



Financial Results Briefing for the First Half of Fiscal Year Ending March 31, 2021

November 12, 2020 (Thu)



[Notice]

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Financial Highlights for the First Half of Fiscal Year Ending March 31, 2021



- **Decline in net sales and income due to the following factors:**
 - **Impact of our voluntary restraints on marketing activities in line with the spread of the novel coronavirus infections and limited clinic visits by patients who were alert to the risks of infections.**
 - **Despite the negotiation of prices commensurate with the values of products, market prices deteriorated owing to severe price competition.**
- **Most appropriate frequency of deliveries through the proposal of Mizar (centralized administration system for pharmacy operations with automated ordering functions) and improvement of operational efficiency through no-inspection at the time of delivery and direct delivery from a logistics center to customers.**
- **Strived to reduce costs, including personnel expenses.**

Profit and Loss Statement (Consolidated)



Unit: million Yen

	1st half of FY ended March 2020		1st half of FY ending March 2021		
			Results		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
N e t s a l e s	634,050		595,997		-6.00
G r o s s i n c o m e	56,760	8.95	49,071	8.23	-13.55
S G & A	48,839	7.70	47,791	8.02	-2.15
Operating income	7,920	1.25	1,279	0.21	-83.85
Ordinary income	10,951	1.73	4,225	0.71	-61.42
N e t i n c o m e	7,121	1.12	1,820	0.31	-74.44

Balance Sheet (Consolidated)



Unit: million Yen

	FY ended March 2020		1st half of FY ending March 2021			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
Current assets	477,958	71.25	478,015	69.83	57	Increase in cash and deposits of 6,284 Increase in merchandise of 3,556 Decrease in accounts receivable-trade of 11,141
Noncurrent assets	192,869	28.75	206,490	30.17	13,622	Increase in property, plant and equipment of 4,060 Increase in investment securities of 9,221
Total assets	670,827	100.00	684,506	100.00	13,679	
Current liabilities	378,000	56.35	379,548	55.45	1,547	Increase in short-term borrowings of 2,256
Noncurrent liabilities	61,817	9.21	65,821	9.61	4,004	Increase in deferred tax liabilities of 3,561
Total liabilities	439,818	65.56	445,369	65.06	5,551	
Net assets	231,009	34.44	239,136	34.94	8,128	Increase in valuation difference on available-for-sale securities of 6,879
Total liabilities and net assets	670,827	100.00	684,506	100.00	13,679	

Shareholder's Equity Ratio FY ended March 2020: 34.41%, 1st half of FY ending March 2021: 34.91%

Profit and Loss Statement

(Pharmaceutical Wholesaling Business)



Unit: million Yen

	1st half of FY ended March 2020		1st half of FY ending March 2021		
			Results		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	609,955		572,708		-6.11
Gross income	40,267	6.60	32,731	5.72	-18.72
S G & A	32,152	5.27	30,886	5.39	-3.94
Operating income	8,115	1.33	1,844	0.32	-77.28

Composition of sales by category		April 2019-September 2019	April 2020-September 2020
	Drugs for premium to promote the development of new drugs and eliminate off-label use	28.4%	32.5%
	Patented drugs, others	36.6%	37.6%
	Long-listed original drugs	21.6%	16.3%
	Generic drugs	13.4%	13.7%

Contract rate		2016/9	2017/3	2017/9	2018/3	2018/9	2019/3	2019/9	2020/3	2020/9
	Value Basis	93.3%	97.2%	98.0%	99.9%	91.7%	95.5%	99.7%	99.7%	95.6%
	Number Basis	79.7%	92.9%	87.9%	100.0%	69.6%	86.7%	100.0%	99.8%	80.6%

Profit and Loss Statement (Dispensing Pharmacy Business)



Unit: million Yen

	1st half of FY ended March 2020		1st half of FY ending March 2021		
	Sum	% of net sales	Results		
			Sum	% of net sales	YoY change (%)
Net sales	47,714		45,077		-5.53
Gross income	16,510	34.60	15,440	34.25	-6.48
S G & A	15,152	31.76	14,677	32.56	-3.13
Operating income	1,358	2.85	763	1.69	-43.81

■ Number of stores (as of September 30, 2020)

	Consolidated Subsidiaries	Non-Consolidated Subsidiaries	Affiliates Companies	Total
TOHO HOLDINGS	4 companies 80 stores	9 companies 55 stores	3 companies 24 stores	16 companies 159 stores
PharmaCluster	5 companies 462 stores	16 companies 67 stores	3 companies 92 stores	24 companies 621 stores
Total	9 companies 542 stores	25 companies 122 stores	6 companies 116 stores	40 companies 780 stores



Forecasts for Fiscal Year Ending March 2021



The Consolidated Projected Operations Results during Fiscal Year Ending March 2021 is on hold, since it is difficult to forecast the impact of the spread of novel coronavirus infections (COVID-19) at this point. The results will be disclosed promptly when a rational estimation becomes available.



[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 2019	15yen	15yen	30yen
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 ending March 2021	15yen	15yen(Forecasts)*	30yen(Forecasts)*

We plan to pay the annual dividend of 30 yen per share, consisting of interim and year end dividends of 15 yen each, for the fiscal year ending March 2021.



Social mission to ensure a steady supply of pharmaceuticals even during a disaster

Promote non-contact delivery business models

- Promote no-inspection at the time of delivery
- Planned delivery by Mizar, a centralized administration system for pharmacy operations

Changes in work style

- MS activities that prioritize the stable supply of pharmaceuticals, etc.
- Staggered working hours, work from home, and remote work continue
- Meetings are held online

Thorough infection prevention measures

- Necessary number of surgical masks for this fiscal year are delivered to all the group employees, including part-timers, temp staff, and employees of outside vendors
- Ensure that visitors to our offices wear a mask, use hand sanitizer, and have their body temperature measured by a third person
- Install thermography cameras and acrylic plates for prevention of droplet transmissions, etc. at pharmacies

Proposal of products to prevent infectious disease



AI facial recognition device with a thermography camera
Sense Thunder



Ostrich antibody spray
V Block Spray



Surgical mask



Photocatalyst sterilization deodorizer
arc



PCR test kit for the novel coronavirus



Important related laws

**Pharmaceutical
and Medical
Device Act**



**Antimonopoly
Act**

**Strengthen functions of the Group
Compliance Risk Management
Committee**

The Committee is chaired by the President and Representative Director. It ensures compliance initiatives throughout the group.

Compliance system

Ensure guidance, supervision and information-sharing regarding the development of a compliance system among group subsidiaries engaging in wholesaling prescription pharmaceuticals, etc.

Employee education

Expand and enhance the compliance training program and expand the range of trainees.

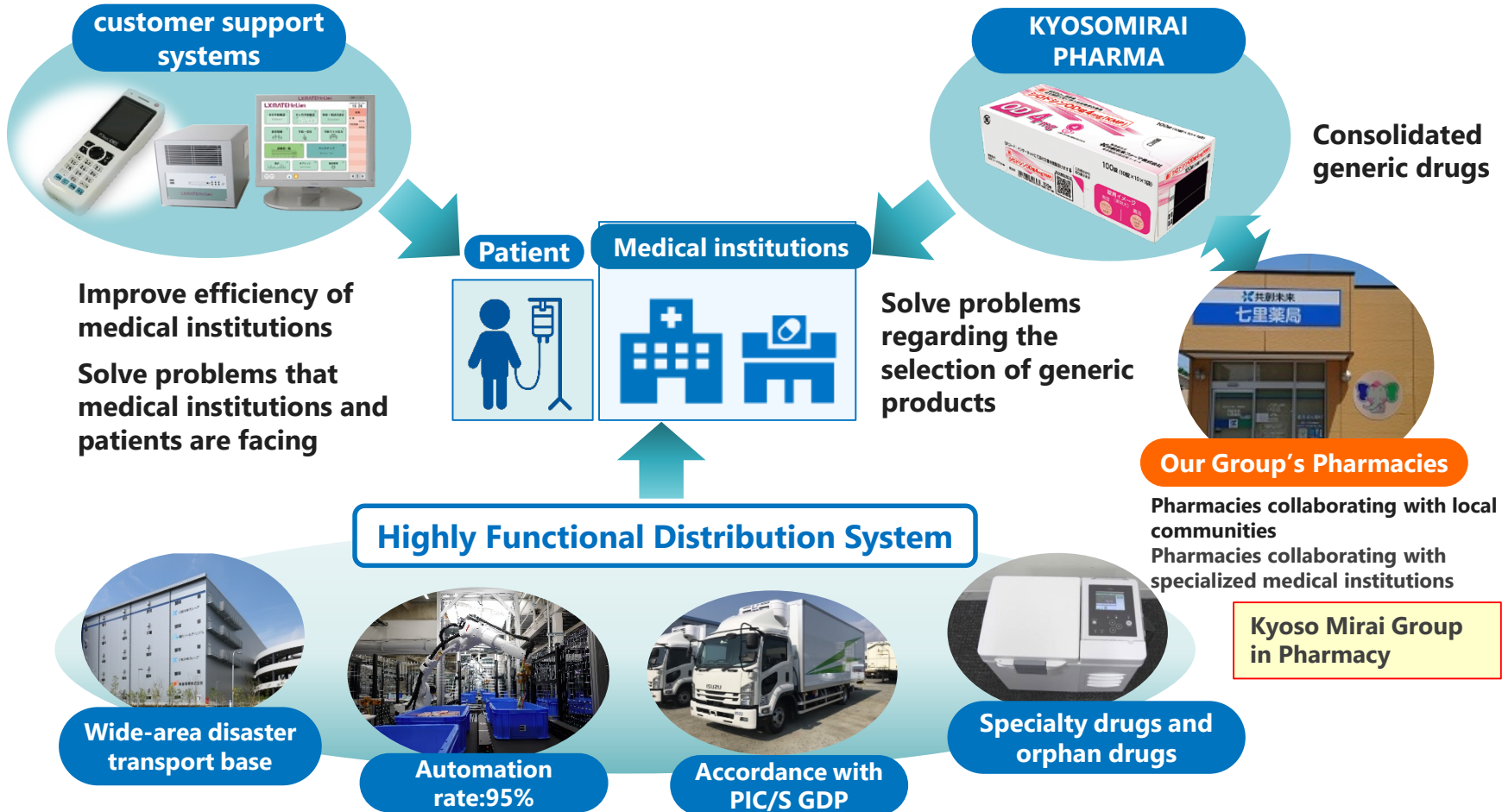


Business Strategies to Improve Profitability over the Medium Term

Business Strategies to Improve Profitability over the Medium Term



Further promotion of a shift toward a business model that focuses on providing value-added services

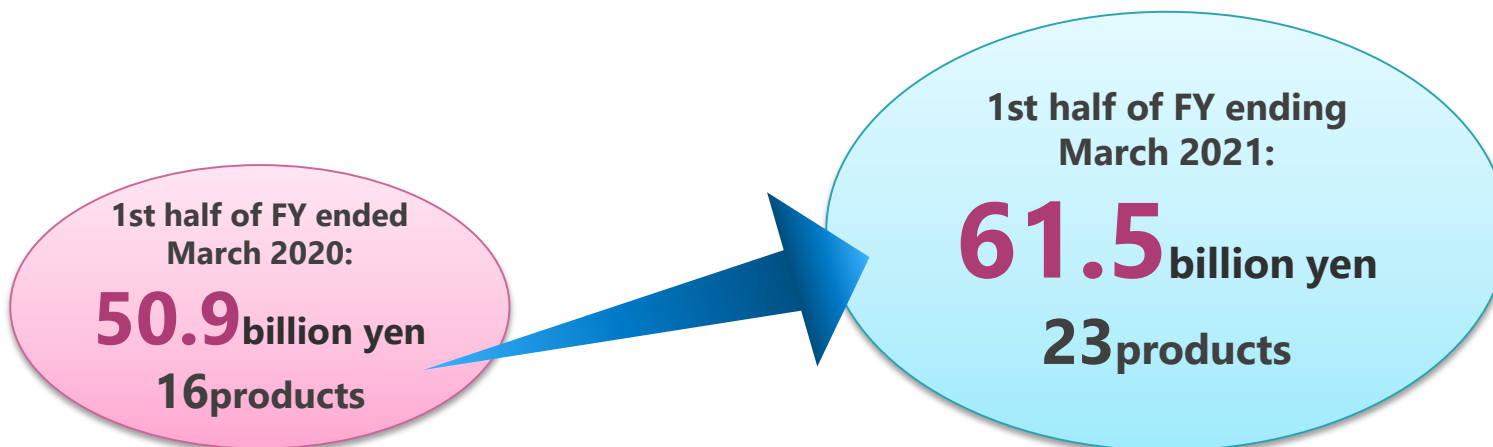


Social mission to ensure a steady supply of pharmaceuticals even during a disaster

1) Initiatives for Specialty and Orphan Medicinal Products



The Company's net sales of limited-handling products for selected wholesalers



Aiming to be selected by customers

1. Highly accurate operations that match physical inventory with theoretical inventory in real time
2. Complete traceability of temperature management at the point of delivery
3. Price lock system

Delivery box for pharmaceuticals

"SALM"



Enables temperature control from delivery to storage at medical institutions

In December 2020, we will undertake the distribution operation of Treakisym[®], an antineoplastic drug by Symbio Pharmaceuticals Limited.

2) Capital Alliance with enTouch KK



We acquired additional shares of enTouch KK, accounting for 33.4% of its total issued shares.

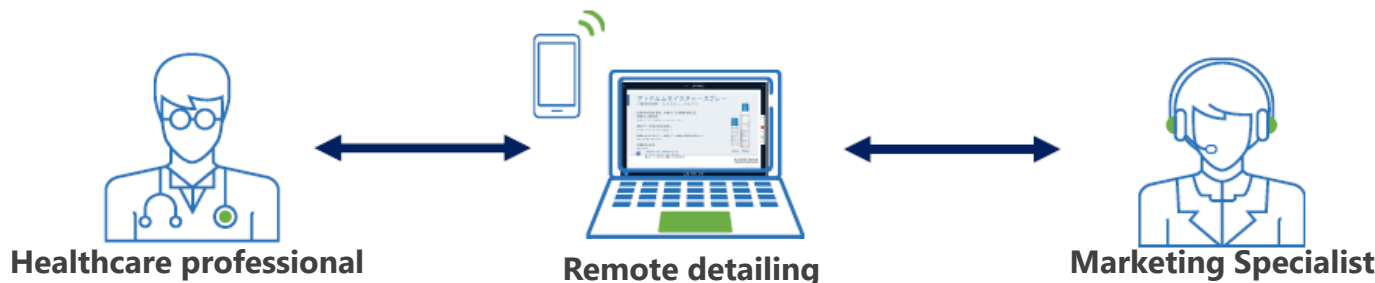
Strengthen the promotion code of prescription pharmaceuticals

Spread of novel coronavirus infections

Decline in detailing opportunities between MR of pharmaceutical companies and healthcare professionals

enTouch remote detailing services

The marketing specialist provides healthcare professionals with information on medicines and diseases via the Internet.



Implementation rate of remote detailing service at appointment sites **89%**

* Web interview success rate by pharmaceutical companies alone: 20%

The close rate by interview increased significantly, thanks to coordination by MS.
More and more pharmaceutical companies will participate in the service ⇒

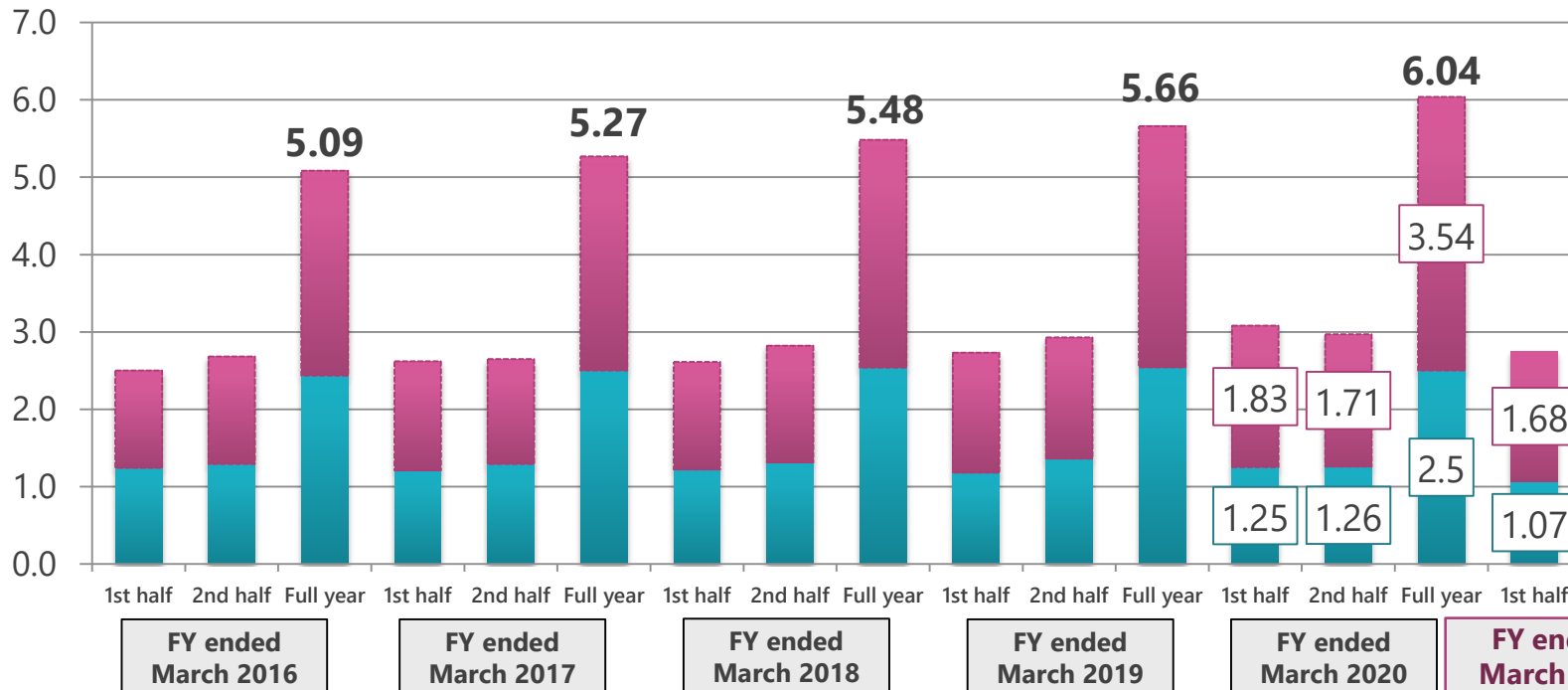
Fee-earning

3) Further Increase in the Number of Contracts for the Customer Support Systems



Gross Profit
(billion yen)

■ Meissa ■ Customer support systems



Meissa (MS Promotion System)

- Profit decreased by 180 million yen year-on-year owing to voluntary restraints on marketing activities.

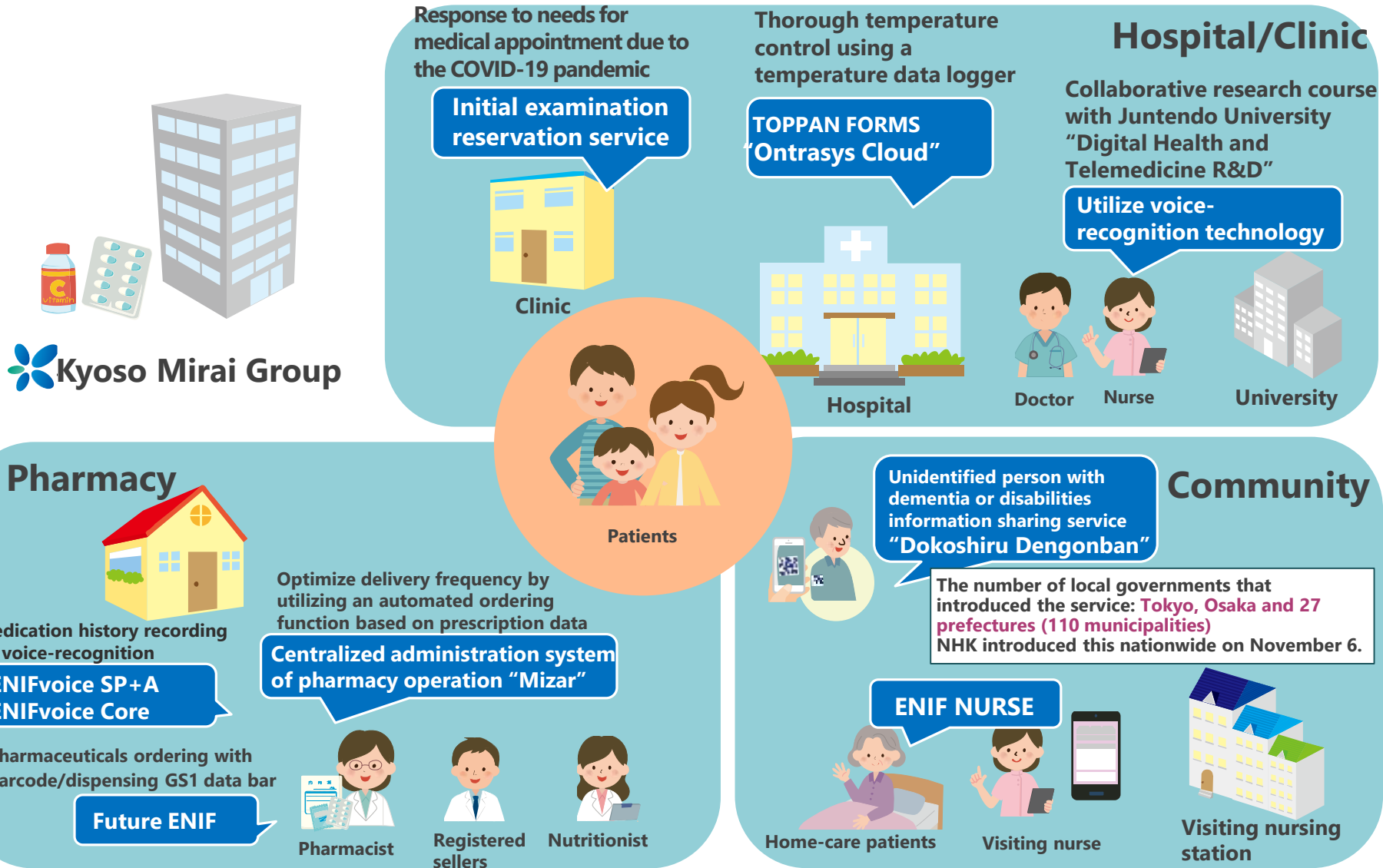
Customer support systems

- Temporary reduction in the billing system amount in line with self-restraint on proposal activities due to sales visit restrictions, postponement of purchase of equipment and newly opening of clinics, and limited clinic visits by patients.
- Needs for medical appointment increased owing to the COVID-19 pandemic
→ Strengthen proposal for Initial Examination Reservation Service and medical appointment system

3) Further Increase in the Number of Contracts for the Customer Support Systems : Priority Items



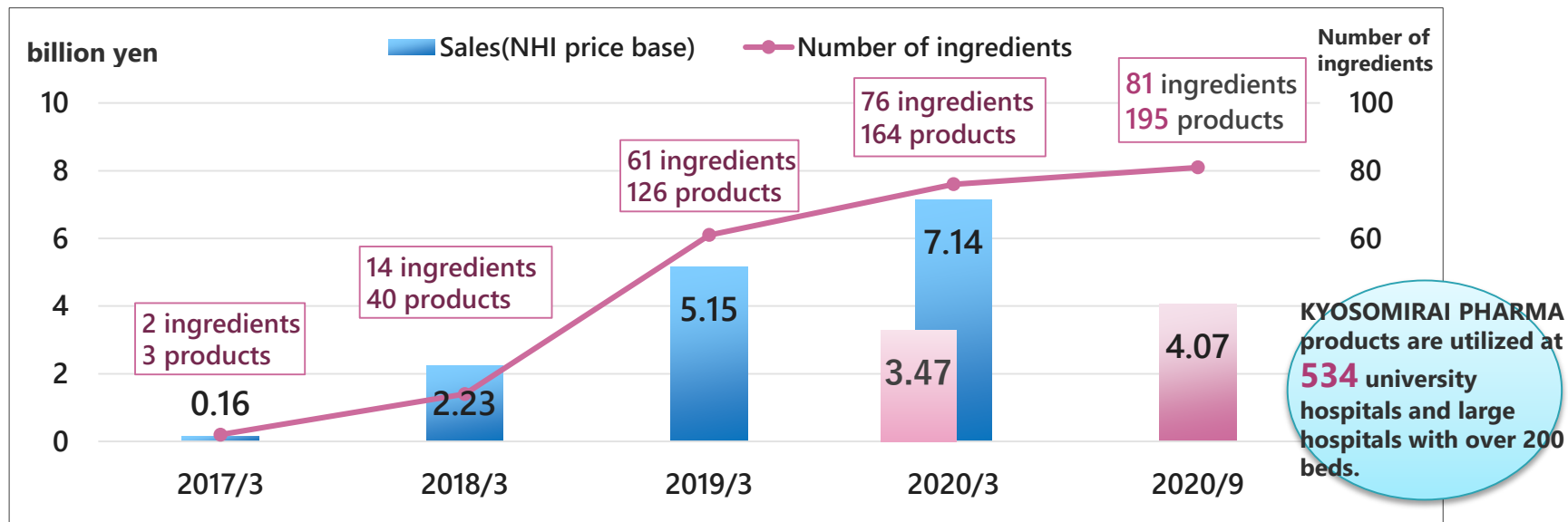
Build a win-win trust relationship by solving the problems of medical institutions



4) Expand KYOSOMIRAI PHARMA's product line and consolidate generic drugs

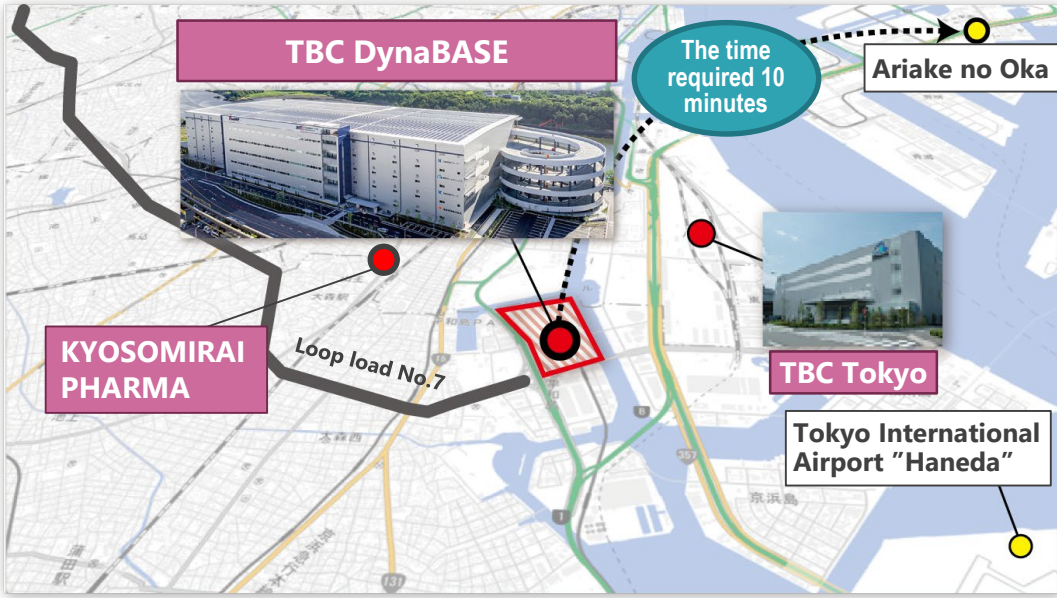


Stable supply of high-quality and high-value added generic drugs



May	Launch of 1 Ingredient / 2 Products	Azelinidipine Tablets "JG" (CALBLOCK TABLETS)
June	Launch of 7 Ingredients / 22 Products	Ezetimibe Tablets "KMP" (Zetia Tablets) Levocetirizine hydrochloride Tablets "KMP" (Xyzal Tablet) Memantine hydrochloride Tablets・OD Tablets "KMP" "TOWA" (MEMORY TABLETS・OD TABLETS) Galantamine hydrobromide OD Tablets "TOWA" (Reminyl OD Tablets) Tadalafil OD Tablets 2.5mg/5mg ZA "TOWA" (Zalutia Tablets) Dutasteride Capsules "TOWA" (Avolve Capsules) Imidafenacin Tablets・OD Tablets "YD" (URITOS Tablets・OD Tablets/STAYBLA Tablets・OD TABLETS)
July	Launch of 1 Ingredient / 3 Products	GLIMEPIRIDE TABLETS "OHARA" (Amaryl tablets)
August	Marketing Approvals for 2 Ingredients / 7 Products	Pregabalin OD Tablets "KMP" (LYRICA OD Tablets) Rivastigmine Tape "KMP" (Exelon Patch/RIVASTACH Patches)

5)Logistics innovation to achieve our mission: launch of TBC DynaBASE



Location	DynaBASE within Keihin Truck Terminal, 2-1-1 Heiwajima, Ota-ku, Tokyo, Japan (2nd to 5th floors of DynaBASE)
Product lines	Prescription pharmaceuticals, medical equipment, medical supplies etc. (About 25,000 items)
Supply destinations	Tokyo, Kanagawa, Chiba, Nagano, Yamanashi, Shizuoka, Niigata, Miyagi, Yamagata
Capital investment amount	About 14.6 billion yen

Disaster response: TBC DynaBASE is located within Loop Road No. 7 and near the core wide-area disaster prevention base Ariake no Oka. It is capable of providing pharmaceuticals promptly and smoothly during times of disaster in cooperation with the national government and the Tokyo Metropolitan Government.

Full automation: Established the highest-level of automated logistics system that promotes no-inspection at the time of delivery, securing almost 100% shipping accuracy.

Compliant with PIC/S GDP: TBC DynaBASE is fully compliant with PIC/S GDP, the international good distribution practices for pharmaceutical products and with GDP, the guidelines on good distribution practices.

Joint logistics: TBC DynaBASE obtained approval from the Tokyo Metropolitan Government as Japan's first joint logistics and distribution center for pharmaceutical wholesalers to share a common pharmaceutical storage area.

New business opportunities starting from TBC DynaBASE

- Our BCP and no-inspection system are highly evaluated by pharmaceutical companies and customers
⇒ **becoming a selected wholesaler**
- Leveraging the location of TBC DynaBASE, TBC Tokyo, and KYOSOMIRAI PHARMA Shinagawa factory, that are located near Haneda Airport and JR Shinagawa Station, we have entered markets, including clinical trial logistics of bio-medical products and regenerative medial products that require an advanced logistics function.



References

Cash Flow

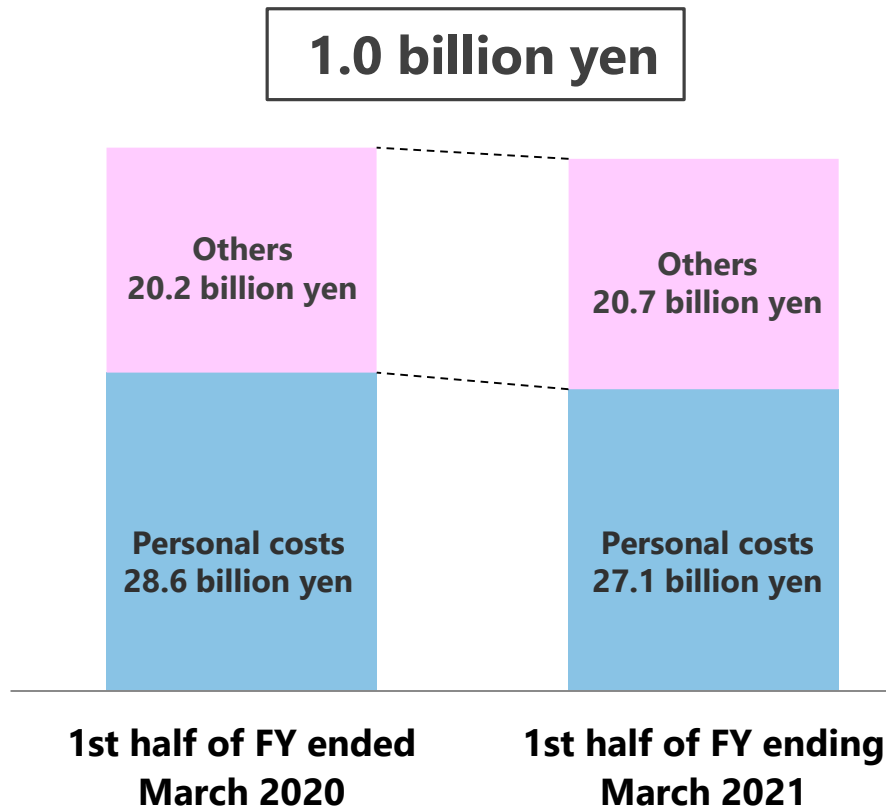


Unit: million Yen

	1st half of FY ended March 2020	1st half of FY ending March 2021	Major factors for 1st half of FY ending March 2021
Cash and cash equivalents at the beginning of period	75,382	80,013	
Operating activities	-8,326	8,073	Income before income taxes: 4,064 Depreciation: 2,799 Decrease in notes and accounts receivable- trade: 11,459 Increase in inventories: -1,946 Increase in accrued consumption taxes: -2,523 Income taxes paid: -4,299
Investment activities	-7,892	-2,869	Purchase of Property, plant and equipment: - 1,055 Purchase of intangible assets: -1,223
Financing activities	-1,969	970	Net increase in short-term loans payable: 3,245 Repayments of finance lease obligations: -746 Cash dividends paid: -1,410
Cash and cash equivalents at the end of period	57,192	86,289	Increase (1st half of FY ending March 2021): 6,276



<Year on Year>



Others +0.5 billion yen

- Newly consolidated companies: +0.2 billion yen
(Manufacturing and sales of pharmaceuticals business)
- Existing consolidated companies: +0.3 billion yen
 - Pharmaceutical wholesaling business: +0.25 billion yen
 - Rent of DynaBASE: +0.8 billion yen
 - Voluntary restraints on marketing activities etc.: -0.55 billion yen
 - Dispensing pharmacy business: +0.05 billion yen
(Consumption tax hike: +0.5 billion yen, Dispatching fee etc.: -0.2 billion yen, Amortization of goodwill: -0.1 billion yen, Voluntary restraints etc. : -0.1 billion yen)

Personal costs -1.5 billion yen

- Newly consolidated companies: +0.2 billion yen
(Manufacturing and sales of pharmaceuticals business)
- Existing consolidated companies: -1.7 billion yen
 - Pharmaceutical wholesaling business: -1.2 billion yen
 - Dispensing pharmacy business: -0.5 billion yen

Capital Investment and Depreciation



<Capital Investment>

FY ended March 2020
Results: 14,604 million yen
1. highly-functional logistics center "TBC DynaBASE" (Building, System) 10,046 million yen
2. Pharmaceutical sales office (New construction, relocation of sales office and others) 565 million yen
3. Others 3,993 million yen

1st half of FY ending March 2021
Results: 4,961 million yen
1. highly-functional logistics center "TBC DynaBASE" (Building, System) 3,150 million yen
2. Pharmaceutical sales office (New construction, relocation of sales office and others) 352 million yen
3. Others 1,459 million yen

<Depreciation>

FY ended March 2020
5,198 million yen

1st half of FY ending March 2021
2,569 million yen

Business results of the major customer support systems

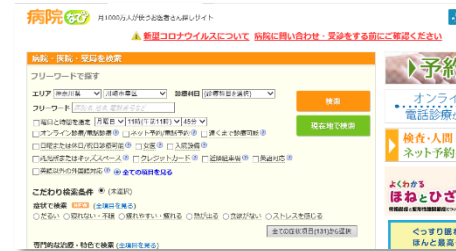


Initial examination reservation service



Number of account registration:
11,987 hospitals/clinics
 (956 increase from the previous year)

Byouin-Navi (web-portal site for finding hospitals/clinics)



Contained data of medical institutions:
220,000 hospitals/clinics
Number of site visits: 15,735,741 (in October 2020)

ENIFvoice SP, ENIFvoice SP+A, ENIFvoice Core



Number of sales and contract: 12,461 sets
 (1,072 increase from the previous year)

Centralized administration system of pharmacy operation "Mizar"



Number of sales : 2,463 stores
 (※on a contract basis)
 (454 increase from the previous year)

as of October 2020



【Members: 】 7,406 companies 21,066 stores (as of October 2020)

Holding of various seminars

Held sessions and seminars covering latest topics such as medical systems, revision of dispensing fees, formulary and home healthcare services.

A variety of training programs

Provided plugged-in and practical training programs, including health support pharmacy training and e-learning of pharmaceuticals and sanitary for non-pharmacists.

E-money payment system

Provided credit card and e-money payment systems to meet various payment methods (tie-up with Alpharia Co., Ltd.)

Support for sales promotion

Implemented various campaigns for members only and developed and provided PB products that can differentiate us from other pharmacies.



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/>