



Financial Results Briefing for the First Half of Fiscal Year Ending March 31,2024

November 15, 2023 (WED)



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Agenda

- 1 Financial Highlights for the First Half of Fiscal Year Ending March 31, 2024
- 2 Forecast for Fiscal Year Ending March 31, 2024
- 3 Medium-term Management Plan 2023-2025
“Create the Next Generation”



1 Financial Highlights for the First Half of Fiscal Year Ending March 31, 2024

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



Profit and Loss Statement (Consolidated)

(Unit: million Yen)

	1st half of FY ended March 2023		1st half of FY ending March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	681,470		734,846		7.83
Gross profit	54,658	8.02	56,635	7.71	3.62
SG&A	48,823	7.16	50,142	6.82	2.70
Operating profit	5,835	0.86	6,492	0.88	11.26
Ordinary profit	7,392	1.08	7,945	1.08	7.48
Net profit*	3,598	0.53	8,782	1.20	144.08

*Profit attributable to owners of parent

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

As announced in the Notice Regarding Revision of the Earnings Forecasts for the First Half of Fiscal Year Ending March 2024 dated October 31, both figures significantly exceeded the forecasts we made at the beginning of the current fiscal year.

The factors behind this will be explained later in the results of the Pharmaceutical Wholesaling segment.



Balance Sheet (Consolidated)

(Unit: million Yen)

	FY ended March 2023		1st half of FY ending March 2024			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
Current assets	533,519	74.59	620,393	77.42	86,874	Increase in cash and deposits of 51,652 Increase in accounts receivable-trade of 38,349 Decrease in merchandise and finished goods of 2,975
Non-current assets	181,768	25.41	180,986	22.58	-782	Decrease in property, plant and equipment of 1,651
Total assets	715,288	100.00	801,379	100.00	86,091	
Current liabilities	440,188	61.54	502,754	62.74	62,566	Increase in accounts payable-trade of 80,543 Decrease in current portion of bonds payable of 20,003
Non-current liabilities	32,183	4.50	53,483	6.67	21,300	Increase in bonds payable of 22,103
Total liabilities	472,372	66.04	556,237	69.41	83,865	
Net assets	242,916	33.96	245,142	30.59	2,226	Increase in retained earnings of 7,734 Increase in treasury stock of 5,971(-)
Total liabilities and net assets	715,288	100.00	801,379	100.00	86,091	

Equity-to-asset ratio FY ended March 2023: 33.93% 1st half of FY ending March 2024: 30.56%

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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)

- Growing sales of new drugs and specialty drugs, such as cancer drugs, and sales of therapeutic drugs expanded owing to the spread of the so-called ninth wave of COVID-19.
- The Company's net sales of limited-handling products for selected wholesalers were 98.8 billion yen (21% increase from the previous period). *Excluding COVID-19 therapeutic agent
- Gross profit of customer support system 2 billion yen (5.5% increase from the previous period)

(Unit: million Yen)

	1st half of FY ended March 2023		1st half of FY ending March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	656,571		709,414		8.05
Gross profit	37,140	5.66	38,955	5.49	4.89
SG&A	32,057	4.88	32,143	4.53	0.27
Operating profit	5,082	0.77	6,811	0.96	34.02

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Net Sales rose to 709,414 million yen, an increase of 8.05% from the previous year.

The significant increase was primarily driven by expanded sales of COVID-19-related products, cancer drugs, and specialty pharmaceuticals. All these products increased sales despite the lingering fallout of government measures to curtail medical expenses, including a reduction in NHI drug prices in April 2023. Sales of products whose handling is limited to selected wholesalers, excluding COVID-19 drugs, continued to increase, and reached 98.8 billion yen, up 21% year-on-year, contributing to solid sales of the Company. Gross profit was 38,955 million yen, up 4.89% year-on-year. The figure grew in line with the increase in net sales, but the gross profit margin was 5.49% and dipped from the previous year. The decrease was primarily driven by two factors. One was increases in pharmaceutical manufacturers' invoice prices. The other was a year-on-year drop in shipping and handling charges for COVID-19-related products after therapeutic drugs became available through ordinary distribution channels. The gross margin shrunk even though our efforts to negotiate prices commensurate with the value of individual products, and their distribution costs resulted in higher wholesale prices.

Meanwhile, gross profit of the customer support system business increased by 100 million yen from the same period last year to 2 billion yen. 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 3.3 billion yen in the first half of the fiscal year under review.

SG&A expenses were 32,143 million yen, almost unchanged from the same period last year.

SG & A expense ratio is 4.53%.

Although affected by rising utilities and commodity prices, we continued our efforts to curb costs by improving operational efficiency. The consolidation of sales offices also had a positive effect on cost reductions.

As a result, operating profit increased by 34.02% year on year, or 0.96% of net sales, to 6,811 million yen.

Composition of Sales by Category and Contract Rate

Composition of sales by category

	April 2022-September 2022	April 2023-September 2023
Drugs for premium to promote the development of new drugs and eliminate off-label use	44.4%	51.0%
Patented drugs, others	27.0%	26.5%
Long-listed original drugs	16.8%	11.4%
Generic drugs	11.9%	11.2%

Contract rate

	2019/9	2020/3	2020/9	2021/3	2021/9	2022/3	2022/9	2022/3	2023/9
Value Basis	99.7%	99.7%	95.6%	100.0%	95.0%	100.0%	95.4%	98.6%	95.2%
Number Basis	100.0%	99.8%	80.6%	100.0%	71.1%	100.0%	69.6%	100.0%	69.3%

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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 44.4% in the same period last year to 51.0%. During the same period, long-listed original drugs decreased in share from 16.8% to 11.4%, 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 September, it was 95.2% on a value basis and 69.3% on a number basis.



Profit and Loss Statement (Dispensing Pharmacy Business)

• We promoted responses to the revision of medical service fees and nine stores were closed or transferred with an emphasis on profitability. Three new stores opened.

• Increase in the number of prescriptions filled due to the recovery of the suppression of patient visits

(Unit: million Yen)

	1st half of FY ended March 2023		1st half of FY ending March 2024		
	Sum	% of net sales	Sum	% of net sales	YoY change (%)
Net sales	45,089		46,598		3.35
Gross profit	15,736	34.90	15,871	34.06	0.86
SG&A	14,857	32.95	14,976	32.14	0.80
Operating profit	878	1.95	895	1.92	1.94

■ Number of stores (as of September 30, 2023)

	Consolidated Subsidiaries		Non-Consolidated Subsidiaries		Affiliates Companies		Total	
TOHO HOLDINGS	4 companies	76 stores	8 companies	53 stores	2 companies	16 stores	14 companies	145 stores
PharmaCluster	6 companies	474 stores	10 companies	53 stores	2 companies	87 stores	18 companies	614 stores
Total	10 companies	550 stores	18 companies	106 stores	4 companies	103 stores	32 companies	759 stores

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

Net Sales rose to 46,598 million yen, up 3.35% from the previous year.

The dispensing pharmacy business was negatively affected by the reduction of the NHI drug prices in April 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 15,871 million yen, up 0.86% from the previous year. SG & A expenses rose to 14,976 million yen, a year-on-year increase of 0.80%.

In order to improve profitability, we are continuing to review our stores with an emphasis on profit structure. During the period from April to September, we closed or sold nine stores, while opening three new stores. As a result, operating profit increased by 1.94% year on year to 895 million yen.

2 Forecast for Fiscal Year Ending March 31, 2024

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Next, we will explain our forecast for the fiscal year ending March 2024.



Forecast for Fiscal Year Ending March 31, 2024(Consolidated)

No change from initial announcement

(Unit: million Yen)

	FY ended March 2023		FY ending March 2024 (Forecasts)				1st half of FY ending March 2024	
	Sum	% of net sales	Forecast		YoY change		Sum	Progress (%)
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)		
Net sales	1,392,117		1,325,000		-67,117	-4.82	734,846	55.46
Gross profit	114,366	8.22	113,400	8.56	-966	-0.84	56,635	49.94
SG&A	98,000	7.04	101,900	7.69	3,900	3.98	50,142	49.21
Operating profit	16,365	1.18	11,500	0.87	-4,865	-29.73	6,492	56.45
Ordinary profit	19,176	1.38	13,800	1.04	-5,376	-28.04	7,945	57.57
Net profit *	13,630	0.98	12,300	0.93	-1,330	-9.76	8,782	71.40

*Profit attributable to owners of parent

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This slide shows our consolidated business forecasts. No changes have been made to the earnings forecast announced in May.

On the right side of this table are the progress rates of the six months' results against the full-year plan. The rates were 55.46% for sales, 56.45% for operating profit and 71.40% for net income, each exceeding 50%. However, as the market outlook remains cloudy owing to the possibility of a resurgence of COVID-19 as we head into the winter, and patients starting to cover a portion of COVID-19 medications from October, we have kept the full-year earnings forecast at the beginning of the fiscal year unchanged.



Forecast for Fiscal Year Ending March 2024 (Pharmaceutical Wholesaling Business)

(Unit: million Yen)

	FY ended March 2023		FY ending March 2024 (Forecasts)				1st half of FY ending March 2024	
	Sum	% of net sales	Forecast		YoY change		Sum	Progress (%)
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)		
Net sales	1,340,318		1,273,000		-67,318	-5.02	709,414	55.73
Gross profit	78,463	5.85	77,500	6.09	-963	-1.23	38,955	50.26
SG&A	64,468	4.81	65,500	5.15	1,032	1.60	32,143	49.07
Operating profit	13,995	1.04	12,000	0.94	-1,995	-14.26	6,811	56.76

This shows our forecasts for pharmaceutical wholesaling.

The right-hand side of the table shows the percentage progress of the first half results against the full-year plan.

The rates were 55.73% for sales, and 56.76% for operating profit, each exceeding 50%.

With renegotiation of delivery prices with some medical institutions scheduled for the second half of the fiscal year, we will continue to strive to achieve the full-year plan by negotiating prices commensurate with individual product values and distribution costs.



Forecast for Fiscal Year Ending March 2024 (Dispensing Pharmacy Business)

(Unit: million Yen)

	FY ended March 2023		FY ending March 2024 (Forecasts)				1st half of FY ending March 2024	
	Sum	% of net sales	Forecast		YoY change		Sum	Progress (%)
			Sum	% of net sales	Incr. or Decr.	Incr. or Decr. (%)		
Net sales	92,346		92,400		54	0.06	46,598	50.43
Gross profit	32,160	34.83	32,100	34.74	-60	-0.19	15,871	49.44
SG&A	29,728	32.19	30,200	32.68	472	1.59	14,976	49.59
Operating profit	2,431	2.63	1,900	2.06	-531	-21.84	895	47.11

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

The right-hand side of the table shows the percentage progress of the first half results against the full-year plan.

Net sales were 50.43% and operating income was 47.11%.

In the second half, we will continue to promote DX by introducing applications that enhance patient convenience and further utilizing customer support systems to improve profitability.



Dividend Outlook

	Interim	Year End	Annual Dividend
FY ended March 2022	15yen	15yen	30yen
FY ended March 2023	16yen	16yen	32yen
FY ending March 2024 (Forecasts)	18yen (Ordinary dividend: 16yen Commemorative dividend: 2yen)	18yen (Ordinary dividend: 16yen Commemorative dividend: 2yen)	36yen (Ordinary dividend: 32yen Commemorative dividend: 4yen)

(*) We plan to pay an interim dividend of 18 yen per share and a year-end dividend of 18 yen per share for Fiscal year ending March 2024, with an annual dividend per share totaling 36 yen. Each of the interim and year-end dividends will be comprised of an ordinary dividend of 16 yen and a special dividend of 2 yen commemorating the 75th anniversary of the company's foundation.

As announced at the beginning of the current fiscal year, the interim dividend was 18 yen per share. We plan to pay a year-end dividend of 18 yen per share, consisting of an ordinary dividend of 16 yen and a special dividend of 2 yen commemorating the 75th anniversary of our foundation, as announced at the beginning of the fiscal year.

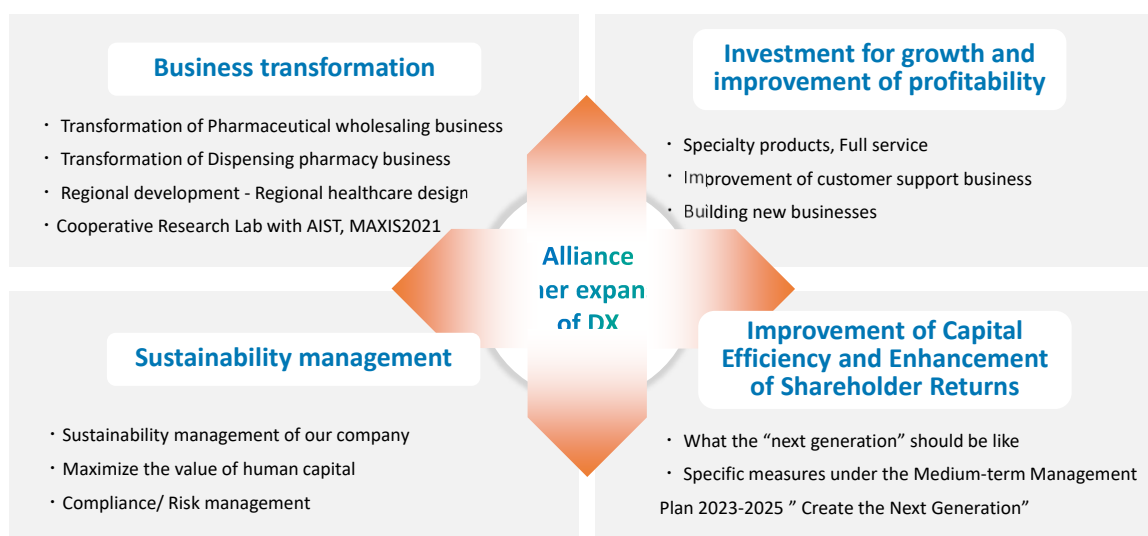


3 Medium-term Management Plan 2023-2025 “Create the Next Generation”

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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”



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As explained at the financial results briefing held in May this 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.

Positioning the three years up to FY2025 as a period of laying the foundation for the Group to fulfill its social mission even in the next generation, we are determined to implement the Medium-Term Management Plan 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, including those taken in the first half of the fiscal year under review.

Transformation of Pharmaceutical wholesaling business



Building regional healthcare design

Announcing the Medium-Term Management Plan

- ✓ Integration of pharmaceuticals, Reagents, medical products and consumer healthcare into the "Sales Division"
- ✓ Consolidating all strategic divisions to create new "Sales Strategy Division"

Organizational restructuring

Strategy for unification of pharmaceuticals and reagents

1. Communalization of sales, distribution, logistics, and office work
2. Collaboration between pharmaceutical MS and reagents MS
3. Development of a new market for reagents

2023.4

2023.5

2023.7

2023.9

Consolidation of sales bases

Change in the number of sales bases

- * As of September 2023 (Comparison with March 2023)
- Number of sites : 216 (-5sites)
- Number of sales offices : 239 (-15offices)

*Number of sites includes head office and distribution center

Development of optimum business sites in line with local circumstances

Clarifying the roles of sales and delivery

Efficient sales and delivery systems

Optimal staffing

DX for sales and delivery

Introduction of new roles / occupations

Work-style reforms



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Let me explain about the transformation of the wholesaling business. In order to create a foundation for the realization of the next generation, we are restructuring our organization and consolidating our business sites.

As part of organizational restructuring, we put pharmaceuticals, reagents, medical products, and pharmaceutical cosmetics, all of which had respective sales headquarters, under one sales headquarters in July of this year. We have also consolidated all strategic divisions into the newly-established Sales Strategy Headquarters.

In particular, we are focusing on the integration of pharmaceuticals and reagents as the most important theme of the fiscal year under review. Of the reagents sales offices, eight were integrated into pharmaceutical sales offices in the same area, and a total of nine sales offices were transferred to the respective pharmaceutical sales departments. In each area, pharmaceutical MSs (marketing specialists) and reagent MSs are actively communicating with each other by visiting customers together and holding study sessions. As part of the integration strategy, we are working to improve operational efficiency by jointly conducting sales, delivery, distribution, and internal work. Through the joint activities, we facilitate the system to reduce the delivery burden on reagent MSs, help pharmaceutical MSs introduce Point-of-Care Testing to general practitioners, and strengthen marketing efforts to reach hospitals as new customers for reagents. The key point is the daily cooperation between the two, and successful cases were reported from areas where they started to work closely with each other from an early stage.

In addition, the Sales Strategy Headquarters is promoting collaborative activities with manufacturers. Together with pharmaceuticals and reagents manufacturers, we will be involved in the prevention, diagnosis, treatment, and prognosis of patients. We hope to contribute to society by becoming a company that can support medical care with our comprehensive strengths in pharmaceuticals, reagents, medical products, customer support systems, and other areas.

We will carry out the consolidation of business sites in consultation with each site, as it has its own local circumstances. We intend to review our organization based on secondary medical areas so that we can respond to the medical care delivery system that the government is aiming for, and to establish a system that enables us to conduct community-based activities. We also hope that consolidation will streamline various resources. In the first half of the fiscal year under review, consolidation was implemented at five business sites and 15 sales offices. Improvements are being made based on secondary medical areas, and SG&A expenses are expected to be reduced as projected. We will continue to study and actively promote the optimal system for business sites in accordance with local circumstances.

We believe that it is necessary to clarify the roles of MS and EMS (ENIF marketing supporter) and strive to improve sales and delivery efficiency. We will implement appropriate staffing according to area characteristics so that MSs can focus more on sales activities to maximize profits and EMSs can ensure efficient routes and safe and reliable deliveries.

Specifically, we will work to maximize profits by reducing delivery operations by MSs and building a system that allows them to concentrate more on proposal activities for pharmaceuticals, reagents, customer support systems, and other products. With regard to the frequency of deliveries, we are streamlining deliveries by reducing the number of deliveries to twice-daily destinations to once-daily or less, which will lead to a workstyle reform for EMSs and also contribute to reducing the workload of medical institutions. In addition, monthly mileage and gasoline consumption have been significantly reduced, and we believe that this has led to sustainability management such as reducing greenhouse gas emissions.

By proceeding with these efforts and further advancing DX as a support measure for MSs and EMSs, we aim to become an organization capable of designing community healthcare.

Transformation of Dispensing pharmacy business



Restructuring dispensing pharmacy subsidiaries

During the period of the current Medium-Term Management Plan, we will proceed with the integration and restructuring of the 27 dispensing pharmacy companies nationwide toward better functioning through concentration of management functions and system integration.

✓ Consolidated two companies on October 1

Opened new pharmacies while closing existing ones with an emphasis on profitability

✓ In the first half of the fiscal year under review, we opened three stores and closed and transferred nine stores.

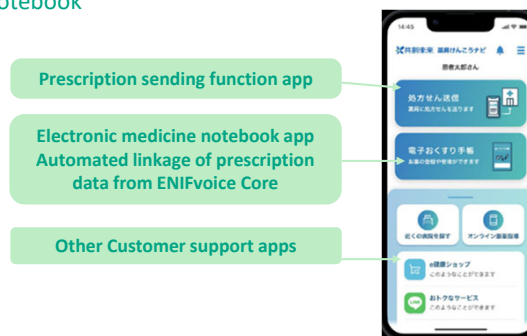
Business site integration associated with the Daizawa Project

✓ PFP Daizawa, base for sales of pharmaceuticals in small lots, integrated into PFP Saitama

Promotion of DX

Improving pharmacy operational efficiency and patient convenience through active promotion of DX.

✓ Development a portal application, **Kyoso Mirai Pharmacy Health Navi**, which includes a function for sending prescriptions and an electronic medicine notebook



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

The Company currently has 27 subsidiaries in the dispensing pharmacy business. We are planning to integrate and reorganize these subsidiaries as well with no loss of time.

The purpose of the integration is to further strengthen governance and accelerate decision-making, and to unify administrative divisions to promote operational efficiency and reduce SG&A expenses through the unification of systems. We first integrated two subsidiaries in October this year and will continue integration in a prompt manner.

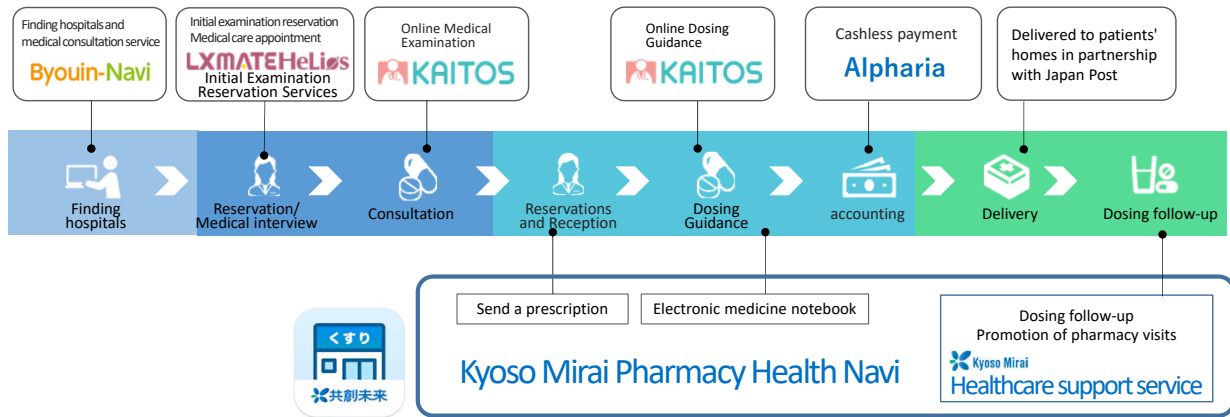
In the first half of the fiscal year under review, PFP Daizawa, a base for wholesale in small lots of PHARMA MIRAI, was integrated into PFP Saitama as part of the integration of business sites in connection with the Daizawa Project.

Regarding the introduction of DX, the use of electronic prescriptions between patients and pharmacies has been promoted since January 2023. In the first half of this fiscal year, in order to respond to digitalization and improve convenience for patients, we developed a portal application equipped with a prescription transmission function and electronic medication records, the Kyoso Mirai Yakkyoku Kenko Navi, which has been used by patients since October.

Promotion of DX for pharmacy operations



Helping patients at all stages, from finding hospitals and pharmacies to receiving and following up on medications



We have developed and proposed a customer support system from patients' perspective, which is to improve convenience for patients in receiving treatment. With the launch of Kyoso Mirai Yakkyoku Kenko Navi, as shown in this slide, we are now able to support patients with our customer support systems at all stages from searching for medical institutions and making and receiving appointments, to consultation, medication guidance, and medication follow-up.

We will continue to contribute to solve various issues faced by patients with our diverse lineup, including Byouin-Navi medical institution search site; KAITOS, which provides an initial examination reservation service, and online medical treatment and medication guidance; Kyoso Mirai Yakkyoku Kenko Navi, a new addition to the lineup this fiscal year as electronic medication records; the cashless payment system Alpharia; and the Kenko Support Service, which follows patients' medications and encourages visits to the pharmacy.

■ **Joint research with the National Institute of Advanced Industrial Science and Technology (AIST)**
-Aim to realize of Universal Medical Access-



Collaborative Research Lab established to conduct joint research on four themes



In order to solve various issues in medical access, we have started joint research with the National Institute of Advanced Industrial Science and Technology, widely known as AIST, scheduled from January 2023 to March 2026, and established a cooperative research laboratory in AIST's Tsukuba Center in April this year. Eight employees are seconded to the laboratory, and together with 16 in-house researchers and researchers from AIST, they are conducting research daily to realize universal medical access, centered on the four themes: "Research and Development of New Transport Technologies for Regenerative Medical Products," "Sophisticated Distribution Bases," "Development of Technologies Required for Telemedicine," and "Data Collection and Utilization Technologies."

We expect that the fusion of AIST's advanced technological capabilities and the Group's expertise in the medical industry and know-how in logistics and customer support systems will result in new technologies and systems that will be implemented in society.

At the same time, we are determined to nurture R&D personnel through this initiative, thereby strengthening our internal R&D infrastructure.

Toward building "Specialty products, Full service"



{ Market derivation }

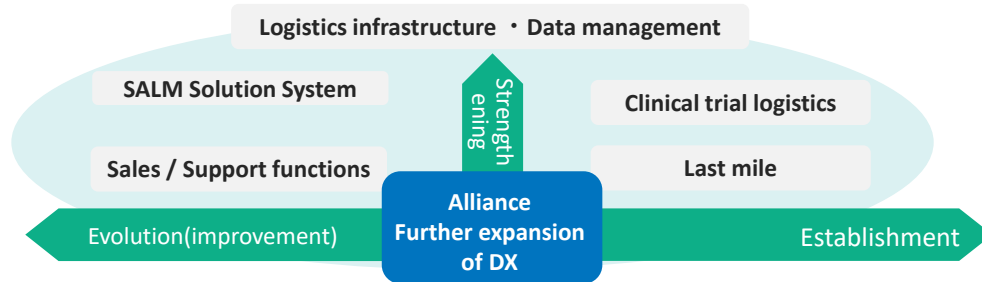
- Diversification of modalities(Diversification of needs)
- Expansion of specialty products

{ Required Features }

- BCP
- Optimization of distribution inventory
- Temperature control
- Sales/Support
- Management by patient

Initiatives in the First Half

- Compilation of "Proposal for Business Continuity Plan in the Supply of Pharmaceuticals"
- Joint Disaster Prevention Drill with the Ground Self-Defense Force



Contribution to the establishment of a system to provide safe and secure medical care to patients in need of treatment.

Next, let me explain our efforts to create a full service centered on specialty products.

As you are already aware, data from an external research organization indicates that more than half of all new drugs launched in Japan over the next several years will be specialty products, and it is expected that the characteristics and needs of each product will become increasingly diversified.

The Medium-Term Management Plan calls for strengthening and evolving each function in order to build a distribution model that meets such diverse needs.

With regard to BCP measures, for which we are receiving an increasing number of requests and inquiries from pharmaceutical companies, we have compiled the Proposal for Business Continuity Planning in Pharmaceutical Supply and conducted a joint disaster drill with the Japan Ground Self-Defense Force in September this year.

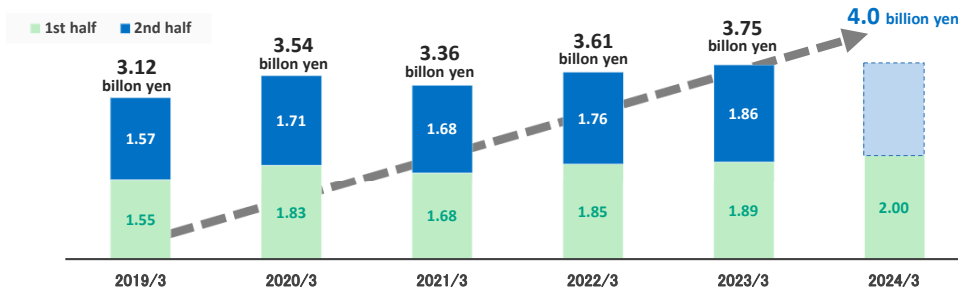
In Japan, which is a disaster-prone country, we believe that our mission is to build a system that enables us to provide not only specialty products but also other pharmaceuticals to patients in need of treatment with security even in the event of an emergency. Accordingly, we will continue to further strengthen our BCP measures.

In addition, we will continue to create a full service to meet various demands of pharmaceutical manufacturers by strengthening our other functions and actively forming alliances with external parties.

■ Improvement of customer support business



Changes in the performance of Customer Support System(Gross profit)



The entire fee business, including the Meissa Promotion System, was 3 billion yen in the first half of the year.

Improvement of existing customer support business

- Development of cloud version of LXMATE HeLios
- Promotion of switching from ENIF (free) to FutureENIF (paid)
- Taking on the challenge of new business by utilizing the voice-recognition technology cultivated by the development of the ENIFvoice series.



Development of new customer support business through alliances and internal projects

MICIN AIST MAXIS

Development of portal sites for clients

The next topic is “Improvement of customer support business.”

Up until the previous fiscal year, we had disclosed the combined figures of customer support systems and the Meissa promotion system as the performance of our fee business. In order to convey the progress of our customer support systems, which are our strength, in a more comprehensible manner, we have started to provide a chart showing the trend of gross profit of customer support systems from the current fiscal year.

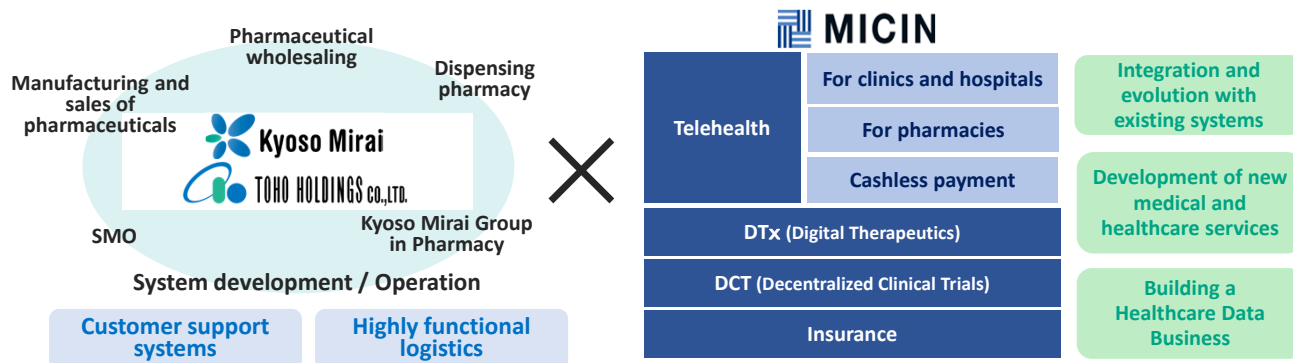
In the past few years, we have not been able to devote sufficient time to proposals for customer support systems, partly because we have been busy with the delivery of COVID-19-related products and the adjustment of shipments. However, in the first half of the fiscal year under review, gross profit of customer support systems increased by 100 million yen from the same period last year to 2 billion yen. As mentioned earlier, the main reasons for this are that an increasing number of customers, mainly drugstores, have introduced the ENIFvoice series, and that an increasing number of customers have switched from the free ENIF to the paid FutureENIF, whose various functions have been well received.

Up until now, we have been developing customer support systems and services in an expeditious manner, taking advantage of the benefits of in-house development. However, we believe that it will be important going forward to balance this with collaboration with other companies. During the period of the current Medium-Term Management Plan, we will further evolve and advance our customer support business through active alliances with companies with high technological capabilities as well as through internal projects. To give a concrete example, we are currently developing a portal site for our customers in the in-house reform project MAXIS. We hope to introduce the specific content of the portal site at the briefing of the full-year financial results scheduled for next May.

Efforts to growth areas and new businesses



Evolution of customer support business through alliances



Efforts to Global Markets and EC Markets

⇒ Entry into the e-commerce business in China, which has potential for growth.

Capital and business tie-up with biotech venture companies

⇒ Supporting the development of specialty products such as biomedical products and regenerative medical products and collaborating in their distribution.

As I have just mentioned, in order to further evolve the customer support business that the Company has cultivated, we believe that active alliances are important. As part of these efforts, we announced a capital and business alliance with MICIN, Inc. (“MICIN”) in September of this year.

We have a variety of customer support systems developed in-house, including the online medical treatment and medication guidance system KAITOS, as well as the dispensing pharmacy business with more than 700 stores nationwide and the clinical trial support business within the Group. Meanwhile, MICIN operates the online medical treatment Curon, and other businesses utilizing digital technologies such as DTx (digital therapeutics) and DCT (decentralized clinical trial) technology.

By combining the development and technological capabilities of MICIN with the unique functions that we have cultivated, we expect to be able to develop customer support initiatives and new healthcare services that only the two companies are capable of. We believe that such initiatives will contribute to healthcare and society.

In addition to the evolution of the customer support business, as announced in the Medium-Term Management Plan, we consider the global market and the e-commerce business as areas of focus as part of the exploration and challenge of new business. In the first half of the fiscal year under review, we entered the e-commerce business in China with growth potential.

We have also formed several capital and business alliances with biotech venture companies centered on specialty products. We intend to continue our efforts to explore business opportunities in areas that are promising to both us and our alliance partners.

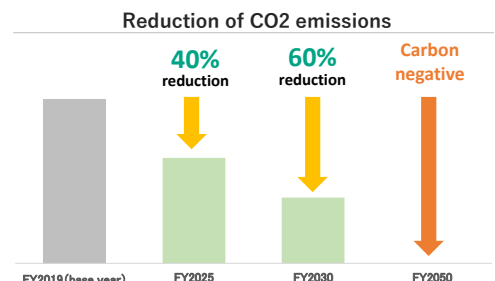
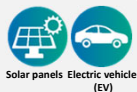
Sustainability management

We work to solve social issues through our business and contribute to the realization of a sustainable society.



Efforts to decarbonization

• Setting CO2 emission reduction targets



• Paperless promotion

Promotion of a 80% reduction in Headquarters-related paper due to the relocation of Head Office functions

Stable supply • BCP

With the participation of pharmaceutical companies, etc., the "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.

→ We have been compiled as a "Proposal for Business Continuity Plan in the Supply of Pharmaceuticals," and will prepare to submit this Proposal to public authorities and local governments.

Human capital • Health management

Human resources/Training

Enhancement of training(Management training by external instructors, Reskilling)

Development of the personnel system

Expansion of mid-career employment, Appointment of contract employees as full-time employees

Work-style reforms

Increase in the amount of average periodic wage increase, Review of vacation days (full five-day work week/ Increase in the number of summer vacation days) and Introduction of office casual throughout the year

Work-style reforms

Strengthen promotion system and conduct training for employees

Compliance

All employees receive Group Compliance Training every month

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.

Specifically, the Sustainability Promotion Committee, which is composed of members from the sales, logistics, pharmaceutical, and administrative divisions, discusses various measures, including climate change initiatives, and tries to spread them throughout the Group.

With regard to decarbonization efforts, we set a target of cutting CO2 emissions by 40% by 2025 and by 60% by 2030, and becoming carbon negative by 2050, with 2019 as the base year.

In order to achieve these targets, we are working on switching to renewable energy mainly at distribution centers, installing solar panels, introducing EVs, and installing EV charging stations.

As for human resource development, we are enhancing training by job type and class, and strengthening MS reskilling for further growth and value creation. Furthermore, we are making steady progress in creating an environment in which employees can work more comfortably by increasing the average pay rise, reviewing holiday arrangements such as shifting to full-fledged five-day weeks and a longer summer vacation, adopting more casual office dress codes throughout the year, and promoting health management.

Compliance with relevant laws and regulations and risk management are top priorities for all officers and employees, and compliance training is conducted monthly to ensure thorough and continuous awareness of these issues.

■ Improvement of Capital Efficiency and Enhancement of Shareholder Returns



Specific measures under the Medium-term Management Plan 2023-2025 “Create the Next Generation”

1) Investment Plan	38 billion yen	3) Dividends	We will increase dividends stably with a target of a DOE (dividend on equity) of 2%.
2) Purchase of treasury shares	More than 30 billion yen	4) Cross-shareholdings	We will unwind cross-shareholdings in a phased manner through sufficient dialogue with the partner companies.

Major Results for the First Half

● Purchase of treasury shares

Acquired treasury shares to improve shareholder return and capital efficiency.

- **May 31: 6.0billion yen** *Ended June 1
- **September 15: 6.0billion yen (Maximum)** *Until March 31, 2024
(as of October 31: Total number of shares acquired: 389,100 shares/Total cost of stock acquired: 1,262,246,600 yen)

Cancellation of all shares of treasury stock acquired as described above (Planned cancellation date: March 31, 2024)

● Cross-shareholdings

Sale of investment securities to improve the asset efficiency and strengthen the financial structure of the Company.

Amount sold: 7 billion yen

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We intend to enhance shareholder returns by increasing our corporate value over the medium to long term with sustained growth. We will press ahead with the measures to improve profitability through investment for growth and capital efficiency over the three years.

As explained at the financial results briefing in May, we plan to invest 38 billion yen during the term of this Medium-Term Management Plan as shown on the slide. The breakdown of investments of 38 billion yen is as follows: 20 billion yen in growth fields, such as the development of new customer support systems, the development of new businesses, and business tie-ups with promising venture businesses; 12 billion yen in the kind of infrastructure that is needed to continue providing safe and secure medical supplies for medical institutions and safe and secure medical care for patients; and 6 billion yen in human capital that supports all these activities.

We plan to repurchase at least 30 billion yen of treasury stock during the period of the current Medium-Term Management Plan. In the first half of this fiscal year, we announced a 6-billion-yen share buyback on May 31 and another 6-billion-yen share buyback on September 15, for a total of 12 billion yen.

With regard to the 6-billion-yen buyback announced on September 15, we are currently in the acquisition process, with a plan to retire all the shares acquired.

Furthermore, we will increase dividends stably with the target of a dividend on equity ratio (DOE) of 2%.

Please note that we have already unwound most of our cross-shareholdings except shares of pharmaceutical manufacturers. We will unwind the remaining cross-shareholdings – a majority of which are shares of pharmaceutical manufacturers – in a phased manner through sufficient dialogue with the partner companies concerned. The amount of cross-shareholdings sold during the first half of the fiscal year under review was 7 billion yen.

We will continue to strive to enhance capital efficiency so as to meet the expectations of our stakeholders.



References

Cash Flow



(Unit: million Yen)

	1st half of FY ended March 2023	1st half of FY ending March 2024	Major factors for 1st half of FY ending March 2024
Cash and cash equivalents at the beginning of period	90,014	81,839	
Operating activities	10,693	53,933	Profit before income taxes: 13,029 Depreciation: 3,098 Increase in trade payables: -36,996 Decrease in inventories: 3,237 Increase in trade payables: 79,022 Income taxes paid: -4,765
Investment activities	-407	3,515	Purchase of property, plant and equipment: -966 Purchase of intangible assets: -792 Purchase of investment securities: -1,955 Proceeds from sale of investment securities: 6,977
Financing activities	-2,960	-5,775	Repayments of long-term borrowings: -1,335 Issuance of bonds: 22,110 Redemption of bonds: -20,000 Purchase of treasury shares: -6,001
Cash and cash equivalents at the end of period	97,855	133,516	Increase(1st half of FY ending March 2024): 51,676

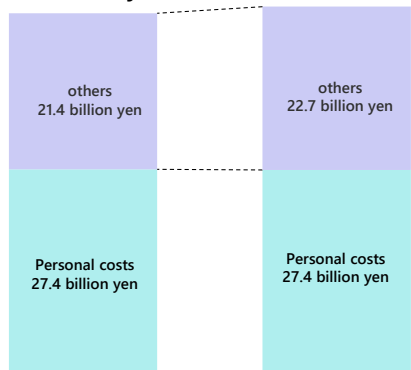
SG&A (Year on Year)



<Year on Year>

+ 1.3 billion yen

48.8 billion yen **50.1 billion yen**



1st half of FY ended March 2023 1st half of FY ending March 2024

Others +1.35 billion yen

Pharmaceutical wholesaling business: +1.2 billion yen
 Rent expenses on real estate +0.29 billion yen
 Commission expenses +0.19 billion yen
 Depreciation +0.18 billion yen
 Utilities charge +0.07 billion yen
 Asset retirement obligations +0.05 billion yen

Dispensing pharmacy business: +0.15 billion yen
 Non-deductible temporary paid consumption tax expense due to increased net sales +0.14 billion yen

Personal costs -0.05 billion yen

Capital Investment and Depreciation



【Capital Investment】

1st half of FY ended March 2023	1st half of FY ending March 2024	FY ending March 2024
Results : 946 million yen	Results : 1,647 million yen	Forecasts : 6,791 million yen
1. “TBC Hokuriku” (system, fixtures) : 208 million yen 2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 320 million yen 3. Others : 418 million yen Including, replacement of core system servers : 99 million yen Replacement of WMS terminal units, etc. : 28 million yen	1. Pharmaceutical sales office (New construction, relocation of sales office and others) : 589 million yen 2. Replacement of core system servers : 459 million yen 3. Others : 599 million yen Including, system development, etc. : 190 million yen Replacing an IP Phone, etc. : 156 million yen	1. Relocated to Tokyo Midtown Yaesu Move-in construction work ・ System ・ Furniture, fixtures, etc. : 970 million yen 2. Pharmaceutical sales office (New construction, relocation of sales office and others) : 2,506 million yen 3. Others : 3,315 million yen Including, replacement of core system servers : 474 million yen Distribution center WMS (warehouse management system) renovation, introduction of cloud-based systems, etc. : 923 million yen

【Depreciation】

1st half of FY ended March 2023	1st half of FY ending March 2024	FY ending March 2024
2,746 million yen	2,934 million yen	6,139 million yen

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:
16,800 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:
13,451 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):
3,228 stores

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:
27,021 units

as of October 2023



Total commitment to good health



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

[Notice]

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