PHARMA.



Cafe supervised by a registered dietitian

J.Mirai Medical operates KIRARA MIRAI Hoshinoko café supervised by a registered dietitian.



7. Initiatives in KYOSOMIRAI PHARMA

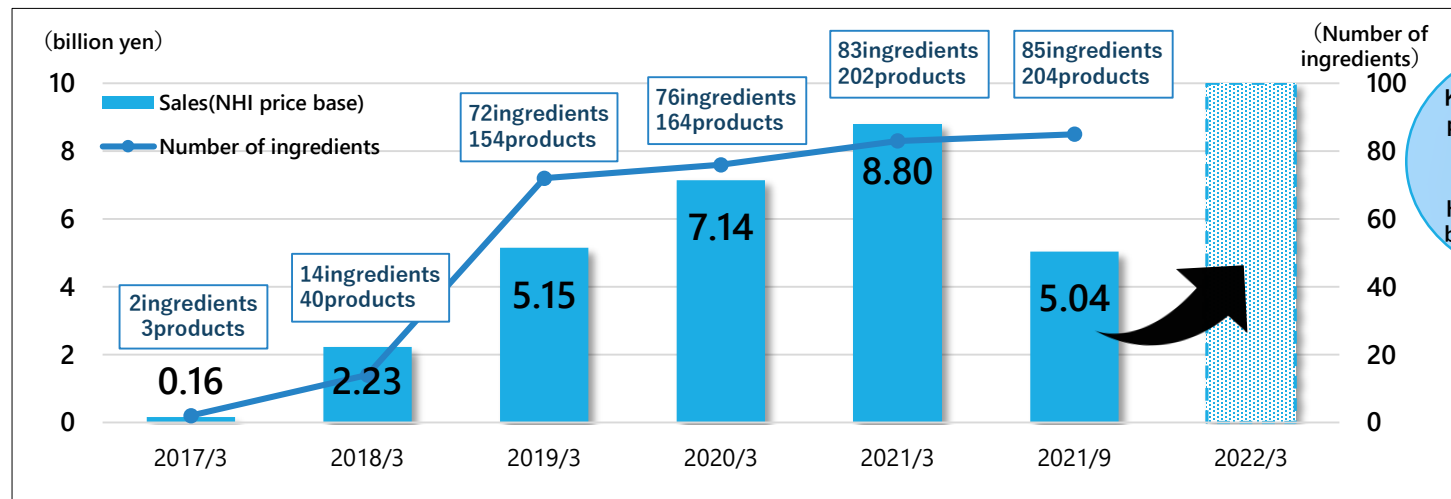
● Strengthen product quality management

Frequently occurring problems caused by manufacturers with the collection of generic drugs. ↓



KYOSOMIRAI PHARMA ensures high quality through its original tests (quantitative, dissolution, and purity tests) Ensure thorough quality management by introducing advanced equipment

● KYOSOMIRAI PHARMA's product sales and number of ingredients



KYOSOMIRAI PHARMA products are utilized at **736** university hospitals and large hospitals with over 200 beds. (as of October 31, 2021)

● Pursuing further possibilities (Sale of Orphan Medicinal Products, Biosimilar, etc.)



3. Initiatives to Enhance Corporate Value



Initiatives to Enhance Corporate Value

- Selected and applied for the new “Prime Market” section of the Tokyo Stock Exchange
- Promote sustainability management

1. Further strengthening of governance

- One third or more of outside directors
- All three members of the Audit and Supervisory Committee are outside directors.

2. Response to diversity

- Increase female directors (TOHO HD: from one to two Directors, and from none to two Corporate Officers)
- Utilize a wide range of human resources regardless of gender and nationality (Employment ratio of new graduates in FY2021 (male: 43%, female: 57%))

3. Utilization of human resources

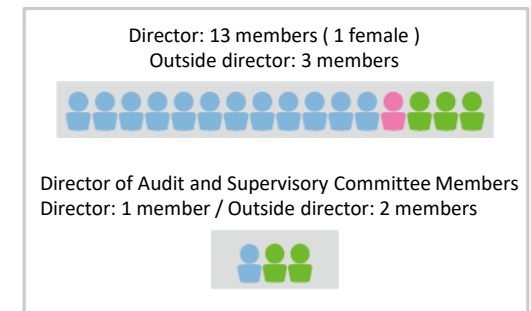
- Nurturing young employees
- Enhancement of the training system

4. Further expansion of DX

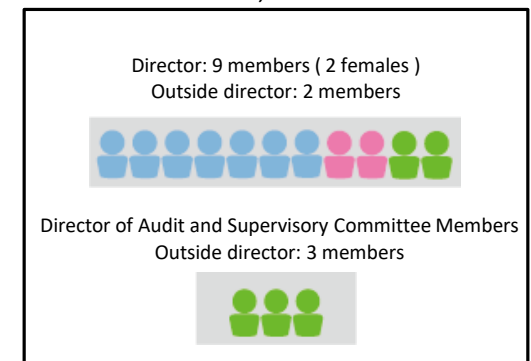
5. Initiatives for environmental conservation

- Introduction of BEMS to logistics centers
(TBC Saitama, TBC Hiroshima, TBC DynaBASE, TBC Hokuriku (plan))

< Composition of directors >
June, 2020



June, 2021





References



Cash Flow

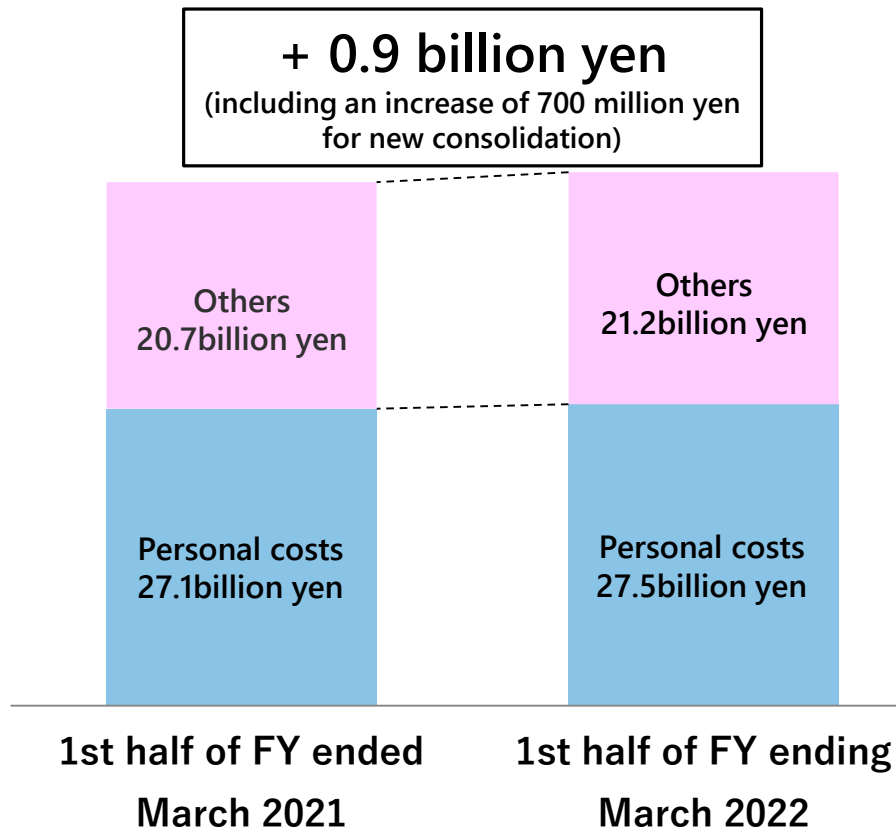
(Unit: million Yen)

	1st half of FY ended March 2021	1st half of FY ending March 2022	Major factors for 1st half of FY ending March 2022
Cash and cash equivalents at the beginning of period	80,013	88,882	
Operating activities	8,073	11,593	Income before income taxes: 5,071 Depreciation: 3,262 Increase in notes and accounts receivable-trade: -3,456 Increase in notes and accounts payable-trade: 4,890
Investment activities	-2,869	-1,445	Proceeds from sale of investment securities: 857 Purchase of property, plant and equipment: -1,304 Purchase of intangible assets: -545 Purchase of investment securities: -701
Financing activities	970	-2,202	Repayment of long-term loans payable: -1,333 Cash dividends paid: -1,057
Cash and cash equivalents at the end of period	86,289	97,124	Increase(1st half of FY ending March 2022): 8,242



SG&A (Year on Year)

<Year on Year>



Others + 0.5 billion yen

- Newly consolidated companies: +0.3 billion yen (Other Peripheral Businesses)
- Existing consolidated companies: +0.2 billion yen
 - Pharmaceutical wholesaling business: +0.4 billion yen
 - Depreciation of TBC DynaBASE : +0.7 billion yen
 - Durable consumables etc.: -0.3 billion yen
- Dispensing pharmacy business: -0.2 billion yen
- Dispatching fee etc.: -0.1 billion yen, Amortization of goodwill: -0.1 billion yen

Personal costs +0.4 billion yen

- Newly consolidated companies: +0.4 billion yen (Other Peripheral Businesses)



Capital Investment and Depreciation

<Capital Investment>

FY ended March 2021	1st half of FY ending March 2022	FY ending March 2022
Results : 6,000 million yen	Results : 1,564 million yen	Forecasts : 6,825 million yen
1. Integrated Logistics Center “TBC DynaBASE” (Building, System): 3,049million yen 2. Pharmaceutical sales office (New construction, relocation of sales office and others): 1,061million yen 3. Others: 1,891million yen	1.“TBC Hokuriku” (Building, System): 411million yen 2. Pharmaceutical sales office (New construction, relocation of sales office and others): 790million yen 3. Others: 363 million yen	1.“TBC Hokuriku” (Building, System): 1,518million yen 2. Pharmaceutical sales office (New construction, relocation of sales office and others): 3,574million yen 3. Others: 1,733 million yen

<Depreciation>

FY ended March 2021	1st half of FY ending March 2022	FY ending March 2022
Results : 5,964 million yen	Results : 3,028 million yen	Forecasts : 6,508 million yen



Total commitment to good health



[Front office in charge of IR]
Corporate Planning & Investor Relations
Department
Corporate Communications Department
E-mail: info@so.tohoyk.co.jp
<http://www.tohohd.co.jp/>