

# FY2023

(Fiscal Year Ended March 31, 2024)

## Financial Results Presentation

May 15, 2024 (WED)



## Agenda

- 1 Financial Highlights for the Fiscal Year Ended March 31, 2024 (FY2023)
- 2 Financial Forecast for Fiscal Year Ending March 31, 2025 (FY2024)
- 3 Medium- and Long-term Management Strategy  
Medium-term Management Plan2023-2025  
“Create the Next Generation”

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## Financial Highlights for the Fiscal Year Ended March 31, 2024 (FY2023)

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First, we would like to explain the financial highlights for the Fiscal Year Ended March 31, 2024.



## Profit and Loss Statement (Consolidated)

(Unit: million Yen)

	FY ended March 2023		FY ended March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
<b>Net sales</b>	1,392,117		1,476,712		6.08
<b>Gross profit</b>	114,366	8.22	119,148	8.07	4.18
<b>SG&amp;A</b>	98,000	7.04	99,817	6.76	1.85
<b>Operating profit</b>	16,365	1.18	19,331	1.31	18.12
<b>Ordinary profit</b>	19,176	1.38	21,787	1.48	13.62
<b>Net profit*</b>	13,630	0.98	20,657	1.40	51.56

\*Profit attributable to owners of parent

This is the consolidated profit and loss statement. As you can see, we posted increases in both net sales and profits.

Both sales and profits exceeded the forecasts announced at the beginning of the year under review and the revised forecasts announced on February 8.



## Balance Sheet (Consolidated)

(Unit: million Yen)

	FY ended March 2023		FY ended March 2024			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
<b>Current assets</b>	533,519	74.59	597,888	77.30	64,369	Increase in cash and deposits of 46,769 Increase in accounts receivable-trade of 22,234 Decrease in merchandise and finished goods of 4,110
<b>Non-current assets</b>	181,768	25.41	175,538	22.70	-6,230	Decrease in property, plant and equipment of 2,792 Decrease in investments securities of 2,391
<b>Total assets</b>	715,288	100.00	773,427	100.00	58,139	
<b>Current liabilities</b>	440,188	61.54	471,305	60.94	31,117	Increase in accounts payable-trade of 52,931 Decrease in current portion of bonds payable of 20,003
<b>Non-current liabilities</b>	32,183	4.50	52,684	6.81	20,501	Increase in bonds payable of 22,092
<b>Total liabilities</b>	472,372	66.04	523,990	67.75	51,618	
<b>Net assets</b>	242,916	33.96	249,437	32.25	6,521	Increase in retained earnings of 18,215 Decrease in capital surplus of 3,933 Increase in treasury shares of -7,800
<b>Total liabilities and net assets</b>	715,288	100.00	773,427	100.00	58,139	

Equity-to-asset ratio FY ended March 2023: 33.93% FY ended March 2024: 32.22%

You are seeing the consolidated balance sheet.

Please note that the far right column of the table shows major factors behind the increase and decrease from a year earlier.



## Profit and Loss Statement (Pharmaceutical Wholesaling Business)

- Sales of specialty pharmaceuticals and other limited-handling products for selected wholesalers continued to grow.
  - The Company's net sales of limited-handling products for selected wholesalers were 206.8 billion yen (23.2% increase from the previous period). \*Excluding COVID-19-related products
- Changes in the distribution arrangements at some pharmaceutical companies contributed to increased sales.
- Gross profit of customer support systems: 3.98 billion yen (6.1% increase from the previous period)

(Unit: million Yen)

	FY ended March 2023		FY ended March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
<b>Net sales</b>	1,340,318		1,424,488		6.28
<b>Gross profit</b>	78,463	5.85	83,537	5.86	6.47
<b>SG&amp;A</b>	64,468	4.81	64,083	4.50	-0.60
<b>Operating profit</b>	13,995	1.04	19,453	1.37	39.00

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Now, we will explain the results of the pharmaceutical wholesaling business.

Net Sales rose to 1,424,488 million yen, an increase of 6.28% from the previous year.

Although our performance continued to be affected by measures to curb medical expenses, such as the off-year NHI drug price reduction in April 2023, growth in sales of drugs for cancer treatment and specialty pharmaceuticals, as well as changes in the distribution systems of some pharmaceutical manufacturers, were the main factors contributing to the increase in sales. Sales of products whose handling is limited to selected wholesalers, excluding COVID-19 drugs, continued to increase and reached 206.8 billion yen, up 23% year-on-year, contributing to the Company's solid sales exceeding the market growth rate.

Gross profit was 83,537 million yen, up 6.47% year-on-year. Gross margin was 5.86%, slightly higher than in the previous year. This is mainly because wholesale prices increased thanks largely to our efforts to negotiate prices that were commensurate with the value of individual products and their distribution costs, although there was lower margin from the transaction with pharmaceutical companies and a significant decrease in shipping and handling charges for COVID-19-related products after COVID-19 drugs became available through ordinary distribution channels. Meanwhile, gross profit of the customer support system business was 3.98 billion yen, up 6.1% year-on-year. This is because, despite restrictions imposed by shipment adjustments and other factors, we actively promoted proposal activities, which led drugstores to adopt the ENIFvoice series of automatic voice-recognition medication history creation support systems, and an increasing number of customers to switch from the ENIF product ordering and information retrieval terminal to the fee-based FutureENIF. Including revenues from Meissa (MS promotion system), gross profit of the fee business as a whole totaled 6.56 billion yen in the first half of the fiscal year under review.

SG&A expenses declined approximately 400 million yen from the previous year to 64,083 million yen, as a result of our continued efforts to reduce them. The SG&A expense ratio was 4.50%, a further improvement from 4.81% in the prior year. Although affected by rising employee salaries and commodity prices, we continued our efforts to curb expenses by improving operational efficiency. The consolidation and closure of sales offices also had a positive effect on cost reductions.

As a result, operating profit increased by 39% year on year to 19,453 million yen. The operating margin improved to 1.37% from 1.04% in the previous fiscal year.



## Composition of Sales by Category and Contract Rate

### Composition of sales by category

	April 2022-March 2023	April 2023-March 2024
Drugs for premium to promote the development of new drugs and eliminate off-label use	46.0%	50.8%
Patented drugs, others	26.7%	26.7%
Long-listed original drugs	15.5%	11.2%
Generic drugs	11.8%	11.3%

### Contract rate

	2020/3	2021/3	2022/3	2023/3	2024/3
Value Basis	99.7%	100.0%	100.0%	98.6%	99.5%
Number Basis	99.8%	100.0%	100.0%	100.0%	100.0%

The upper part of the slide shows the composition of sales by category based on drug prices.

The percentage of drugs for a premium to promote the development of new drugs increased from 46% in the same period last year to 50.8%. During the same period, long-listed original drugs decreased in share from 15.5% to 11.2%, indicating a continued change in the product mix.

The lower part shows changes in the contract rate with medical institutions. As of the end of this March, it was 95.5% on a value basis.



## Profit and Loss Statement (Dispensing Pharmacy Business)

- We reorganized operating companies, opened and closed pharmacies with an emphasis on profitability.
- Increase in the number of prescriptions filled due to the recovery of the suppression of patient visits.
- Technical fees decreased mainly due to the termination of transitional measures to add to the community support system. (Unit: million Yen)

	FY ended March 2023		FY ended March 2024		
	Sum	% of net sales	Sum	% of net Sales	YoY change (%)
<b>Net sales</b>	92,346		93,789		1.56
<b>Gross profit</b>	32,160	34.83	31,894	34.01	-0.83
<b>SG&amp;A</b>	29,728	32.19	30,348	32.36	2.09
<b>Operating profit</b>	2,431	2.63	1,546	1.65	-36.40

### ■Number of pharmacies (as of March 31, 2024)

	Consolidated Subsidiaries		Non-Consolidated Subsidiaries		Affiliates Companies		Total	
TOHO HOLDINGS	4 companies	77 pharmacies	7 companies	42 pharmacies	2 companies	16 pharmacies	13 companies	135 pharmacies
PharmaCluster	6 companies	469 pharmacies	10 companies	63 pharmacies	1 company	39 pharmacies	17 companies	571 pharmacies
Total	10 companies	546 pharmacies	17 companies	105 pharmacies	3 companies	55 pharmacies	30 companies	706 pharmacies

Reference: as of April 1, 2024

	Consolidated Subsidiaries		Non-Consolidated Subsidiaries		Affiliates Companies		Total	
TOHO HOLDINGS	0 company	0 pharmacy	2 companies	6 pharmacies	2 companies	16 pharmacies	4 companies	22 pharmacies
PharmaCluster	9 companies	562 pharmacies	10 companies	82 pharmacies	1 company	39 pharmacies	20 companies	683 pharmacies
Total	9 companies	562 pharmacies	12 companies	88 pharmacies	3 companies	55 pharmacies	24 companies	705 pharmacies

Now, we will explain the results of the dispensing pharmacy business.

Net Sales rose to 93,789 million yen, up 1.56% from the previous year. The dispensing pharmacy business was negatively affected by the reduction of the NHI drug prices in April 2023 and the termination of the transitional measures for the additional allowance for community support system at the end of March 2023. However, it achieved an increase in sales because the number of prescriptions filled grew in line with an increase in the number of patients seeing doctors owing partly to the legal status of COVID-19 being downgraded to Class 5.

Gross profit amounted to 31,894 million yen, down 0.86% from the previous year. This is mainly due to a decrease in technical fees due to the termination of transitional measures for the additional allowance for the community support system.

SG & A expenses rose to 30,348 million yen, a year-on-year increase of 2.09%. In order to improve profitability, we are continuing to review our stores with an emphasis on profit structure. During the fiscal year under review, we closed or sold 19 pharmacies, while opening eight new pharmacies. As I will explain in more detail later, we are restructuring our dispensing pharmacy subsidiaries. As of April 2024, we have 21 companies.

As a result, operating profit decreased by 36.4% year on year to 1,546 million yen.





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## Financial Forecast for Fiscal Year Ending March 31, 2025 (FY2024)

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Next, we will explain our forecast for the fiscal year ending March 2025.



## Forecast for Fiscal Year Ending March 31, 2025(Consolidated)

(Unit: million Yen)

	FY ended March 2024		FY ending March 2025 (Forecasts)			
	Sum	% of net sales	Forecast		YoY change	
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)
<b>Net sales</b>	1,476,712		1,492,000		15,288	1.04
<b>Gross profit</b>	119,148	8.07	120,200	8.06	1,052	0.88
<b>SG&amp;A</b>	99,817	6.76	102,000	6.84	2,183	2.19
<b>Operating profit</b>	19,331	1.31	18,200	1.22	-1,131	-5.85
<b>Ordinary profit</b>	21,787	1.48	20,100	1.35	-1,687	-7.74
<b>Net profit *</b>	20,657	1.40	12,500	0.84	-8,157	-39.49

\*Profit attributable to owners of parent

This slide shows our consolidated business forecasts.

Earnings forecasts will be described later in the section of forecasts by segment.

While we recorded gain on sale of investment securities of approximately 9.7 billion yen in the year ended March 31, 2024, we do not forecast such gain for the year ending March 31, 2025.



## Forecast for Fiscal Year Ending March 2025 (Pharmaceutical Wholesaling Business)

(Unit: million Yen)

	FY ended March 2024		FY ending March 2025 (Forecasts)			
	Sum	% of net sales	Forecast		YoY change	
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)
<b>Net sales</b>	1,424,488		1,437,000		12,512	0.88
<b>Gross profit</b>	83,537	5.86	82,400	5.73	-1,137	-1.36
<b>SG&amp;A</b>	64,083	4.50	65,300	4.54	1,217	1.90
<b>Operating profit</b>	19,453	1.37	17,100	1.19	-2,353	-12.10

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This shows our forecasts for pharmaceutical wholesaling.

The forecasts have been made on the assumption that the market will grow 0.9% as predicted by market research firms. They have also factored in the impact of NHI drug price revisions this April and a plunge in the sales of COVID-19-related products.

Sales are expected to increase by 12.5 billion yen, or 0.88%, from the year ended March 31, 2024 to 1,437 billion yen, while gross profit is expected to decrease by 1.1 billion yen, or 1.36%, to 82.4 billion yen.

Although the trend of lower margin from the transaction with pharmaceutical companies continues, we will strive to meet the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies, which was revised in March this year with the objective of creating an environment for appropriate distribution transactions by correcting trade practices specific to the industry and filling the excessive gap between NHI prices and market prices, and to negotiate with medical institutions at prices commensurate with individual product values and distribution costs.

SG&A expenses are expected to increase by approximately 1.2 billion yen on account of TOHO PHARMACEUTICAL's merger with a non-consolidated subsidiary Hokuriku Toho in April this year, higher employee wages, rising outsourcing and other costs, and other factors.

As a result of the above, operating profit is expected to be 17.1 billion yen, a decrease of 2.3 billion yen or 12.1% from the previous fiscal year.



## Forecast for Fiscal Year Ending March 2025 (Dispensing Pharmacy Business)

(Unit: million Yen)

	FY ended March 2024		FY ending March 2025 (Forecasts)			
	Sum	% of net sales	Forecast		YoY change	
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)
Net sales	93,789		96,700		2,911	3.10
Gross profit	31,894	34.01	34,200	35.37	2,306	7.23
SG&A	30,348	32.36	31,700	32.78	1,352	4.45
Operating profit	1,546	1.65	2,500	2.59	954	61.71

Now, let us explain our forecasts for the dispensing pharmacy business.

Owing to the expected recovery in the number of prescriptions filled as economic activity further normalizes, and an increase in the number of stores by 16 in April resulting from the consolidation of non-consolidated subsidiaries, sales are expected to increase by 2.9 billion yen, or 3.1%, from the previous year to 96.7 billion yen, while gross profit is expected to jump by 2.3 billion yen, or 7.23%, to 34.2 billion yen.

SG&A expenses are forecasted to advance by approximately 1.3 billion yen owing primarily to an increase in the number of stores.

As a result of the above, operating income is expected to be 25 billion yen, an increase of 0.9 billion yen or 61.71% from the previous fiscal year.



## Dividend Outlook

	Interim	Year End	Annual Dividend
FY2022	16yen	16yen	32yen
FY2023	18yen (Ordinary dividend: 16yen Commemorative dividend: 2yen)	22yen (Ordinary dividend: 20yen Commemorative dividend: 2yen)	40yen (Ordinary dividend: 36yen Commemorative dividend: 4yen)
FY2024 (Forecasts)	25yen	25yen	50yen

As announced on February 8, we have decided to pay a year-end dividend of 22 yen per share for the fiscal year ended March 31, 2024, an increase of 4 yen from the 18 yen per share forecast at the beginning of the year. Consequently, the annual dividend is 40 yen per share: the ordinary dividend of 36 yen and the commemorative dividend of 4 yen for the 75th anniversary of the foundation.

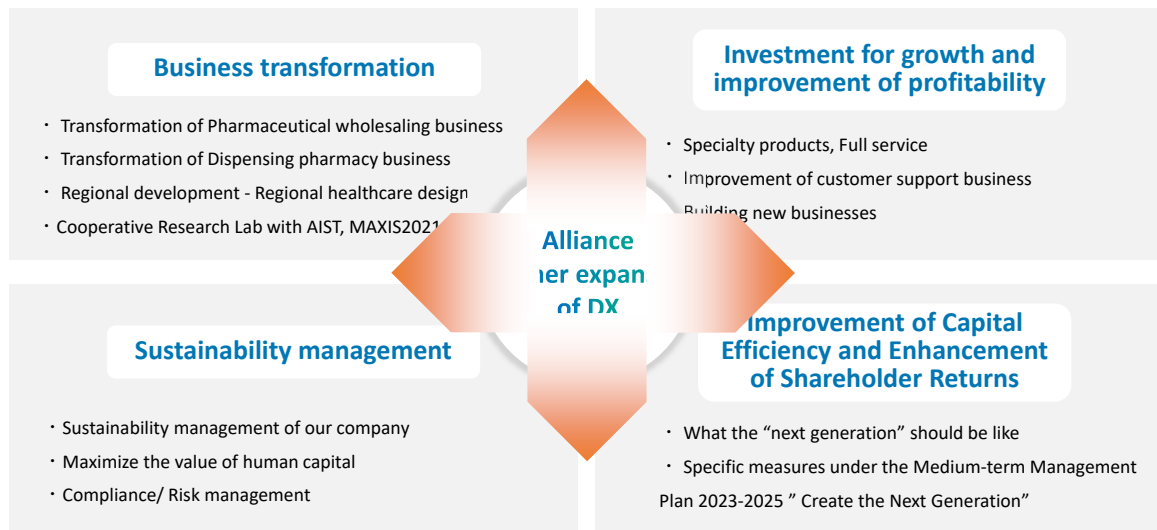
For the fiscal year ending March 31, 2025, we expect a consolidated profit decrease, as explained earlier, but in line with the dividend policy of "stable improvement with an eye on DOE of 2%" formulated in the ongoing Medium-term Management Plan, we plan to pay an interim and year-end dividend of 25 yen per share each, for an annual dividend of 50 yen per share, an increase of 14 yen compared to the ordinary dividend for the year ended March 31, 2024.

**3** Medium- and Long-term Management Strategy  
Medium-term Management Plan2023-2025  
“Create the Next Generation”

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I would like to explain our medium- to long-term management strategy.

Basic policy and specific measures of the Medium-term Management Plan 2023-2025 “Create the Next Generation”



In May last year, the Group announced its Medium-Term Management Plan 2023-2025, "Create the Next Generation," for a period of three years from 2023.

Against the backdrop of social problems such as a declining birthrate, an aging population, and shrinking workforce, development of a community comprehensive healthcare system by 2025 is underway. The Medium-Term Management Plan has been formulated with an eye toward 2025, 2030 and the generation beyond.

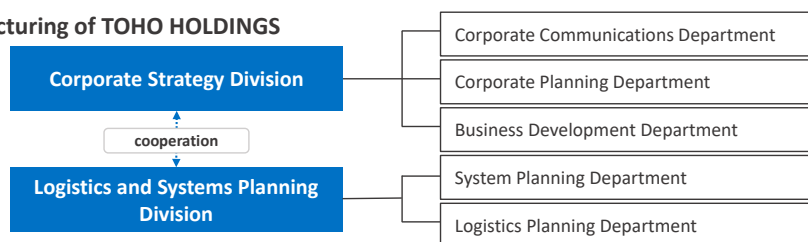
In order for the Group to contribute to society by fulfilling its social mission and deliver sustainable growth even in the next generation, we have positioned the three years through FY2025 as a period for building a foundation to achieve these goals and will promote each measure responsibly.

Based on the four basic policies of business transformation, investment for growth and improvement of profitability, sustainability management, and improvement of capital efficiency and enhancement of shareholder returns, as shown on the slide, at the moment we are actively promoting concrete measures through alliances, the introduction of DX, and other efforts. In the following pages and thereafter, I will explain the concrete measures of our efforts over the last year under review.

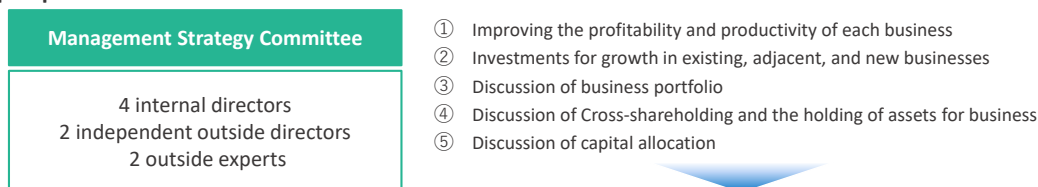
### ③ Medium- and Long-term Management Strategy

Efforts to accelerate the implementation of these initiatives of the Medium-term Management Plan and increase their effectiveness

#### ■ Organizational restructuring of TOHO HOLDINGS



#### ■ Establishment of Management Strategy Committee to discuss management and business strategy by incorporating outsider perspective



Any corporate actions are expected to be disclosed around November 2024

#### ■ Retained a DX advisor with a sufficient experience and track record in global major consulting firms to accelerate corporate-wide DX initiatives

As I have just explained, we have been implementing concrete measures based on the four basic policies in the last fiscal year. Considering it necessary to accelerate the implementation and enhance the effectiveness of the Medium-term Management Plan, we have decided to embark on new initiatives.

As the first initiative, in March this year, we established the Corporate Strategy Division and the Logistics and Systems Planning Division at TOHO HOLDINGS as organizations to promote the implementation of various measures in the Medium-term Management Plan across the Group.

In the past, new initiatives to solve issues and new businesses have been carried out independently for each project, which entails problems, such as too much reliance on the abilities of individuals and the lack of integration of cross-organizational capabilities to achieve high results, as well as the absence of a group-wide optimization perspective. Through this reorganization, the Business Development Division will centralize information and progress management for the Group's business development. It will, by working closely with the Logistics and Systems Planning Division, which is responsible for logistics and system planning, the Company's strengths and competitive advantages, manage information across the entire Group to improve the profitability of existing businesses and accelerate the development of new businesses in growth areas.

The second initiative is the establishment of a Management Strategy Committee. For about two years, we have been discussing with outside experts management reforms based on management issues for the Company's sustainable growth. In order to accelerate specific measures in the Medium-term Management Plan and enhance its effectiveness, we have decided to establish the Management Strategy Committee as an advisory body to the Board of Directors. With its details already announced on April 5, the Committee consists of eight members: four internal Directors, two outside Directors and two outside experts to fully incorporate diverse perspectives from outside the Company. These eight members will discuss and examine the strategies and concrete measures for each of the five items shown on the slide, and the results of the review and policies will be announced by November.

The third initiative is the appointment of the DX advisory team. We believe that it is important to promote DX in order to accelerate the implementation of concrete measures in the Medium-term Management Plan and to enhance its effectiveness. However, internal resources alone are limited in promoting DX. Accordingly, we have decided to invest in One Capital, Inc., a domestic venture capital firm, and employ its DX advisory team, which has many years of experience and a track record in global major consulting firms. The DX promotion perspective is essential for the formulation of management and business strategies to be discussed and examined by the Management Strategy Committee, and we believe that the DX advisory team from One Capital will contribute to the formulation of strategies by the Management Strategy Committee.



Transformation of Pharmaceutical wholesaling business — Toward Building a Team System

Revision of the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies



Let me explain "Transformation of Pharmaceutical wholesaling business," one area of business transformation, which is the basic policy of the Medium-term Management Plan.

As shown in the slide, the environment surrounding the Company is undergoing various changes, including a shrinking workforce due to the declining birthrate and aging population, the rising cost of fuel resulting from global inflation, the expansion of DX spurred by the evolution of digital technology, and the advancement of home medical care in the community comprehensive healthcare system, the establishment of which is scheduled for 2025.

In terms of pharmaceuticals, it is said that more than half of new drugs launched in Japan in the next few years will be specialty pharmaceuticals, and we believe that the diversification of therapeutic modalities will further accelerate with the establishment of new therapy approaches including therapy apps.

Meanwhile, the current supply shortage problem of pharmaceuticals has not yet been resolved, and not only are medical institutions burdened with ordering and inventory management, but also the Company's MSs have to spend a considerable amount of time dealing with the problem.

The Medium-term Management Plan focuses on business transformation with an eye toward such environmental change and laying the foundation for the next generation. We are pushing ahead with the transformation of the wholesaling business, the Company's core business, in line with this direction.

TOHO PHARMACEUTICAL underwent a major reorganization in July last year, as previously announced. The Pharmaceutical Sales Division and the Reagents Sales Division were merged to improve operational efficiency by sharing sales, delivery, logistics, and internal operations. In addition, we improved the quality of our work by strengthening the cooperation between pharmaceutical MSs and reagent MSs.

At the same time, the Sales Strategy Division was newly established, bringing together the various strategy divisions of pharmaceuticals, reagents, medical, consumer healthcare, etc. to form an organization that is able to plan and verify strategies in an integrated manner.

As for the promotion system, in addition to the conventional sales approach of face-to-face interviews, we have accelerated the use of remote detailing through enTouch K.K., which was started before the COVID-19 pandemic.

While the number of pharmaceutical manufacturers' requests for product promotion through remote detailing has been steadily increasing, we have further expanded the scope of remote detailing since last fiscal year by using it when we propose our customer support systems.

Moreover, we have employed various promotion approaches, such as creating videos of about 2-3 minutes in-house for use in proposal activities, and holding webinars for medical institutions throughout the country.

With regard to the consolidation and closure of business sites, we have worked to revamp the organizational structure based on secondary medical care areas, rebuild and relocate aging business sites, etc., in a bid to improve the work environment of employees, revitalize organizational culture, and streamline the deployment of various resources.

During the last fiscal year, as described here, we consolidated and closed six business sites and 16 sales offices. Although we do not disclose specific figures for this fiscal year and beyond, we are considering the consolidation and closure of multiple business sites and will continue to build an optimal business establishment structure in line with local conditions.

From this fiscal year to next, we will further accelerate each of the measures that I have just described. At the same time, positioning the two years as a preparation period for the transition to a team system centered on the secondary medical care area, which is scheduled to start in 2026, we are considering various initiatives.

During this period, we will clarify the current roles of MS and EMS, and promote appropriate staffing according to their operations, as well as DX in each of these operations. In the future, we plan to introduce new work arrangements, such as employees going directly to the workplace and returning directly home without having to come to the office.

In the hospital market, which is expected to grow in the future, we will enhance the system to enable sales activities according to product characteristics and the education of dedicated MSs who can provide management support for hospitals. In addition, we plan to open Kyoso Mirai Portal site, which will help not only MSs, EMSs, and internal employees but also our customers improve their operational efficiency.

By steadily tackling these initiatives by FY2025, which is the final year of the current Medium-term Management Plan, we are determined to build "regional healthcare design" which is what we are aiming for.

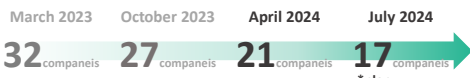
Furthermore, we will align our sales areas with the secondary medical care areas as much as possible, in order to be close to community medical care in the future. In delivery, we will pursue greater efficiency. By adopting an organizational structure that is suited to each role, we hope to create a rewarding workplace and work content for our employees.

Transformation of Dispensing pharmacy business

Restructuring dispensing pharmacy subsidiaries :

The company aims to reorganize its current 21 subsidiaries to 4 within the current medium-term management plan

Trends in dispensing pharmacy business (the number of subsidiaries)



Plan to reorganize into 4 companies within the medium-term management plan

Reinforcement and penetration of Kyoso Mirai pharmacy brand  
 Creating synergies across the Group  
 Consolidation of management functions

Consolidating and reorganizing dispensing pharmacy subsidiaries, opened new pharmacies while closing existing ones with an emphasis on profitability

FY2023 Opening: 8 Stores Closing: 19 Stores

Improvement of profitability

Activities in FY 2023

Enhancement of pharmacy function

- Cooperation with clinics specialized in providing home-based care
- Training of primary care pharmacists
- Promotion of use of Mainie insurance card

Sustainability

- Participation in Project "ReMed™"
- First recycling project for used pre-filled injection pens in Japan, which Novo Nordisk Pharma Ltd

Last mile

- Maidoumo Post Delivery of prescriptions using a delivery box developed by WILLPORT Co.,Ltd.

DX

- A portal application, Kyoso Mirai Pharmacy Health Navi, which includes a function for sending prescriptions and an electronic medicine notebook
- Online Dosing Guidance
- Online qualification confirmation
- Electronic prescription

- Labor saving in anticipation of a decline in the labor force
- Further promotion of pharmacy DX
- Establishment of Prescription Input Concentration Center
- Human resources development
- Strengthen training mainly for block managers and headquarters staff

Let me explain about the transformation of the Dispensing pharmacy business.

In the past year, we have been actively reorganizing our subsidiaries. As shown on this slide, we reorganized our dispensing pharmacy subsidiaries mainly in eastern Japan, reducing their number from 32 in March last year to 27 by October last year and to 21 by April this year. In addition, a decision has already been made to further reduce the number to 17 by July of this year, and we are considering eventually reducing it to about four by the end of the period of the Medium-term Management Plan.

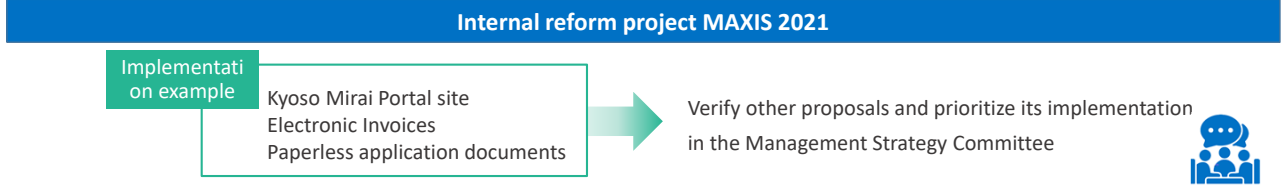
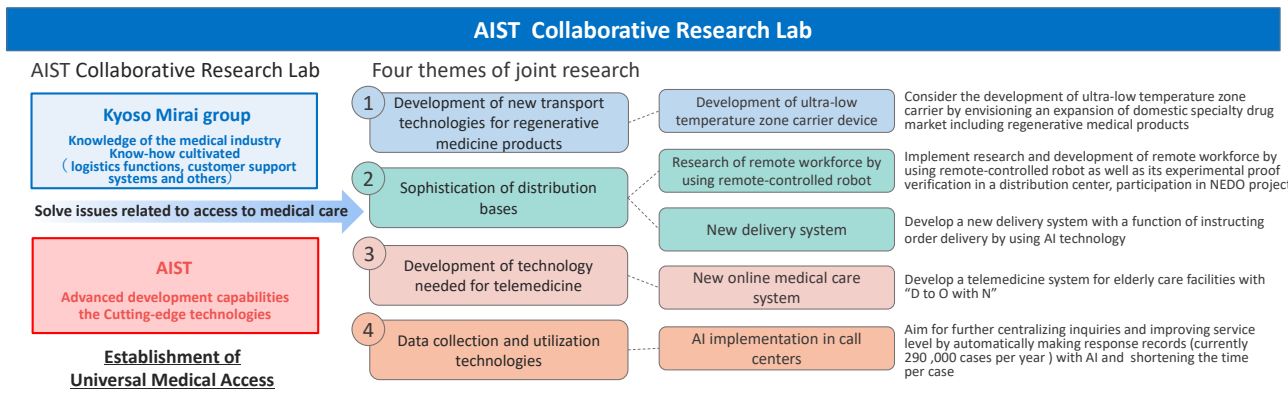
Through this reorganization, we will consolidate administrative operations that have been performed thus far by each subsidiary, streamline and optimize store operations, establish the Kyoso Mirai pharmacy brand, and aim to create pharmacies that are trusted by the community. We will also create more synergies than ever with other Group companies engaged in the pharmaceutical wholesaling business and the pharmaceutical manufacturing and sales business to improve profitability.

In the last fiscal year, in addition to restructuring our subsidiaries, we opened and closed pharmacies with an emphasis on profitability as explained earlier.

Meanwhile, in order to upgrade our pharmacy functions, we have worked hard together with our wholesaling business to promote home healthcare by strengthening visits to clinics specialized in providing home-based care. We have also participated in ReMed, a recycling project for used pre-filled injection pens, which Novo Nordisk Pharma has launched for the first time in Japan, and launched a portal application, Kyoso Mirai Pharmacy Health Navi, which includes a function for sending prescriptions, to promote DX.

This fiscal year, as shown on the slide, we will work to further promote pharmacy DX in order to receive the additional fee for the development of the medical DX promotion system, as well as to establish a prescription input intensive center in anticipation of a decrease in the workforce, and to develop human resources such as headquarters staff and block managers.

Cooperative Research Lab with AIST, MAXIS2021



Let me explain progress about Cooperative Research Lab with AIST and MAXIS2021.

A year has passed since we launched last April a Collaborative Research Lab with the National Institute of Advanced Industrial Science and Technology (AIST). In the past year, eight employees have been seconded to AIST's research center in Tsukuba. Together with AIST members and in-house researchers, four teams have been formed to engage in research and analysis of market trends and exchange of opinions with various companies and experts, and five specific research themes have been decided.

In the first research theme, development of ultra-low temperature zone carrier device, we are working on the development of ultra-low-temperature transport equipment in cooperation with manufacturers with expertise in temperature control in anticipation of the expansion of the domestic market for specialty pharmaceuticals, such as regenerative medical products, going forward.

The second theme, research of remote workforce by using remote-controlled robot, has been adopted as one of the research themes for the subsidized projects of the Strategic Innovation Creation Program promoted by NEDO. As part of the cooperation, the Company will establish a research space in its distribution center to explore the possibility of remote distribution work to cope with a declining workforce in the future.

Regarding the fifth theme, AI implementation in call centers, we are currently streamlining our call center operations by utilizing voice recognition technology, but it inevitably takes a considerable amount of time to compile records of the approximately 290,000 calls received annually. The purpose of the research is to use AI to automatically create these records and slash the time required to create each record, thereby further improving service quality and consolidating inquiries into a call center.

Although it will take time for these researches to produce results, they are slowly moving toward implementation, and I am very much looking forward to it.

Regarding the internal reform project MAXIS 2021, young employees are playing a central role in the study of five themes, including sales and logistics, from which various ideas have emerged. The Kyoso Mirai Portal site mentioned earlier was also conceived by MAXIS, and the MAXIS ideas of digitizing invoices and paperless application forms have been passed on to the department in charge for implementation.

MAXIS has come up with many more ideas, and we would like to discuss how to link these ideas with our business strategy within the Management Strategy Committee and flesh them out.

**Establish the company's proprietary business model by implementing nationwide unified information and inventory management**

**Regenerative medical products**

Started handling of gene therapy drugs



Establishing a system for proper distribution of regenerative medical products

Built in-house "Dedicated management system"  
 → Established a **Regenerative Medicine Management Office** within TOHO PHARMACEUTICAL  
 → New products will be available from FY 2024



**Specially-controlled medical devices**

— Verification of Proper Distribution Inventory Management Operations for Specially-Controlled Medical Devices —

Started stable supply and verification of resolving status of nationwide unevenly distributed inventory of Pulmonx Japan K.K.'s "Zephyr® bronchus bulb system"

⇒ Implementing experimental proof verification for minimizing loss of disposal of expired products by delivering unused products/unused catheter between facilities

**Implemented capital and business alliances with venture companies which are developing specialty products**

Let me explain about initiatives for Specialty Products.

Considering specialty pharmaceuticals as one of the areas of focus for future growth, the Company is promoting the establishment of a full line of services to meet the diverse needs of manufacturers. In the last fiscal year, we started to handle regenerative medical products, which are expected to be especially marketable among specialty pharmaceuticals. As already mentioned, the Company has established a system in which 47 prefectures nationwide are linked through a single mission-critical system, allowing centralized management of information at the headquarters. In addition, since we have system development and operation companies within the Group, we quickly established our own dedicated management system when we started handling regenerative medical products. We also established in March this year a Regenerative Medicine Management Office, which specializes in the operation of regenerative medical products. We are planning to handle new products from this fiscal year with a system in place that can meet the diverse needs of manufacturers and be tailored to a diverse set of product characteristics.

We also launched initiatives in the field of medical devices. Highly controlled medical devices introduced in Japan are used in a limited number of facilities and domestic inventory is unevenly distributed. As a result, there are risks of shipments of products not being in line with the first-expired-first-out principles and disposal of expired products. As I mentioned previously regarding regenerative medical products, we have a mission-critical system which can, covering the entire country, prevent uneven distribution of inventory and allow the transportation of products between business sites. Against this backdrop, we started last fiscal year to handle Pulmonx Japan's Zephyr bronchus bulb system and verify stable supply and elimination of maldistribution in Japan. In this fiscal year, we are also planning to demonstrate the transfer of unused items between facilities to reduce disposal losses.

In addition, we have established several capital and business alliances with venture companies in Japan and overseas. For venture companies, there are various distribution problems when placing a new product on the Japanese market. By customizing our functions to suit the circumstances of each manufacturer and building a system that meets the needs of each company, we hope to contribute not only to proper distribution and stable supply, but also to addressing the problem of so-called "drug lag/drug loss," in which new drugs approved in other industrialized countries do not easily reach Japanese patients.

Improvement of customer support business



Can be used in one store

**Release of a simplified version centralized administration system of pharmacy operations "MIZAR"**

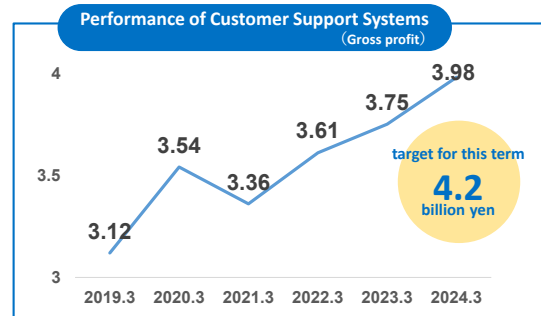
Improve ordering efficiency, reduce the risk of immobile inventory, and improve inventory counting efficiency

Systematic delivery based on data to streamline objective business. Joint delivery enabled and environmentally friendly (CO2 reduction)

Purchase orders based on data → Planned delivery → Joint delivery CO2 reduction

<Future release schedule>

- Cloud version medical appointment system  
LXMATE HeLios cloud version ( To be released this year )
  - Development of communication tools using voice recognition
  - Portal site with single sign-on function for customer support
- ✕
- Develop of new customer support business through alliances and internal projects
  - Improve the operation and promote value evaluation of existing customer support systems



Let me explain about initiatives for customer support business.

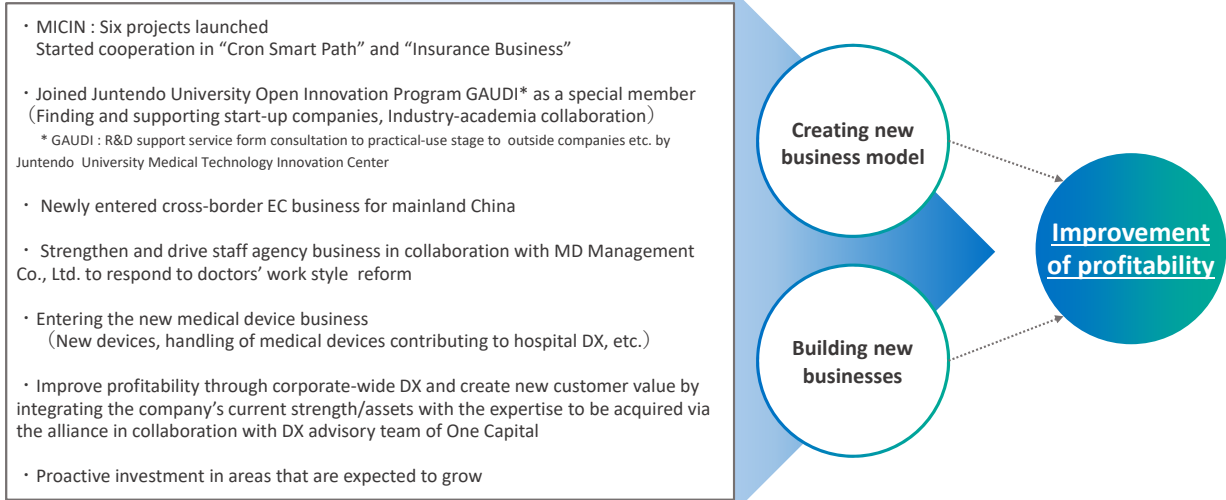
For more than 30 years, we have developed in-house and sold many systems to solve various issues and improve convenience for our customers.

One of these systems is a cloud-based centralized administration system of pharmacy operations MIZAR that enables dispensing pharmacy headquarters with multiple pharmacies to centrally manage sales and inventory data for each pharmacy online. The system has already been installed in more than 3,300 pharmacies since its launch in 2013. In March this year, we released a simplified version of the system that can be used by even a single pharmacy to address issues such as the 2024 problem in logistics and the acceleration of pharmacy DX.

Automatic order placement based on prescription data, which was previously only available at pharmacies with multiple stores, is now available at a single store. We believe that optimizing the ordering frequency will lead to more efficient delivery and contribute to a reduction in environmental impact.

In addition, as stated in the Medium-term Management Plan, in order to solve problems for medical institutions and patients, we will continue to upgrade existing systems, such as the automated medical care appointment system, and build new systems utilizing voice recognition technology, which is our strength. Moreover, through active alliances with companies with high technological capabilities and internal projects, we intend to further evolve and upgrade our customer support business and make it a source of revenue for the Company.

As shown here, we are aiming for a gross profit of customer support systems of 4.2 billion yen this fiscal year, as compared with 3.98 billion yen in the previous year.



Next, let me explain some of the initiatives we have taken over the past year to build a new business model to increase profitability.

With MICIN, Inc., which we formed a capital and business alliance with in September last year, we have launched six project teams consisting of members selected from both companies, and they are currently discussing collaboration in MICIN's four businesses as well as the development of new customer support systems and new healthcare services by combining MICIN's development and technological capabilities with the unique functions and assets that we have cultivated through the business of customer support systems. The two companies have already begun collaborating in MICIN's cashless payment service Cron Smart Pass and insurance businesses.

As announced on March 27, Juntendo University and the Company have agreed that the Company will participate as a special member in the GAUDI Open Innovation Program that supports R&D activities of companies outside academia from the consultation stage to practical application seamlessly, a service of the Medical Technology Innovation Center at Juntendo University.

The Group's pharmaceuticals, reagents, medical devices, and customer support systems businesses, and the R&D seeds supported by Juntendo University's GAUDI, are expected to generate synergies, which we believe will contribute to solving a variety of community healthcare issues and lead to new business opportunities for the Company.

As part of our efforts in the global market and e-commerce business, we have started cross-border e-commerce for mainland China through Hubei Kyoso Pharmaceutical Co., Ltd., our joint venture in China with the Jointown Pharmaceutical Group Co., Ltd., a leading pharmaceutical wholesaler in China.

In other businesses, we raised at the end of April our shareholding in M.D. Management, which operates a temporary staffing business for anesthesiologists and others, to reinforce business collaboration, with the aim of strengthening and promoting the placement business for the reform of the working style of physicians, which is one of the 2024 problems.

We are also considering new collaborations with companies providing physician dispatch services, such as the dispatch of industrial physicians, for which demand is expected to grow in the future.

Also, new devices that have not yet been used in Japan but are expected to be introduced going forward, as well as medical devices that contribute to hospital DX, are considered to be one of the growth areas that we target as a pharmaceutical peripheral business.

In addition to expanding the spread of our products and services to a wide range of customers through our MSs across the nation, we are actively considering partnerships with overseas medical device manufacturers aiming to enter the Japanese market by establishing a more specialized sales structure through the introduction of a team system in the future.

Working with the DX advisory team from One Capital, a domestic venture capital firm, which I explained previously, we will strive to promote group-wide DX in order to increase profitability. We will also pursue the creation of new customer value by combining our competitive assets, i.e., customer support systems and high-performance logistics, with the expertise acquired through alliances.

We have been actively investing in venture companies engaged in R&D in promising areas, such as regenerative medical products and cellular therapeutics, over the past year and will continue to do so from now on.



Sustainability management

**Environment** ■ Efforts to decarbonization

CO2 emission reduction targets

2023 → 2025 40% reduction → 2030 60% reduction → 2050 Carbon negative

**Electricity**  
Switching to a renewable energy plan has been implemented at two sites → Plan to switch mainly in distribution center consuming larger electricity

**EV**  
Electric vehicle (EV) (FY2023: 4cars) → Promote switching to EVs after verifying the effectiveness of the introduction

**Other**  
Participated in "ReMed™. New Life for Used Medical Device.", the first recycling project for used pre-filled injection pens in Japan

**Governance** ■ Review of compliance-related training systems

- Continue training program for important theme such as anti-trust law and Pharmaceutical and Medical Device Act as well as implement special training program for occasionally necessary theme such as information security
- Issue "Konpura Kawaraban" a compliance newsletter (twice a month)

Promote understanding of the knowledge and evolve into a training program which will cultivate empathy

**Social**

■ Human capital

Investment plan in human capital : 6 billion yen

Human Resources/ Training	Development of the Personnel System	Workstyle reforms
<ul style="list-style-type: none"> <li>MTP training</li> <li>Senior MTP training</li> <li>Reskilling training for MS</li> <li>Joint research with AIST</li> </ul>	<ul style="list-style-type: none"> <li>Diversity &amp; Inclusion</li> <li>Career recruitment</li> <li>Graduate recruitment</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the amount of average periodic wage increase</li> <li>Review of vacation days</li> <li>Certified Health &amp; Productivity Management Outstanding Organizations Recognition Program</li> <li>Introduction of a free address system at the head office</li> <li>Promotion of paperless</li> </ul>

**Reskilling training : Training to improve the skills of MS in charge of hospitals**

Data analysis of DPC/PDPS\* and bed function reports, acquisition of knowledge necessary for hospital management and practical training

▶ 1,080 participants (including group companies)

\*DPC/PDPS...Diagnosis Procedure Combination/ Per-Diem Payment System for the patients in acute phase

■ Stable supply · BCP

- "The Study Group for Establishment of BCP System" was established to comply a proposal for business continuity plan in the supply of pharmaceuticals in the event of a disaster
- Joint Disaster Prevention Drill with the Ground Self-Defense Force

Supporting medical infrastructure, the Group promotes sustainability management with the aim of becoming a corporate group that is needed and continuously supported by all stakeholders, including people who wish for good health, customers, business partners, local communities, shareholders and employees.

As for specific measures, the Sustainability Promotion Committee, which was newly established last fiscal year, held several meetings to identify issues and discuss how to address them.

With regard to the environment, we aim to be carbon negative by FY2050. To this end, we will reduce CO<sub>2</sub> emissions by switching electric power plans and introducing EVs. We will also promote decarbonization by creating renewable energy through the installation of solar panels.

As I mentioned earlier in the part about the dispensing pharmacy business, the Group has participated since March in ReMed, a recycling project for used pre-filled injection pens, which Novo Nordisk Pharma has launched for the first time in Japan, contributing to the reduction of plastic waste.

We plan to invest 6 billion yen in human capital during the period of the current Medium-term Management Plan, while promoting the enhancement of training programs to develop human resources, the improvement of the personnel system, and work-style reform.

Regarding the training programs, we have been conducting reskilling training for hospital MSs for several years to improve their skills, and more than 1,000 MSs have taken the training.

Specifically, the reskilling training helps MSs acquire knowledge about, and practice in data analysis of the DPC/PDPS (Diagnosis Procedure Combination-based Per-Diem Payment System), a main medical service reimbursement system for acute inpatient care, hospital bed function reports, etc.; financial statements, community medical plans, etc. necessary for hospital management; and so forth, which will lead to activities to create opportunities for regular interviews with hospital managers.

Improvement of Capital Efficiency and Enhancement of Shareholder Returns

Major Results for FY2024

Management indicators	Target			May 10 1.02 times
• Price Book-value Ratio (PBR)	: 1.0 times or higher	0.65 times in FY 2023	→ 0.92 times in FY2024	
• Return On Equity(ROE)	: More than 8%	5.6% in FY 2023	→ 8.4% in FY 2024	
• Dividend on Equity Ratio(DOE)	: More than 2%	0.91% in FY 2023	→ 1.05% in FY 2024	
<b>■ Share buyback</b> Implemented two share buybacks shares to improve shareholder return and capital efficiency (6 billion yen each for a total of 12 billion yen) Cancellation of all shares acquired in the second buyback				
<b>■ Cross-shareholdings</b> Sale of investment securities to improve the asset efficiency and strengthen the financial structure of the Company Amount sold: 13.1 billion yen				

Future policy

- Continue stable dividend increases over the medium to long term (FY2023 32 yen FY2024 40 yen FY2025 50 yen \*forecast)
- Taking into account improvements in ROE and DOE, we flexibly implement sharebuyback while balancing growth investments
- Continue to further reduce cross-shareholdings

FY2025 forecast  
DOE 1.24%

We are actively considering and promoting improvement of capital efficiency and enhancement of shareholder returns as one of the four basic policies in the Medium-term Management Plan. This slide shows the main results of the past year.

As for the target of P/B ratio of more than 1x, which was set as the ideal figure for the next generation, the share price has remained steady since the announcement of the Medium-term Management Plan, and the P/B ratio has recently exceeded 1x.

Meanwhile, ROE was 8.4% in the year ended March 31, 2024, exceeding the 8% target for the next generation, thanks to the contribution of profits from solid businesses in FY2023 as well as gains on sale of shares deriving from the continuous reduction of cross-shareholdings.

Under the dividend policy of "stable improvement with a view to achieving a DOE of 2%," the Company increased the dividend by 8 yen per share for the year ended March 31, 2024, with the DOE of 1.05%.

The Medium-term Management Plan includes a specific measure to repurchase more than 30 billion yen of our own shares over the three-year period of the plan. In FY2023, the first year of the plan, we implemented share buybacks of 6 billion yen each for a total of 12 billion yen and cancelled all of the 6 billion yen of treasury shares repurchased the second time. We continued to sell shares in cross-shareholdings in FY2023, resulting in a total gain on the sale of 13.1 billion yen.

As for our future policy on improving capital efficiency and increasing shareholder returns, we will continue to steadily increase dividends over the medium to long term, and as I mentioned earlier, we forecast an annual dividend of 50 yen per share for FY2024. DOE is expected to be 1.24%.

The Company will flexibly implement share buybacks, while considering improving ROE and DOE and balancing share buybacks and growth investments. We will continue to unwind our cross-shareholdings.

As thus far described, we will strive to improve profitability through business transformation and new business development by carrying out growth investment, and to improve capital efficiency and enhance shareholder returns, thereby meeting the expectations of all stakeholders and aiming to become a company that is needed by society in the next generation as well.



# References

## Cash Flow



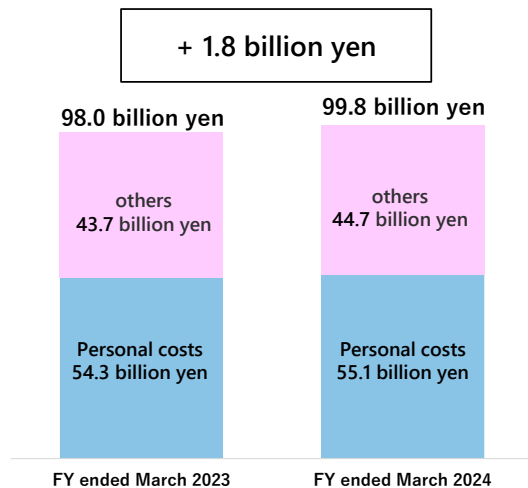
(Unit: million Yen)

	FY ended March 2023	FY ended March 2024	Major factors for FY ended March 2024
Cash and cash equivalents at the beginning of period	90,014	81,839	
Operating activities	-9	59,934	Profit before income taxes: 30,783 Depreciation: 6,244 Increase in trade receivables: -20,356 Increase in trade payables: 51,410 Income taxes paid: -7,773
Investment activities	4,315	9,091	Purchase of property, plant and equipment: -2,505 Purchase of investment securities: -2,113 Proceeds from sale of investment securities: 13,233
Financing activities	-13,060	-22,195	Repayments of long-term borrowings: -9,622 Issuance of bonds: 22,110 Redemption of bonds: -20,000 Purchase of treasury shares: -12,002 Dividends paid: -2,235
Cash and cash equivalents at the end of period	81,839	128,673	Increase(FY ended March 2024): 46,833



## SG&A (Year on Year)

<Year on Year>



### Others +1.0 billion yen

Pharmaceutical wholesaling business : +0.68 billion yen

• Rent expenses on real estate +0.38 billion yen

• Commission expenses +0.22 billion yen

• Depreciation +0.14 billion yen

Dispensing pharmacy business : +0.32 billion yen

• Commission expenses +0.25 billion yen

• Non-deductible temporary paid consumption tax expense due to increased net sales +0.21 billion yen

### Personal costs +0.8 billion yen

Pharmaceutical wholesaling business : +0.51 billion yen

Dispensing pharmacy business : +0.29 billion yen

## Capital Investment and Depreciation



### 【Capital Investment】

FY ended March 2024	FY ending March 2025
<b>Results : 4,164 million yen</b>	<b>Forecasts : 8,225 million yen</b>
1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 950 million yen  2. Daizawa Project Move-in construction work・System・Furniture, fixtures, etc. : 682 million yen  3. Replacement of core system servers : 642 million yen  4. Others : 1,800 million yen	1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 3,006 million yen  2. Logistics center equipment renewal : 2,131 million yen  3. Others : 3,088 million yen

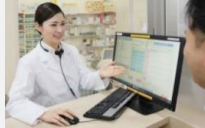
### 【Depreciation】

FY ended March 2024	FY ending March 2025
<b>5,893 million yen</b>	<b>5,787 million yen</b>



## Major customer support systems results

### ENIFvoice SP, ENIFvoice SP+A, ENIFvoice Core



Support for improving efficiency in medication counseling and the preparation of the medication history of a patient as well as up skilling at pharmacies by introducing voice input systems. In addition, ENIFvoice SP+A/ ENIFvoice Core, upgraded versions of ENIFvoice SP, enable inter-terminal and inter-store data sharing via a cloud server.

**Number of sales:**  
**17,280 units**

### Initial examination reservation service



Launched in 2012  
Constructed an Internet environment where a new patient can easily book the first medical examination via a medical institution's website or medical institutions search site. It also enables a patient to reserve a re-examination and/or a thorough medical checkup.

**Number of account  
registration:**  
**13,615 hospitals/clinics**

### Centralized administration system of pharmacy operation Mizar



This system realizes the centralized management of sales, inventories and accounts receivable for all pharmacy stores at the headquarters. With automatic order placement based on prescription data, it contributes to significantly reduce pharmacists' time and efforts needed for ordering.

**Number of sales  
(※on a contract basis):**  
**3,302 pharmacies**

### Information terminal for pharmaceutical ordering ENIF



This system makes pharmaceutical ordering operations dramatically more efficient. Any user can easily place an order simply by scanning the relevant barcode through the terminal, which eliminates the need for cumbersome ordering operations via the telephone.

**Number of units introduced:**  
**25,316 units**

as of March 2024



Total commitment to good health



[Front office in charge of IR]  
Corporate Strategy Division  
E-mail: [info@so.tohoyk.co.jp](mailto:info@so.tohoyk.co.jp)  
<https://www.tohohd.co.jp>

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