

Financial Results Briefing for the First Half of Fiscal Year Ending March 31, 2025

November 13, 2024 (WED)





Agenda

- ① Financial Highlights for the First Half of Fiscal Year Ending March 31, 2025
- ② Forecast for Fiscal Year Ending March 31, 2025
- ③ Action Plan Developed Based on Verification Results of Management Strategy Committee
 - Aiming to Accelerate the Medium-Term Management Plan, Improve its Effectiveness and Further Enhance Corporate Value –



1 Financial Highlights for the First Half of Fiscal Year Ending March 31, 2025



Profit and Loss Statement (Consolidated)

- Establishment of "Governance Enhancement Special Committee"
- Acquisition of own shares: ¥15 billion (by the end of March 2025), and cancellation of all shares acquired
- Business alliance with PHARUMO, Inc., (DX support for dispensing pharmacies) and Blue innovation Co., Ltd., (developing and providing DX solutions utilizing drones and robots)
- Investment in Hirosaki Lifescience Innovation, Inc. (developing, manufacturing regenerative medical products) and WACON Co., Ltd., (manufacturing and sales of logistics equipment, including constant-temperature containers of pharmaceuticals)

(Unit: million Yen)

	1st half of FY ended March 2024		1st half of FY ending March 2025		
	Results	% of net sales	Results	% of net Sales	YoY change (%)
Net sales	734,846		754,974		2.74
Gross profit	56,635	7.71	58,384	7.73	3.09
SG&A	50,142	6.82	51,004	6,76	1.72
Operating profit	6,492	0.88	7,380	0.98	13.68
Ordinary profit	7,945	1.08	8,596	1.14	8.19
Net profit*	8,782	1.20	5,383	0.71	-38.70

*Profit attributable to owners of parent



Balance Sheet (Consolidated)

(Unit: million Yen)

	FY ended March 2024		1st half of FY ending March 2025			Major factors behind the increase or decrease
	Results	Ratio(%)	Results	Ration(%)	Incr. or decr.	
Current assets	597,888	77.30	588,234	76.32	-9,654	Increase in merchandise and finished goods of 8,358 Decrease in cash and deposits of 24,743
Non-current assets	175,538	22.70	182,476	23.68	6,938	Increase in investment securities of 5,305
Total assets	773,427	100.00	770,711	100.00	-2,716	
Current liabilities	471,305	60.94	462,815	60.05	-8,490	Decrease in income taxes payable of 3,299 Decrease in accrued consumption taxes of 3,019
Non-current liabilities	52,684	6.81	45,251	5.87	-7,433	Decrease in bonds payable of 8,944
Total liabilities	523,990	67.75	508,066	65.92	-15,923	
Net assets	249,437	32.25	262,644	34.08	13,207	Increase in retained earnings of 4,317 Increase in valuation difference on available-for-sale securities of 2,644 Decrease in treasury stock of 4,884(+)
Total liabilities and net assets	773,427	100.00	770,711	100.00	-2,716	

Equity-to-asset ratio FY ended March 2024: 32.22% 1st half of FY ending March 2025: 34.05%



Profit and Loss Statement (Pharmaceutical Wholesaling Business)

- Sales of specialty pharmaceuticals and other limited-handling products for selected wholesalers continued to grow steadily.
: The Company's net sales of limited-handling products for selected wholesalers were 126.6billion yen (28.1% increase from the previous period). *Excluding COVID-19-related products
- Gross profit of customer support systems:1.9billion yen
- Consolidation of sales bases : Number of sites decreased by two and sales offices decreased by three

(Unit: million Yen)

	1st half of FY ended March 2024		1st half of FY ending March 2025		
	Results	% of net sales	Results	% of net sales	YoY change (%)
Net sales	709,414		728,733		2.72
Gross profit	38,955	5.49	40,357	5.54	3.60
SG&A	32,143	4.53	32,351	4.44	0.65
Operating profit	6,811	0.96	8,005	1.10	17.53



Composition of Sales by Category and Contract Rate

Composition of sales by category

	April 2023-September 2023	April 2024-September 2024
Drugs for premium to promote the development of new drugs and eliminate off-label use	35.3%	38.4%
Patented drugs, others	40.3%	40.5%
Long-listed original drugs	14.4%	10.6%
Generic drugs	10.1%	10.4%

Contract rate

	2020/9	2021/3	2021/9	2022/3	2022/9	2023/3	2023/9	2024/3	2024/9
Value Basis	95.6%	100.0%	95.0%	100.0%	95.4%	98.6%	95.2%	99.5%	95.1 %
Number Basis	80.6%	100.0%	71.1%	100.0%	69.6%	100.0%	69.3%	100.0%	62.2%



Profit and Loss Statement (Dispensing Pharmacy Business)

- In order to implement the transformation of the dispensing pharmacy business, which is a key measure of the Medium-term Management Plan, we pressed ahead with the reorganization of operating companies. Consequently, the number of dispensing pharmacy companies decreased from 27 at the end of March 2024 to 17 by July 1 this year.
- Seven stores were closed or transferred based on profitability, and eight stores were opened.
- Occurrence of temporary expenses associated with the integration of subsidiaries.

(Unit: million Yen)

	1st half of FY ended March 2024		1st half of FY ending March 2025		
	Results	% of net sales	Results	% of net sales	YoY change (%)
Net sales	46,598		47,111		1.10
Gross profit	15,871	34.06	16,163	34.31	1.84
SG&A	14,976	32.14	16,181	34.35	8.05
Operating profit	895	1.92	-18	-0.04	—

■ Number of stores (as of September 30, 2024)

	Consolidated Subsidiaries		Non-Consolidated Subsidiaries		Affiliates Companies		Total	
TOHO HOLDINGS	0 company	0 store	2 companies	6 stores	2 companies	18 stores	4 companies	24 stores
PharmaCluster	8 companies	578 stores	7 companies	68 stores	1 company	37 stores	16 companies	683 stores
Total	8 companies	578 stores	9 companies	74 stores	3 companies	55 stores	20 companies	707 stores



2 Forecast for Fiscal Year Ending March 31, 2025



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

(Unit: million Yen)

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

1st half of FY ending March 2025	
Results	Progress (%)
754,974	50.60
58,384	48.57
51,004	50.00
7,380	40.55
8,596	42.77
5,383	43.06

*Profit attributable to owners of parent



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

(Unit: million Yen)

	FY ended March 2024		FY ending March 2025			
	Results	% of net sales	Forecast	% of net sales	YoY change	%
Net sales	1,424,488		1,437,000		12,512	0.88
Gross profit	83,537	5.86	82,400	5.73	-1,137	-1.36
SG&A	64,083	4.50	65,300	4.54	1,217	1.90
Operating profit	19,453	1.37	17,100	1.19	-2,353	-12.10

1st half of FY ending March 2025	
Results	Progress (%)
728,733	50.71
40,357	48.98
32,351	49.54
8,005	46.81



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

(Unit: million Yen)

	FY ended March 2024		FY ending March 2025			
	Results	% of net sales	Forecast	% of net sales	YoY change	%
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

1st half of FY ending March 2025	
Results	Progress (%)
47,111	48.72
16,163	47.26
16,181	51.04
-18	—



Dividend Outlook

	Interim	Year End	Annual Dividend
FY ended March 2023	16yen	16yen	32yen
FY ended March 2024	18yen (Ordinary dividend: 16yen Commemorative dividend: 2yen)	22yen (Ordinary dividend: 20yen Commemorative dividend: 2yen)	40yen (Ordinary dividend: 36yen Commemorative dividend: 4yen)
FY ending March 2025 (Forecasts)	25yen	40yen	65yen

In line with our dividend policy of "steadily improving toward 2% DOE," we have revised our year-end dividend forecast to 40 yen, an increase of 15 yen from the previously announced 25 yen per share. As a result, the annual dividend is expected to be 65 yen, an increase of 25 yen from the previous fiscal year.

3 Action Plan Developed Based on Verification Results of Management Strategy Committee

– Aiming to Accelerate the Medium-Term Management Plan, Improve its Effectiveness and Further Enhance Corporate Value –





Member

- Internal director: Hiromi Edahiro, CEO & CFO; Akira Umada, COO; Atsushi Udoh, Director; Takeo Matsutani, Director
 - Independent outside directors: Yoshiaki Kamoya and Hidehito Kotani
 - Outside experts: Shosaku Murayama (Former Deputy Director-General at Bank of Japan), Yukio Matsui (Former Astellas Pharma CCO)
- * Since April, the committee has held a total of seven meetings

Total commitment to good health

Specific and detailed strategies and action plans for "Creating the Next Generation"

Ideal State of the Company : "Best Partner" that contributes to "New Value Creation"

- Contributing to the maintenance of the healthcare provision system through the stable supply of pharmaceuticals
- Establish a strong position in pharmaceutical distribution by handling specialty products
- Innovations in mechanisms required for community healthcare design
- Establish a corporate culture that encourages employees to actively take on various challenges
- Continuous improvement of corporate value

Commitment/Passion (Target, Roadmap)

Changes in the external environment

- Declining birth rate and aging population over the medium to long term
- Diversification of modalities
- Progress in community-based integrated care systems
- Environmental changes related to logistics
- Continued global inflation Trend



- ### Policy formulated on the following
- Improve the profitability and productivity of each business
 - Investment for growth
 - Business portfolio
 - Approach to cross-shareholdings and possession of assets for business purposes
 - Capital allocation policy

Period

FY2025 → FY2028



Aim to exceed the following targets in the fiscal year ending March 31, 2029 (Consolidated)

ROE more than **8%**

(Maintain a level higher than the cost of equity* in the future)

*Approximately 6% as of the end of September 2024

Operating profit margin

more than **1.5%**

DOE and cross-shareholding ratios are as follows

DOE more than **2%**

(By March 2026)

Net assets of cross-shareholdings

less than **15%** (March 2026)

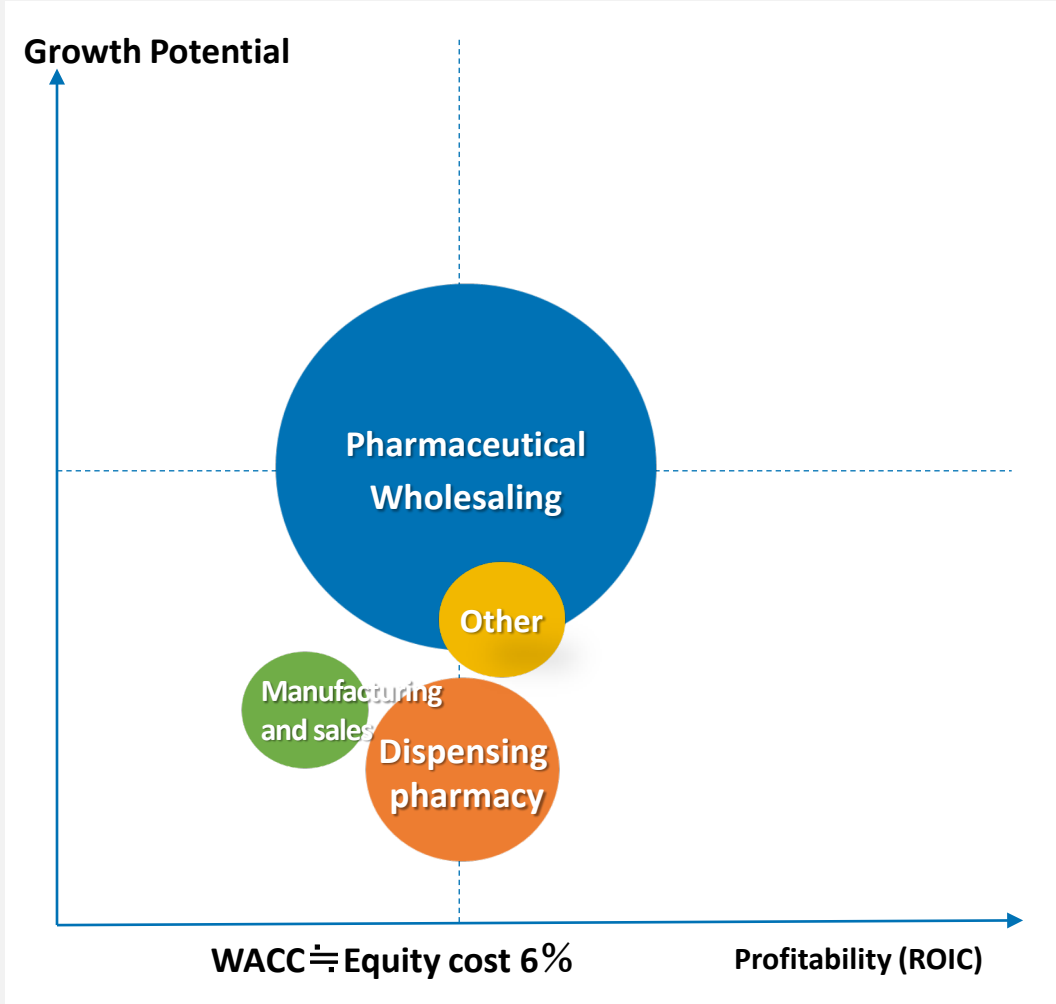
less than **10%** (March 2029)

Increase profits and actively return profits to shareholders in order to achieve the above

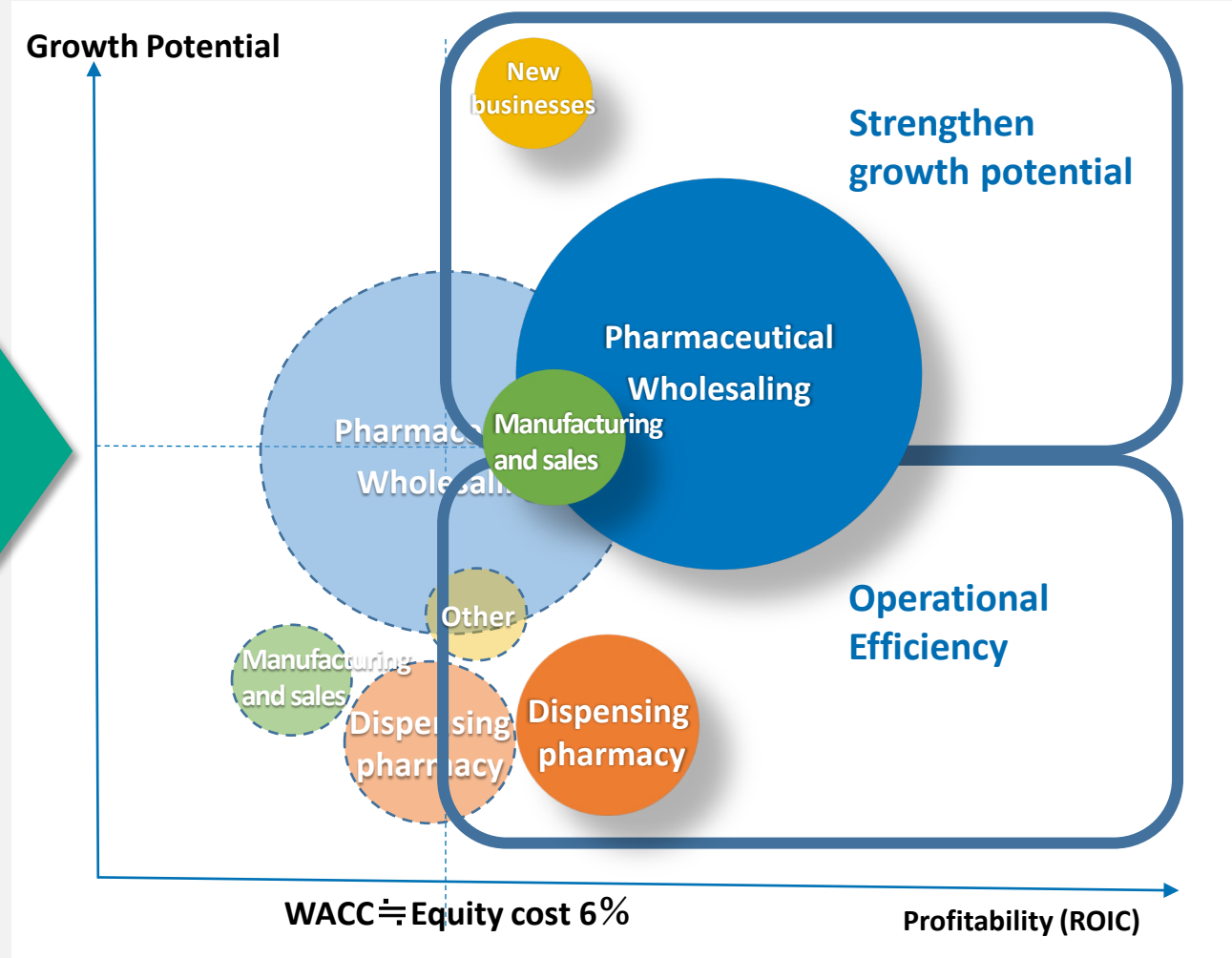


Allocate management resources to the pharmaceutical wholesaling business and new businesses according to their potential, with a view to achieving ROE of 8%

Current Portfolio (ROIC is average for the past three periods)



Target portfolio (fiscal year ending March 2029)



Circle size represents business scale (operating profit) as an image



Pharmaceutical wholesaling business

- Enhancement of functions (logistics functions and full-line services) to secure competitive advantage in handling specialty products
- Improving productivity through quality improvement and reinforcement of sales and delivery systems (introduction of team system, etc.)
- Improving the profitability of customer support systems, Evolving and strengthening value-added business models

Dispensing pharmacy business

- Strengthen profitability by improving operational efficiency while making consolidation of subsidiaries, which we are currently working on as top priority
- Participate in community-based integrated care systems as a new business opportunity that also leverages our unique networks, including the Kyoso Mirai Group in Pharmacy network

Pharmaceutical manufacturing and sales business

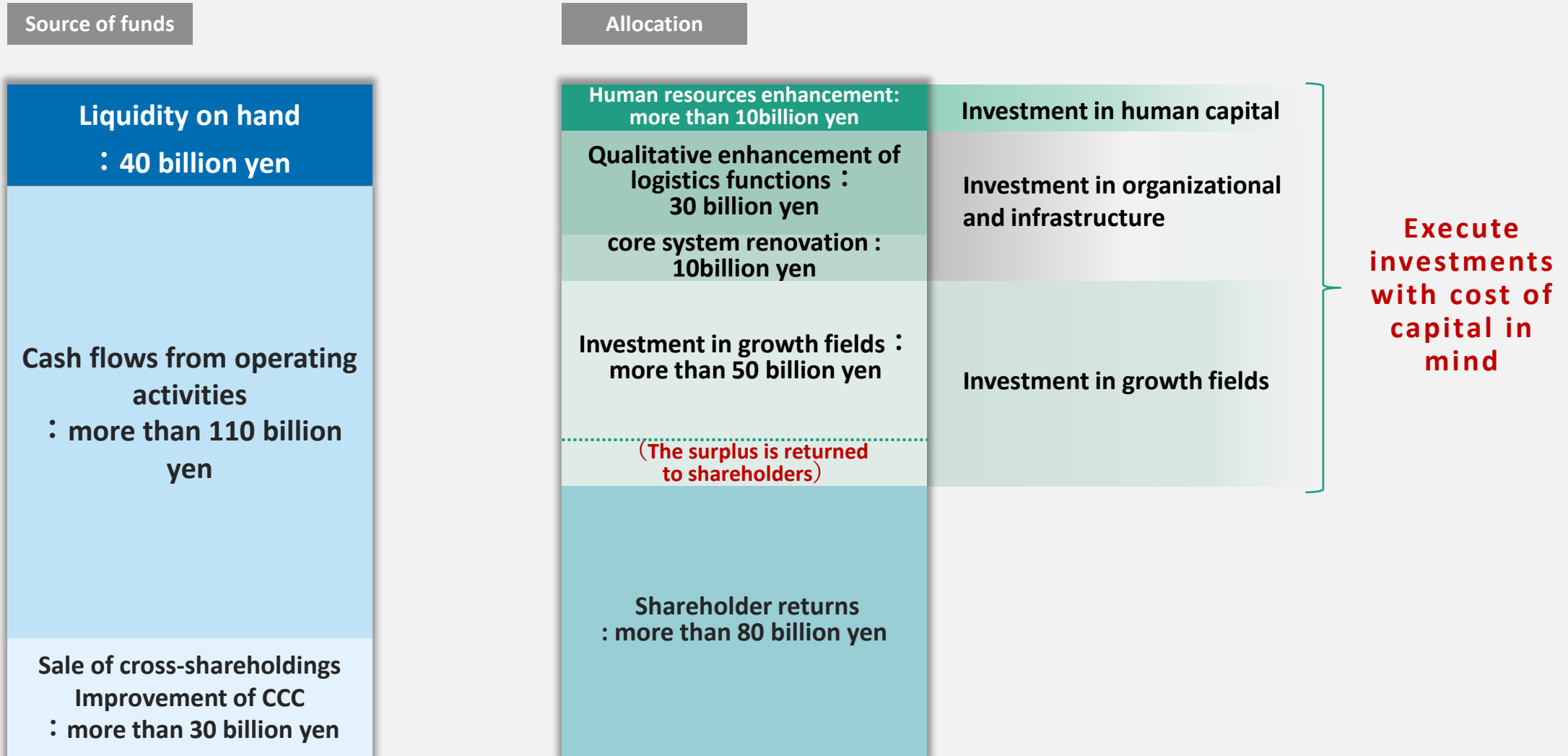
- Steadily promote the stable supply of generic drugs
- With regard to the CDMO (Contract Development and Manufacturing Organization) business, we will pursue the possibility of expanding the business, as it may lead to the establishment of a new business that is profitable on its own, along with strengthening the pharmaceutical wholesaling business by building and expanding full-line services for specialty products

New business

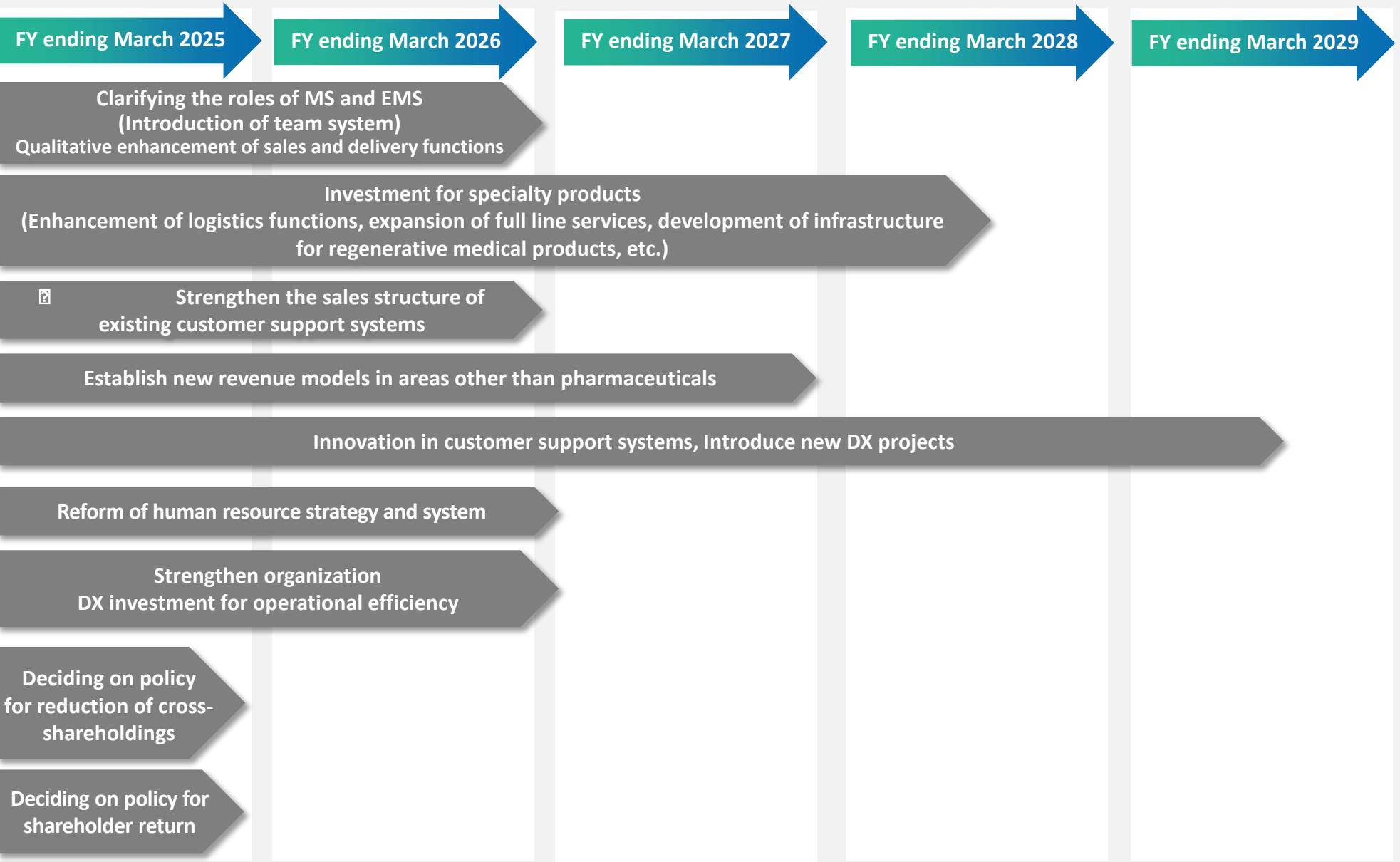
- Development of services and systems that can contribute to the creation of new value for patients, medical institutions, pharmacies, local governments, and pharmaceutical companies through innovation realized through the reorganization and integration of existing customer support systems and the functions of system-related subsidiaries in the TOHO HOLDINGS Group and alliances with external parties
- Building new businesses in areas other than prescription pharmaceuticals

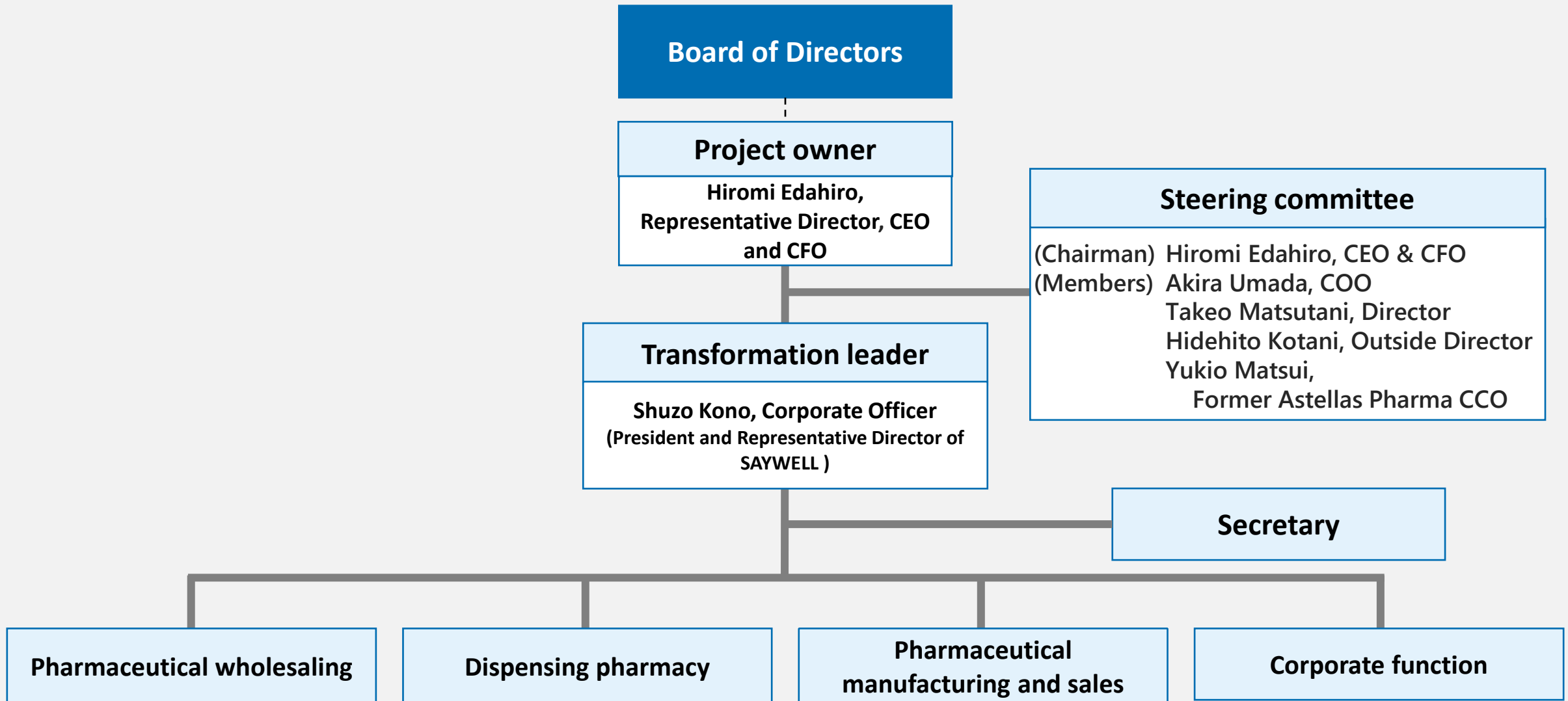


Adequate returns to shareholders while giving top priority to business investment with cost of capital in mind



Roadmap for strategy realization







References



Cash Flow

(Unit: million Yen)

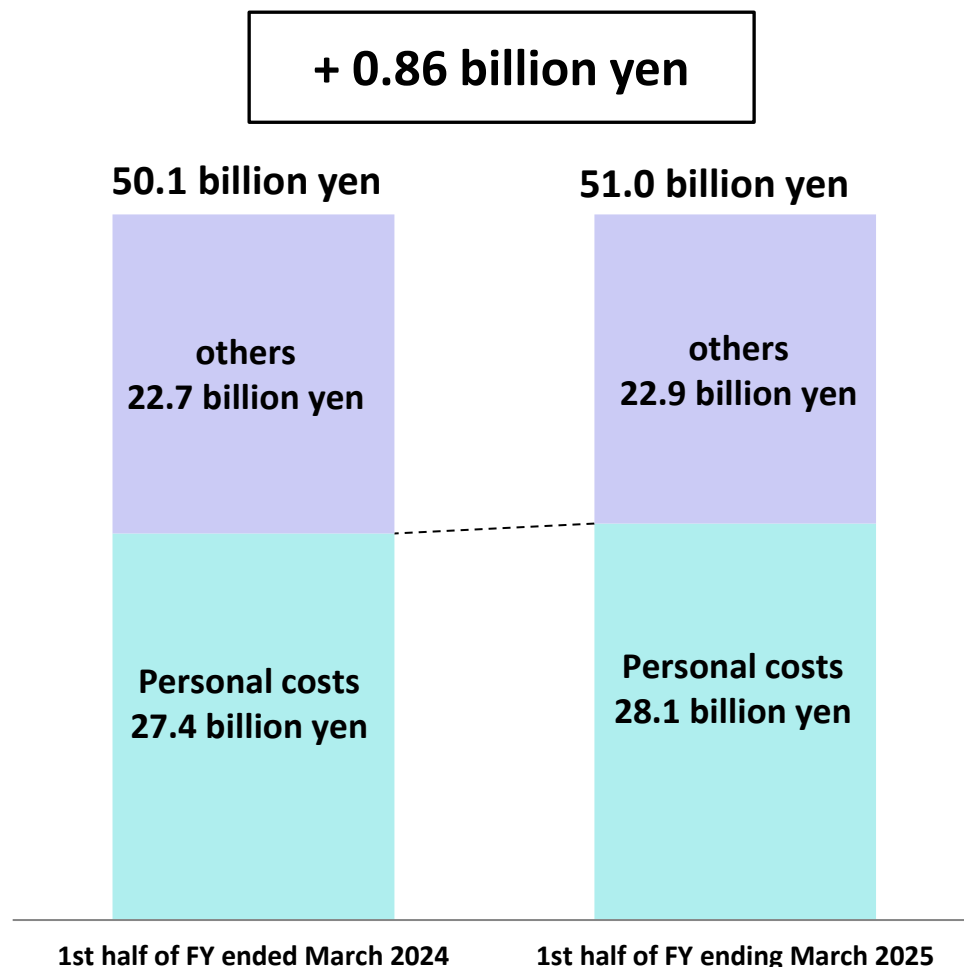
	1st half of FY ended March 2024	1st half of FY ending March 2025	Major factors for 1st half of FY ending March 2025
Cash and cash equivalents at the beginning of period	81,839	128,673	
Operating activities	53,933	-10,744	Profit before income taxes: 8,541 Depreciation: 2,817 Increase in trade receivables: -2,853 Increase in inventories: -8,167 Decrease in accrued consumption taxes : -3,019 Income taxes paid: -6,739
Investment activities	3,515	-4,590	Purchase of property, plant and equipment: -2,241 Purchase of investment securities: -1,155 Purchase of shares of subsidiaries and associates: -934
Financing activities	-5,775	-10,187	Decrease in short-term borrowings: -881 Increase in segregated deposits for purchase of treasury shares: -4,795 Purchase of treasury shares: -2,707 Dividends paid: -1,381
Cash and cash equivalents at the end of period	133,516	103,925	Increase(1st half of FY ending March 2025): -24,747



SG&A (Year on Year)

<Year on Year>

+ 0.86 billion yen



Others

+0.08 billion yen

Pharmaceutical wholesaling business:	-0.52 billion yen
Rent expenses on real estate	-0.35 billion yen
Depreciation	-0.27 billion yen
Research and development expenses	-0.13 billion yen
Commission expenses	+0.28 billion yen

Dispensing pharmacy business:	+0.60 billion yen
Commission expenses	+0.21 billion yen

Personal costs

+0.78 billion yen

Pharmaceutical wholesaling business	+0.17 billion yen
Dispensing pharmacy business	+0.60 billion yen



Capital Investment and Depreciation

【Capital Investment】

1st half of FY ended March 2024	1st half of FY ending March 2025	FY ending March 2025
Results : 1,647 million yen	Results : 3,068 million yen	Forecasts : 8,225 million yen
<p>1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 589 million yen</p> <p>2. Replacement of core system servers : 459 million yen</p> <p>3. Others : 599 million yen Including, system development, etc. : 190 million yen Replacing an IP Phone, etc. : 156 million yen</p>	<p>1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 790 million yen</p> <p>2. Renewal of distribution center facilities : 614 million yen</p> <p>3. Others: 1,664 million yen</p>	<p>1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 3,006 million yen</p> <p>2. Renewal of distribution center facilities : 2,131 million yen</p> <p>3. Others: 3,088 million yen</p>

【Depreciation】

1st half of FY ended March 2024	1st half of FY ending March 2025	FY ending March 2025
2,934 million yen	2,632 million yen	5,787 million yen