



Kyoso Mirai

TOHO HOLDINGS CO., LTD.
Integrated Report 2025



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Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

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the new TOHO HOLDINGS Group



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Editorial Policy

As a corporate group engaged in the fields of medicine, health, and nursing care, TOHO HOLDINGS is engaged in a variety of initiatives to solve social issues through business and contribute to the realization of a sustainable society. Since the FY ended March 2023, we have published an integrated report with the aim of ensuring that all stakeholders, including shareholders and investors, understand the Group's initiatives.

Covered Organization

TOHO HOLDINGS and consolidated subsidiaries (including some non-consolidated subsidiaries).

* In this Integrated Report, TOHO HOLDINGS CO., LTD. (non-consolidated) is referred to as "the Company" and the TOHO HOLDINGS Group is referred to as "the Group."

Covered Period

April 1, 2024 - March 31, 2025.

* Some information after April 1, 2025 is included.

Referenced Guidelines

- International Financial Reporting Standards (IFRS) Foundation's Integrated Reporting Framework
- Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation
- Global Reporting Initiative Standards

Caution Concerning Forward-Looking Statements

Statements contained in this document that are not past facts are forward-looking statements that reflect TOHO HOLDINGS' group plans, expectations, strategies and assumptions, and involve known and unknown risks and uncertainties. This information has been prepared based on management's judgment from currently available information. These statements are subject to numerous risks and uncertainties that could cause actual results, performance and achievements to differ materially from those described or implied in the forward-looking statements.

To Our Readers

The integrated report is published to help you understand TOHO HOLDINGS' efforts to achieve its vision and enhance corporate value.

TOHO HOLDINGS is currently advancing its Medium-Term Management Plan 2023-2025 "Create the Next Generation," along with strategies and the Action Plan to accelerate and enhance the effectiveness of this plan. The Integrated Report 2025 outlines these progress updates and includes content to enhance understanding of TOHO HOLDINGS, covering management capital, business models, and sustainability management.

We hope this report enhances the understanding among stakeholders, including shareholders and investors, of

TOHO HOLDINGS' overall business and initiatives, and serves as a catalyst for dialogue. Please visit our website for detailed information.



Investor relations
<https://ir.tohold.co.jp/en/index.html>



Sustainability
<https://www.tohold.co.jp/en/csr>



Deliver pharmaceuticals in an accurate, secure and safe manner, anytime, anywhere. It is our mission, supporting pharmaceutical distribution nationwide. While visiting medical institutions on a daily basis, we also provide support for creating the better medical care environment. As the center of the Kyoso Mirai Group, the TOHO HOLDINGS is committed to building the better future together with you.

Corporate Slogan

Total Commitment to Good Health

“Total commitment to good health” is TOHO HOLDINGS’s pledge, representing our philosophy of constantly giving top priority to people who wish for good health and creating customer value to raise their levels of satisfaction, and representing our desire to contribute to the broad enhancement of people’s health and to them realizing comfortable lifestyles.

Mission Statement

We shall live in harmony with society and our customers; together, we shall create new values through the provision of out-of-the-box services; and we shall contribute to the medical care and well-being of people around the world



Core Values

Five “Trust and Sympathy”

Trust & Sympathy with People who wish for good health

We put people who wish for good health first all the time and act in the interests of enhancing their satisfaction.

Trust & Sympathy with Customers

We strive our utmost every day to be a company essential to our customers.

Trust & Sympathy with Society

We observe laws and ethics, and strive to grow in harmony with society and for the benefit of its development.

Trust & Sympathy with Employees

We respect the personality, talent, and teamwork of all members, and value a corporate culture that is free and vigorous.

Trust & Sympathy with Shareholders

We pursue ever-greater corporate value and champion timely and adequate disclosure.



Guided by the compass of “Total commitment to good health”

TOHO HOLDINGS' Journey of Relentless Challenge and Value Creation

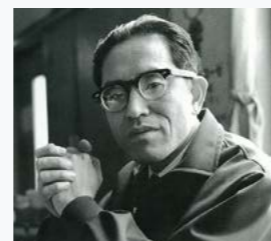
Since our founding in 1948, we have continually evolved with the changing times. Our business, which began with pharmaceutical sales, has expanded into pharmaceutical wholesaling, the development and provision of customer support systems, the operation of dispensing pharmacies, and the manufacturing and sale of pharmaceuticals. We have been creating unique value through this diverse range of businesses. We will continue our relentless challenge to be a company essential to society by contributing to medical care and well-being.

Established

—The path to becoming a national wholesaler

In 1948, founder Yoshinori Matsutani established TOHO PHARMACEUTICAL (now TOHO HOLDINGS) in Kitazawa, Setagaya-ku, Tokyo. The business began with seven employees, including Matsutani. Undaunted by the post-war turmoil, they packed pharmaceuticals into backpacks and worked hard to build sales routes. In 1959, the Company formed its first business alliance with a pharmaceutical wholesaler in Ikebukuro, marking the start of full-fledged market share expansion. In 1963, it introduced a team leader system, establishing teams as the smallest unit of an internal decentralized organization to accelerate market expansion.

In the 1960s, the establishment of the Universal Health Insurance System in Japan led to rapid growth in the pharmaceutical market, while intensifying price competition. With many wholesalers aiming to expand their reach, TOHO PHARMACEUTICAL faced a pivotal decision: remain a regional wholesaler or pursue growth as a national player. In 1968, TOHO PHARMACEUTICAL marked its 20th anniversary as a “second founding period” and chose to expand its reach. With the construction of a new headquarters, the Company expanded its partnerships and branch network in the Tokyo metropolitan area, extending our reach into the Chubu, Tokai, and Tohoku regions. This growth transformed the Company into a national pharmaceutical wholesaler.



Founder Yoshinori Matsutani

Expanding the value creation network

TOHO PHARMACEUTICAL has expanded its business scope while broadening its value creation network. TOHO PHARMACEUTICAL formed capital and business alliances with pharmaceutical wholesalers nationwide, leading to the establishment of the Kyoso Mirai Group, centered around TOHO PHARMACEUTICAL, in 1999. This unique approach stands apart from competitors who rapidly expand through aggressive M&A, instead enhancing group value through shared systems while respecting each company's regional characteristics and individuality.

In 2002, the Company was listed on the Second Section of the Tokyo Stock Exchange, and two years later, it was promoted to the First Section. We also continued to pursue new challenges, including forming alliances across different business sectors. In 2009, we transitioned to a holding company structure to further enhance group corporate value. We changed our company name to TOHO HOLDINGS and established a structure with pharmaceutical wholesaling and dispensing pharmacies as the two core businesses. Additionally, in 2016, we expanded into the pharmaceutical manufacturing and sales business. In this way, we have transformed into a corporate group that expands its value-creation network beyond the traditional framework of pharmaceutical wholesaling.

Our journey in building a value creation network

1999	Kyoso Mirai Group established
2002	Listed on the Second Section of Tokyo Stock Exchange
2004	Listed on the First Section of Tokyo Stock Exchange
2009	Change of the company name to TOHO HOLDINGS CO., LTD.



Listed on the First Section of Tokyo Stock Exchange

Addressing healthcare challenges through customer support systems

The Group has made it a fundamental business principle to earn trust by solving the challenges faced by patients and clients, rather than expanding market share through price competition. Our customer support systems embody this philosophy.

Its history dates back about 30 years. A former manager of our company, who back at that time was responsible for sales, visited a medical facility and witnessed the crowded waiting room, which sparked a strong desire to reduce the waiting time. This vision led to the creation of the automated medical care appointment system LXMATE. Since then, our marketing specialists (MSs) have visited medical institutions daily, using the challenges they learn about through direct interviews as a starting point to develop and provide various systems.

Our customer support systems prioritize two key aspects. One is the customer's perspective. Based on requests received by MSs and call centers, we promptly identify issues and develop solutions from the customer's perspective. The other is comprehensive after-sales support. MSs regularly visit medical institutions to address questions and suggest more convenient usage methods. Feedback from the field is the source of our value creation.

Our journey in developing customer support systems

1986	Release of inventory management system, as the first customer support system
1990s	Released LXMATE, an automated medical care appointment system, and ENIFmini, an information terminal for pharmaceutical ordering
2009	Released ENIFvoice, an automatic voice-recognition medication history creation support system
2012	Launch of Initial Examination Reservation Service



ENIFmini, an information terminal for pharmaceutical ordering

Safe and secure pharmaceutical logistics

We have consistently pursued logistics innovation to fulfill our mission of ensuring a stable supply of pharmaceuticals. Warehouses were once located at each branch and office, but to establish a faster and more efficient system, the concept emerged of setting up logistics centers in each region. The first step was the opening of the Tokyo Block Logistics Center (later TBC Heiwajima) in 1988. Among the logistics centers built in various regions, TBC Saitama, which was fully launched in 2014, was particularly groundbreaking. We introduced robots for product piece-picking operations, achieving both accuracy and labor savings. In TBC Hiroshima, launched in 2018, we further advanced this technology to achieve seamless automation from receipt to shipment, significantly boosting logistics efficiency.

In 2020, we launched TBC DynaBASE, a large-scale, advanced logistics center, to fulfill our mission at a higher level. Located within a base designated by Tokyo for wide-area transportation during disasters, this facility is designed to serve as the city's sole pharmaceutical supply hub, ensuring stable supply during emergencies. We are shaping the future of pharmaceutical distribution by integrating cutting-edge logistics with disaster prevention capabilities.

Our journey in logistics

1988	Launched Tokyo Block Logistics Center in Ota-ku, Tokyo
2014	Launched TBC Saitama (which received the Excellence Award in the Robot Business and Social Implementation category at the Robot Awards)
2018	Launched TBC Hiroshima
2020	Launched the TBC DynaBASE, a large-scale, advanced logistics center

* TBC: Toho Butsuryu Center (Toho Logistics Center)

Developing human resources

We have established various training programs to adapt to changing times, focusing on the development of each employee. Under the former team leader system, each team conducted daily on-the-job training. However, the system was abolished due to changing business environments, a unified company-wide talent development program became necessary.

The turning point came with the launch of the MAXIS Project during the 45th anniversary of the Company's founding in 1993. In this project, human resources development was prioritized as a key pillar, leading to reforms in the personnel system and the creation of a new training program for new employees.

We continue to conduct diverse training programs, including a US seminar to learn from advanced overseas cases and the Kyoso Mirai Management Program to develop next-generation leaders. Among these, the MTP (Medical Total Planner) Training program, which began in 1999 and continues to this day, stands out as a flagship training initiative. This training develops personnel with advanced communication skills to enhance proposal capabilities for customer support systems and build deep trust with clients. In recent years, we have focused on developing highly specialized talent. This includes supporting the acquisition of healthcare management certifications and promoting reskilling training to deepen knowledge of healthcare systems and hospital management. We will continue to link the growth of each employee to the Group's growth, contributing to the future of healthcare in Japan.

Our journey in human resources development

1993	Launched the MAXIS Project to mark the company's 45th anniversary
1999	Began MTP training
2012	Implemented the Kyoso Mirai Management Program
2014	Convened the Mirai Research Working Group



MTP training

TOHO HOLDINGS at a Glance

TOHO HOLDINGS is active in a variety of medical, health, and nursing care fields, including the dispensing pharmacy business and the pharmaceutical manufacturing and sales business, with the pharmaceutical wholesaling business at our core.

Our Business

Pharmaceutical wholesaling business




We are expanding our comprehensive support across the medical field, building on our wholesale business of prescription pharmaceuticals, reagents, medical devices, medical materials, and OTC drugs to medical institutions and dispensing pharmacies nationwide. We develop and provide customer support systems that enhance operational efficiency for medical institutions, and offer start-up support and management consulting. Under our social mission to provide a stable supply of pharmaceuticals and other products, we are working to establish a robust distribution network and supply system. Additionally, we leverage the comprehensive strengths of our group to assess local conditions and challenges, advancing our efforts in building a community-based integrated care system.

Strengths

- Business infrastructure developed over many years (P31)
- Logistics functions that excel in accuracy, efficiency, safety, and business continuity planning (BCP) at the industry's highest standards
- Handling pharmaceuticals according to product characteristics, including strict temperature control and quality maintenance
- Our proprietary customer support systems, introduced over 30 years ago (P38)

Pharmaceutical manufacturing and sales business




KYOSOMIRAI PHARMA, responsible for the pharmaceutical manufacturing and sales business, produces and sells high-quality generic drugs. We also offer a comprehensive range of services, including contract manufacturing of ampoule and vial formulations, development work from formulation design to application support for injectables, and actual production. Additionally, we conduct contract testing for pharmaceutical quality control and stability testing. We are building a pharmaceutical supply chain by collaborating with our pharmaceutical wholesaling and dispensing pharmacy businesses.

Strengths

- Supply of high-quality generic drugs through our proprietary verification system
- Specialized manufacturing and development capabilities for injectable drugs
- Creation of new business through the Haneda Packaging Center, a secondary pharmaceutical packaging facility equipped with the latest technology (P36)

Dispensing pharmacy business




As contributors to the community-based integrated care system, our pharmacies go beyond dispensing and medication guidance to help improve the health of their local communities. By fulfilling the role of primary care pharmacists, we are strengthening specialized advanced pharmaceutical management, supporting home medical care, selling OTC drugs, and fostering seamless collaboration with various professionals and local authorities. Pharmacists, registered sales clerks, dietitians, care managers, and nurses, equipped with the necessary knowledge and skills, work as a team to support various life stages from health and treatment to nursing care, deeply rooted in the community.

Strengths

- Seamless pharmaceutical supply in collaboration with the pharmaceutical wholesaling business
- Promoting medical digital transformation (DX) and operational efficiency by using the customer support systems
- Participating in the Ministry of Health, Labour and Welfare's electronic prescription model business

Other peripheral businesses



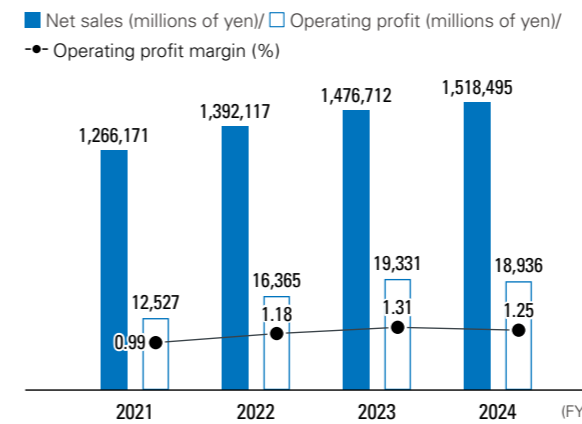
The other peripheral businesses comprise five companies, including Tokyo Research Center of Clinical Pharmacology, which operates a clinical trial site support business, and four subsidiaries involved in system development and internet business. For the system-related subsidiaries, we are promoting the reorganization and integration of their functions. Through innovation realized both by these initiatives and by alliances with external partners, we are developing services and systems that contribute to new value creation for patients, medical institutions, pharmacies, local governments, and pharmaceutical companies.

Strengths

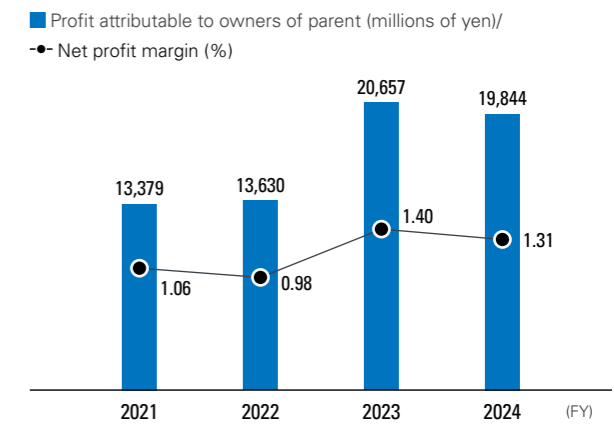
- TOHO HOLDINGS enhances its comprehensive capabilities by developing services and systems that integrate its diverse businesses
- Quick response capability based on extensive knowledge in the medical and health fields

Financial Highlights

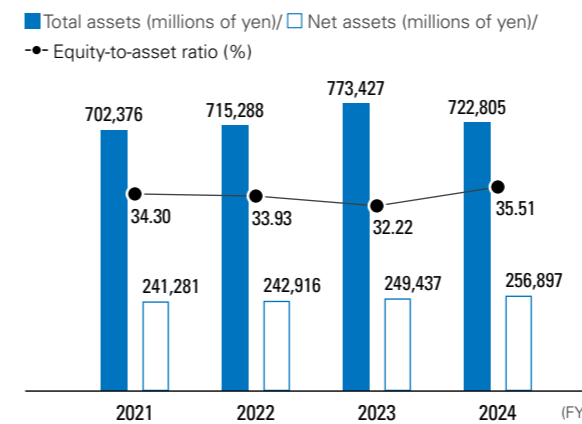
Net sales/Operating profit/ Operating profit margin



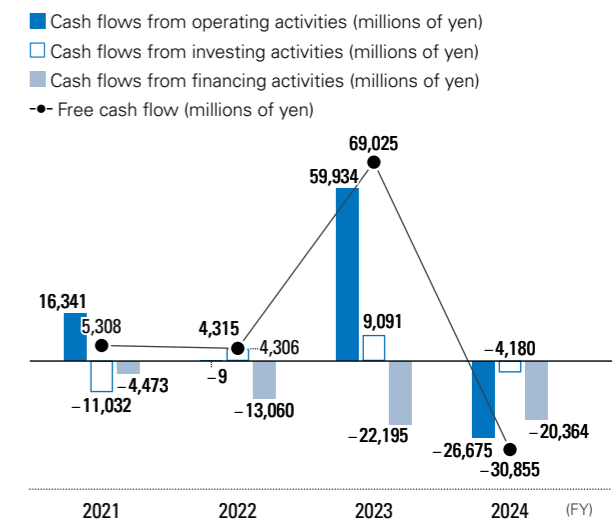
Profit attributable to owners of parent/ Net profit margin



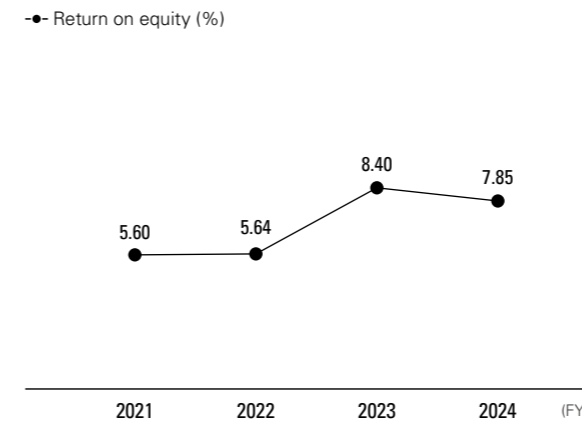
Total assets/Net assets/Equity-to-asset ratio



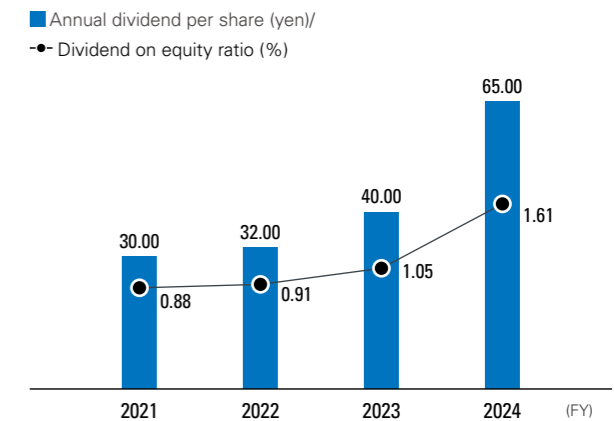
Cash flows



Return on equity (ROE)



Annual dividend per share/ Dividend on equity ratio





Hiromi Edahiro

Representative Director,
President and CEO

Section 01

Value Creation Story

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CEO Message

RE BORN

Moving forward with employees toward the new TOHO HOLDINGS Group

Both sales and profits are solid. To accelerate further growth, we will focus on three reforms

With Japan's declining birth rate, aging population, and shrinking overall numbers, maintaining the healthcare delivery system, especially in rural areas, is expected to become increasingly difficult. In this business environment, the TOHO HOLDINGS Group is steadily implementing the Medium-Term Management Plan 2023-2025, "Create the Next Generation," and its supporting Action Plan. In doing

so, we aim to fulfill our social mission of ensuring a stable supply of pharmaceutical products.

In the second year of our Medium-Term Management Plan, FY2024, we surpassed our initial sales and profit targets despite facing tough conditions like drug price cuts and rising procurement costs. A key driver is the growth of specialty pharmaceuticals, such as orphan drugs. Specialty pharmaceuticals, unlike primary pharmaceuticals such as treatments for lifestyle-related diseases, require stricter temperature control and traceability, and are characterized by higher prices. Pharmaceutical companies tend to restrict

the number of wholesalers handling these products to just one or a few, prioritizing stable supply, fair pricing, and reduced distribution costs.

In November 2024, we formulated an Action Plan to speed up our Medium-Term Management Plan. To achieve the targets set in our Action Plan, I believe our group must undergo a major transformation. This year, I have chosen "RE BORN" as my thematic commitment. We are launching three reforms, including establishing a competitive edge for specialty products, which are expected to see further market growth.

Organizational reforms

First, we are overhauling every aspect of our organization. In our pharmaceutical wholesaling business, we are setting clearer profit targets for each marketing specialist (MS) and implementing fairer evaluations based on their results. We have reorganized our resources into a new team system by merging previously separate pharmaceutical MSs and reagent MSs and clarifying the roles of MSs and EMSs (delivery personnel). We are also boosting productivity through efficient promotional activities and optimized delivery. In addition, in April 2025, we brought in a new head of the HR department from outside the company to lead reforms in our HR and evaluation systems.

Establishing a competitive edge for specialty products
Our second focus is gaining a competitive edge in specialty products. Primary pharmaceuticals, which have traditionally driven sales in pharmaceutical wholesaling, serve a large patient population and are widely distributed in hospitals, clinics, and dispensing pharmacies nationwide. The market for these products is already mature, making significant changes in market share among pharmaceutical wholesalers unlikely.

On the other hand, as I mentioned earlier, being selected by pharmaceutical companies as the handling wholesaler for specialty pharmaceuticals is crucial. Securing larger-scale products in the future is key to our growth. We must emphasize the unique strengths of the TOHO HOLDINGS Group with an increased sense of urgency.

As the fourth-largest player in the industry, our sales scale and client coverage might seem like disadvantages. However, for specialty pharmaceuticals, it is crucial to deliver to specific medical institutions nationwide, where specialists are present, while maintaining product integrity through temperature control and other essential requirements. We need to emphasize that we have amassed substantial expertise in this area over many years. We recognize our leading edge in enhancing logistics centers' functionality and have decided to open a new advanced logistics center, TBC Tokai, in the Chukyo area. We plan to establish a logistics

CEO Message

center in the Tohoku region, further strengthening our nationwide logistics network. Besides these, pharmaceutical companies expect wholesalers to offer a wide range of functions. By aligning and enhancing the capabilities expected for each product, we aim to become the preferred choice for both customers and pharmaceutical companies.

Boosting employee engagement

The third focus is boosting employee engagement. We have named the Action Plan to accelerate our Medium-Term Management Plan the "Transformation Project," and as CEO, I am leading this initiative. However, to further accelerate reform, we need the support and contributions of every employee, not just the management team. In the engagement survey conducted in February 2025, many employees offered valuable insights on how to improve the company. In response, we began town hall meetings in July 2025, providing an opportunity for COO Umada and me to engage in direct dialogue with employees. We use this two-way communication to share our vision and actively listen to each employee's feedback. I was pleasantly surprised by the lively feedback from participating employees. It made me realize how many are strongly committed to improving our company, which was heartening. We will actively promote a management style that integrates top-down leadership with bottom-up insights from the field, nurturing a company-wide culture of embracing reform.

Tackling industry challenges with digital transformation and efficiency improvements

In the pharmaceutical wholesaling industry, while the focus is shifting from primary to specialty pharmaceuticals, more than half of the delivery volume is made up of generic drugs. Generic drugs face ongoing price cuts, while rising production costs are driving up invoice prices from pharmaceutical companies. Combined with inflation-fueled increases in storage and shipping costs, maintaining profitability is becoming increasingly difficult.

The shipment adjustments for prescription pharmaceuticals, triggered by the quality issues of some pharmaceutical companies in 2020, are still ongoing. This has become a significant challenge for the entire pharmaceutical wholesaling industry, as field MSs are overwhelmed with customer inquiries and searching for alternative products, leading to substantial time losses.

We are enhancing our logistics centers and advancing efficiency through the promotion of digital transformation to resolve these issues. In FY2024, to reduce the burden on both our company and customers, we created a portal site where customers can independently check the status of

pharmaceutical shipment adjustments and find alternative products. Traditionally in Japan, pharmaceuticals were delivered according to each medical institution's orders, often resulting in multiple deliveries to the same customer in a single day. However, through ongoing dialogue with our clients, we are now working to streamline deliveries to once a day or several times a week wherever possible, which also helps reduce greenhouse gas emissions.

Business portfolio reform is progressing smoothly

Business reforms go beyond the pharmaceutical wholesaling business. As outlined in the Action Plan announced in November 2024, we are undertaking the following initiatives in our dispensing pharmacy and pharmaceutical manufacturing and sales businesses to achieve the desired business portfolio.

In the dispensing pharmacy business, we are consolidating the core business companies under PHARMA CLUSTER, aiming to reduce them to four companies by March 2026 and eventually merge them into a single entity. This will improve capital efficiency and streamline operations. We are also enhancing the roles of primary care pharmacists and home care functions to play a crucial part in the community-based integrated care system. We continue to open and close outlets focused on financial viability, in line with our strategy to boost profitability.

In our pharmaceutical manufacturing and sales business, we are working to expand our CDMO (Contract Development and Manufacturing Organization) operations and enhance group synergies by broadening our full-line services for specialty products. In FY2025, as part of this initiative, we will open the Haneda Packaging Center. This facility will be equipped to handle inspection, packaging, and storage for vial products, including cryogenic and antibody drugs. We intend to increase the number of contracted items from not only domestic pharmaceutical manufacturers but also overseas companies that lack such facilities in Japan.

Tackling priority issues to strengthen sustainability management

We actively engage in dialogue with our shareholders and investors. These discussions naturally emphasize meeting the numerical targets of our Medium-Term Management Plan and Action Plan. However, we have also noticed a significant rise in interest in ESG and sustainability. For example, in a meeting with an institutional investor, the focus was on the rate of male employees taking childcare leave, underscoring the significant importance of ESG as an evaluation criterion. We believe that sustainability-focused

management is a key factor in reducing the cost of capital for our group. To this end, we are prioritizing the strengthening of governance and the management of human capital as key initiatives.

Strengthening governance

At the General Meeting of Shareholders in June 2025, we appointed two new outside directors, both women with expertise in capital markets and finance, to further enhance the independence and diversity of our Board of Directors. We expect them to fully leverage their expertise to help us achieve the Medium-Term Management Plan and Action Plan. External perspectives and insights are vital for our group's growth. We see our recent efforts as a key step in further improving the effectiveness and transparency of our governance functions.

In August 2024, we set up the Governance Enhancement Special Committee, made up entirely of external members, to conduct a multifaceted review of our group's governance system. In February 2025, the committee submitted an interim report. Based on this report, we established the Compliance Promotion Department in April 2025 to strengthen and enhance our internal reporting system. We have also set up a new Group Governance Department to strengthen our group's governance functions. We have also created a new role, the Chief Governance Officer (CGO), to lead these corporate governance improvements and vigorously push forward governance reforms.

Human capital management

It is crucial for each employee to understand the societal demands and expectations regarding sustainability as a personal responsibility. To achieve this, we will actively provide training and educational opportunities to deepen sustainability awareness.


We also encourage employees to speak freely at the town hall meetings mentioned earlier, provided they take responsibility for their remarks. The engagement survey results reveal that our group enjoys a strong sense of camaraderie and trust among employees, along with a unified commitment to achieving our goals. We will build on our strengths and encourage each employee to take the initiative, speeding up reforms to achieve our business strategy.

To our stakeholders

Our mission is to live in harmony with society and our customers, creating new value together through by providing innovative services, and contribute to the medical care and well-being of people around the world. Guided by this, our social mission is to work to provide a stable supply of pharmaceuticals in both normal times and emergencies. To achieve this social mission, we are currently in the midst of being "RE BORN" into a new TOHO HOLDINGS Group. While our transformation is still underway, I see it as my duty as CEO to ensure we continue moving forward as a unified group without halting our progress.

We will continue to strengthen our management structure and steadily implement the strategies set out in our Medium-Term Management Plan and Action Plan, aiming to enhance corporate value.

We ask our stakeholders for their ongoing support.

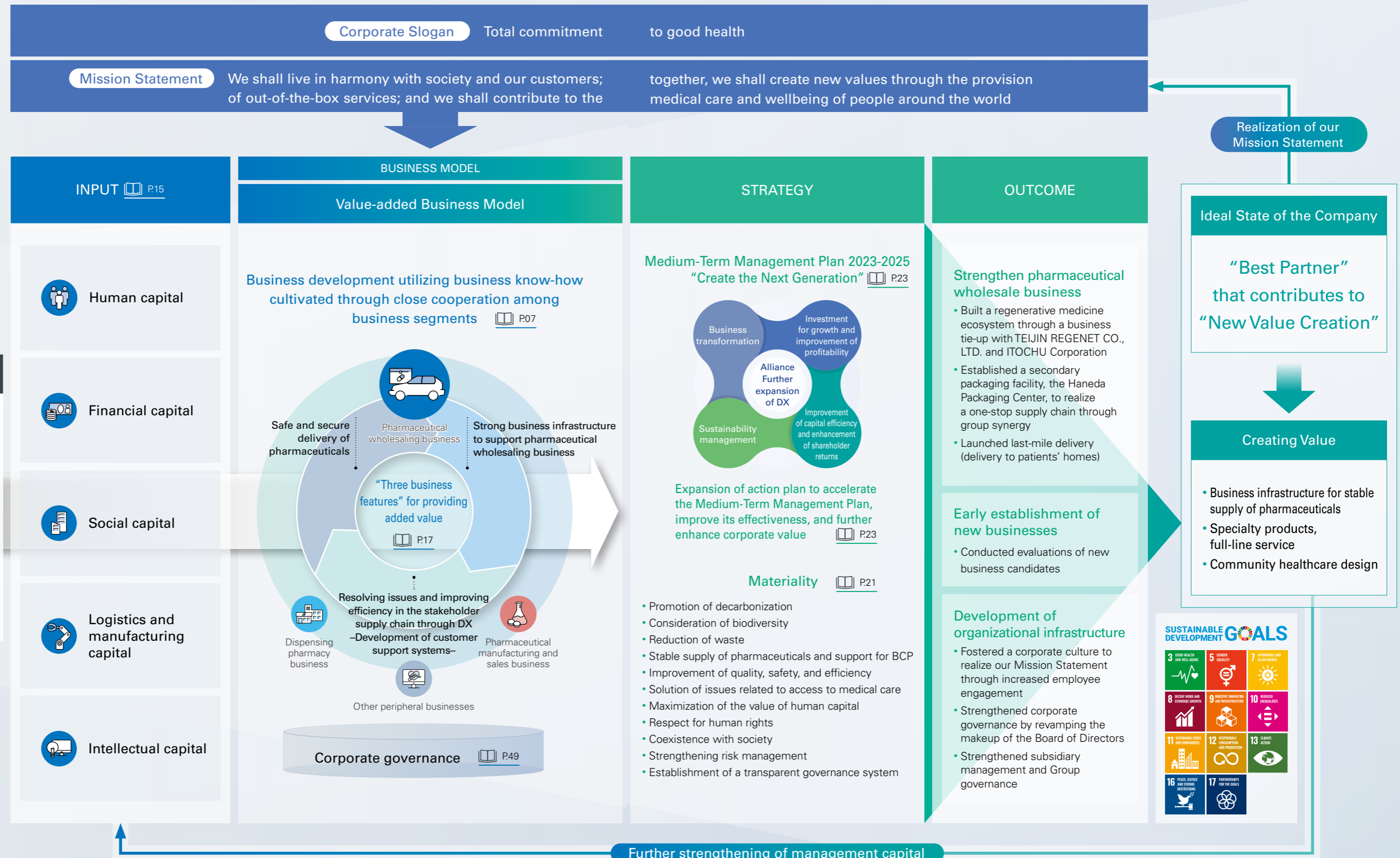


Representative Director, President and CEO



Value Creation Process

TOHO HOLDINGS conducts business activities based on the corporate slogan “Total commitment to good health.” By using our group’s unique management resources as a source of value creation to contribute to the health and medical care of people around the world, we aim to increase our corporate value and establish our corporate brand over the medium to long term through sustainable growth.



TOHO HOLDINGS' Management Capital

The management capital the Group has cultivated since its founding is an indispensable element for the sustained enhancement of corporate value. By continuing to strengthen this management capital, we will pursue further value creation.



Human capital

Importance

Based on the belief that employees are the Company's assets, or "human capital," we position human capital as a vital foundation supporting the Company's sustained growth. The Group believes that by maximizing the abilities of each individual, we can create new value for customers and society. We will foster an environment where diverse human capital can take on challenges with vitality while maintaining both physical and mental well-being, and build a relationship where employees and the Company continue to grow together.

FY2024 Results

- Number of employees (consolidated) **10,158**
(Male: 5,248. Female: 4,910)
- Number of female managers (consolidated) **402**
(Ratio of female managers: 21.2%)
- Number of companies certified as Outstanding Organizations of Kenko Investment for Health **8 companies**
- Number of Reskilling training participants **1,145**
- Engagement survey response rate **87.6%**
(8,159 respondents out of 9,309)

Issues

- Revisions to human resources systems
- Clarification of personnel and role requirements in the evaluation system
- Enhancing job satisfaction and employee engagement

Measures to strengthen capital

- Introduce new transparent human resources systems by revising evaluation and remuneration systems
- Allocation and rotation of appropriate human resources based on roles and responsibilities
- Bold appointment of talented human resources from inside and outside the Company to realize the strategy
- Reform the corporate culture with an emphasis on raising the level of psychological safety
- Promote health management to maximize the abilities of each employee



Financial capital

Importance

We believe that a solid financial foundation supporting our business activities is essential to growing together as a trusted partner for all stakeholders. A sound financial foundation is essential for fulfilling our responsibility to ensure a stable supply of pharmaceuticals, while also enabling growth investments in order to adapt to changes in the medical environment and create new value. The Group will work to strengthen the profitability of its businesses as it aims to continue to enhance corporate value.

FY2024 Results

- Net sales **1,518,495 million yen**
- Total assets **722,805 million yen**
- Operating profit margin **1.25%**
- ROE **7.85%**
- Dividend on equity ratio **1.61%**

Issues

- Strengthen management with the cost of capital and stock price in mind
- Secure stable funding for business investments
- Increase return on capital by reforming the business portfolio
- Optimize capital allocation

Measures to strengthen capital

- Optimally allocate management resources based on a multifaceted analysis of capital returns and market evaluations
- Reduce the cost of capital by working to improve the quality of sustainability management, etc.
- Promote growth strategies for each business to reform the business portfolio
- Conduct proactive shareholder returns through stable dividend increases and flexible share buybacks after securing business investment funds
- Reduce cross-shareholdings and shorten the cash conversion cycle (CCC)



Social capital

Importance

The foundation of the Group's business lies in the trust we build with our many partners—from manufacturers to medical institutions and pharmacies—all of whom share our commitment to contributing to health. Furthermore, we believe that collaboration with companies and organizations possessing diverse expertise is essential for resolving the various challenges facing regional medicine. The Group will engage in ongoing communication with all stakeholders and, together with our diverse partners, provide new value to society.

Logistics and manufacturing capital

Importance

The Group's social mission is to reliably deliver vital pharmaceuticals to the right place at the right time while maintaining high quality. We recognize that our nationwide logistics network is itself social infrastructure supporting regional medicine. The Group will continue to strive to build a resilient supply chain that not only pursues safety and efficiency but also responds to changing medical needs.



Intellectual capital

Importance

The Group's aim is not only to deliver pharmaceutical products but also to contribute to solutions to the challenges faced by customers by utilizing the expertise and accumulated data cultivated in business. We believe that this invisible wisdom is the source of the Group's unique added value. Going forward, we will continue to help realize higher quality medicine by promoting medical DX, strengthening logistics functions, and providing solutions focused on local needs.

FY2024 Results

- Number of manufacturers the Company has business with **Approx. 1,100**
- Number of business customers **Approx. 110,000**
- Members of the Kyoso Mirai Group in Pharmacy **7,274 corporations**
21,113 stores
- Number of alliance partners (published) **10**
- Number of Dokoshiru Dengonban* installations **354 municipalities**

* A custody information-sharing service for seniors with dementia and people with disabilities

Issues

- Trust from stakeholders
- Identify challenges related to regional medicine
- Interprofessional collaboration

- Development of infrastructure in response to advanced logistics
- The distribution of specialty products
- Efficient delivery system

Measures to strengthen capital

- Strengthen relationships with stakeholders through appropriate information collection and provision
- Contribute to the establishment of a community-based integrated care system through management of dispensing pharmacies, etc.
- Create innovation through proactive alliances
- Realize universal medical access through joint research with Advanced Industrial Science and Technology (AIST)

- Number of logistics centers **10**
- Number of sales offices **210**
- Number of plants for the pharmaceutical manufacturing and sales business **1**
- Number of packaging centers **1**
- Number of dispensing pharmacy stores **686**

- Number of customer support systems products **Approx. 20**



- Robot picking rate in TBC DynaBASE **95%**



- Shipping accuracy **99.99999%**

- Growth potential of existing customer support systems
- Develop new customer support businesses
- Identify the Company's intellectual property

- Strengthen full-line service functions
- Rationalize delivery through utilization of a Delivery Management System, etc.
- Strengthen logistics functions and promote reorganization, including the establishment of new logistics centers
- Establish secondary packaging facilities

- Closely examine market needs and future prospects and focus on high-value-added products
- Promote medical DX through customer support systems
- Develop and promote new customer support businesses through active alliances, etc.
- Deploy new technologies for logistics functions

Value-added Business Model

To respond to changes in society, ensure the public nature and safety required for pharmaceutical products, and create the competitive **business features** to sustain itself as a company

As healthcare is the foundation of society and should be provided equally to all, we must have the sustainability to generate profits as an industry and business. Consequently, we value our motto – which reflects our desire to continue to be a company needed by society by making a difference for patients, their families, and all others who wish to be healthy – and our strategy is not to compete on size or price, but to compete on business features.

Ideal State of the Company

“Best Partner” that contributes to “New Value Creation”

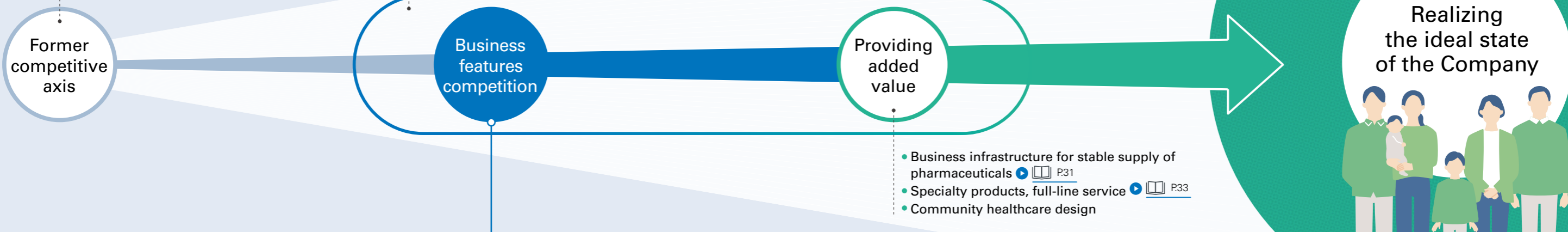
- Contributing to the maintenance of the healthcare provision system through the stable supply of pharmaceuticals
- Establish a strong position in pharmaceutical distribution by handling specialty products
- Innovations in business features required for community healthcare design
- Establish a corporate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

Size-based competition/ Price competition

Excessive price competition to increase market share and establish a competitive advantage resulted in a significant decline in profit margins.

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 system
- Environmental changes related to logistics
- Continued global inflation trend



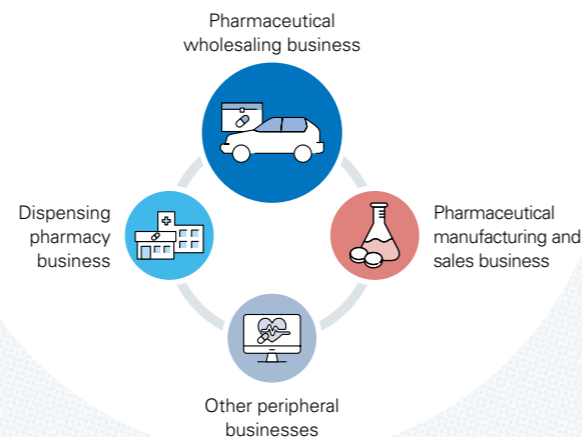
TOHO HOLDINGS' competitive advantage

With the pharmaceutical wholesaling business at its core, TOHO HOLDINGS is engaged in a variety of fields that support people's health, including the dispensing pharmacy business and the pharmaceutical manufacturing and sales business, while closely cooperating with each other. The strength of the Group is that it has “three business features” that utilize the business know-how it has cultivated over many years to differentiate itself from competitors and provide added value.



Business know-how cultivated through close cooperation among business segments

- Understanding the issues and needs of stakeholders such as patients, hospitals, clinics, pharmacies, manufacturers, and employees
- Conducting diverse alliance-based initiatives across industries through collaboration between the Kyoso Mirai Group
- Improving operational efficiency and implementing centralized information management through digitalization



“Three business features” for providing added value by leveraging business expertise

- Strong business infrastructure to support pharmaceutical wholesaling business**
 - Development of a system more than 20 years ago that enables the management of individual products by expiration date and lot number
 - Through centralized information management, enables necessary information to be obtained no matter where sales offices or logistics centers are located in Japan, from Hokkaido to Okinawa
- Resolving issues and improving efficiency in the stakeholder supply chain through DX**
 - Development ahead of the competition for over 30 years
 - Improving the efficiency of medical institutions and improving customer satisfaction
- Safe and secure delivery of pharmaceuticals**
 - Achieved the highest level of quality (thorough quality control), safety (enhanced traceability), and efficiency (establishment of an efficient logistics environment)
 - Deployment of state-of-the-art automation technologies
 - Development of an environment that complies with the Good Distribution Practices Guidelines, which are standards for proper distribution of pharmaceuticals

Creating Innovation through Alliances

Sustainability Essential for Value Creation

Based on the Mission Statement of “We shall live in harmony with society and our customers; together, we shall create new values through the provision of out-of-the-box services; and we shall contribute to the medical care and well-being of people around the world,” the Group will work to solve social issues through its business and contribute to the realization of a sustainable society as a business group engaged in the fields of medical, health and nursing care.

Sustainability Promotion System

We recognize sustainability action as one of our key managerial priorities. For this action, we have a corporate governance system in place with the Sustainability Promotion Committee playing a central role, subject to supervision by the Board of Directors.

System of supervision by the Board of Directors

The Board of Directors monitors the Company’s engagement and target attainment performance with regard to sustainability and climate-related risks and opportunities, based on reporting from the Sustainability Promotion Committee. It also supervises new measures and targets.

Important matters related to human capital are subject to approval by the Board of Directors. These include investments concerning human capital, appointments and dismissals of officials and those of a higher position at key divisions and departments, and decisions on and changes to important standards for working conditions. Appointments and dismissals of other employees and labor management, as well as various measures, including those to advance the administration of health management, are also reported to and supervised by the Board of Directors.

Sustainability Promotion Committee

The Sustainability Promotion Committee is comprised of members from the sales, logistics, pharmaceutical affairs, and administration functions. It identifies important issues (materiality), including matters related to climate change, and deliberates on our sustainability strategy, which involves, among other things, our actions for the Environment (E), Social (S), Governance (G), digital transformation (DX), etc. The results are reported to the Board of Directors.

Chaired by the Senior Executive Managing Director and COO, the Committee conducts action planning, target setting, progress control, and effectiveness assessment based on the Sustainability Policy. Every year, the Committee assesses the impacts of climate change on our business, devises measures to cope with them, and sets relevant targets, all in accordance with a policy aimed at minimizing the identified risks and seizing on the opportunities involved. The Committee also regularly checks the status of achievement of targets and continuously implements measures for improvement.

Main discussions at the Committee

Implementation date	Details of discussions and consideration
May 2024	<ul style="list-style-type: none"> Formulated Group Procurement Policy Decided to participate in the Partnership Building Deliberated on climate change measures Reviewed important issues (materiality)
August 2024	<ul style="list-style-type: none"> Reviewed targets for sustainability and deliberated on specific initiatives (GHG emission reduction target/ Target ratio of female managers) Deliberated on new sustainability initiatives Decided to create a Sustainability Book

Sustainability promotion system



Risk management

The Group has established Risk Management Basic Rules to prevent the occurrence of managerial risks and to respond to such risks or situations that may develop into them. In 2025, the Group Compliance and Risk Management Committee was reorganized and the new Risk Management Committee was established. The committee is chaired by the CGO and regularly engages in the early detection and assessment of risks, the improvement of the system to prevent risks from emerging, and the development of measures to be taken when a risk emerges.

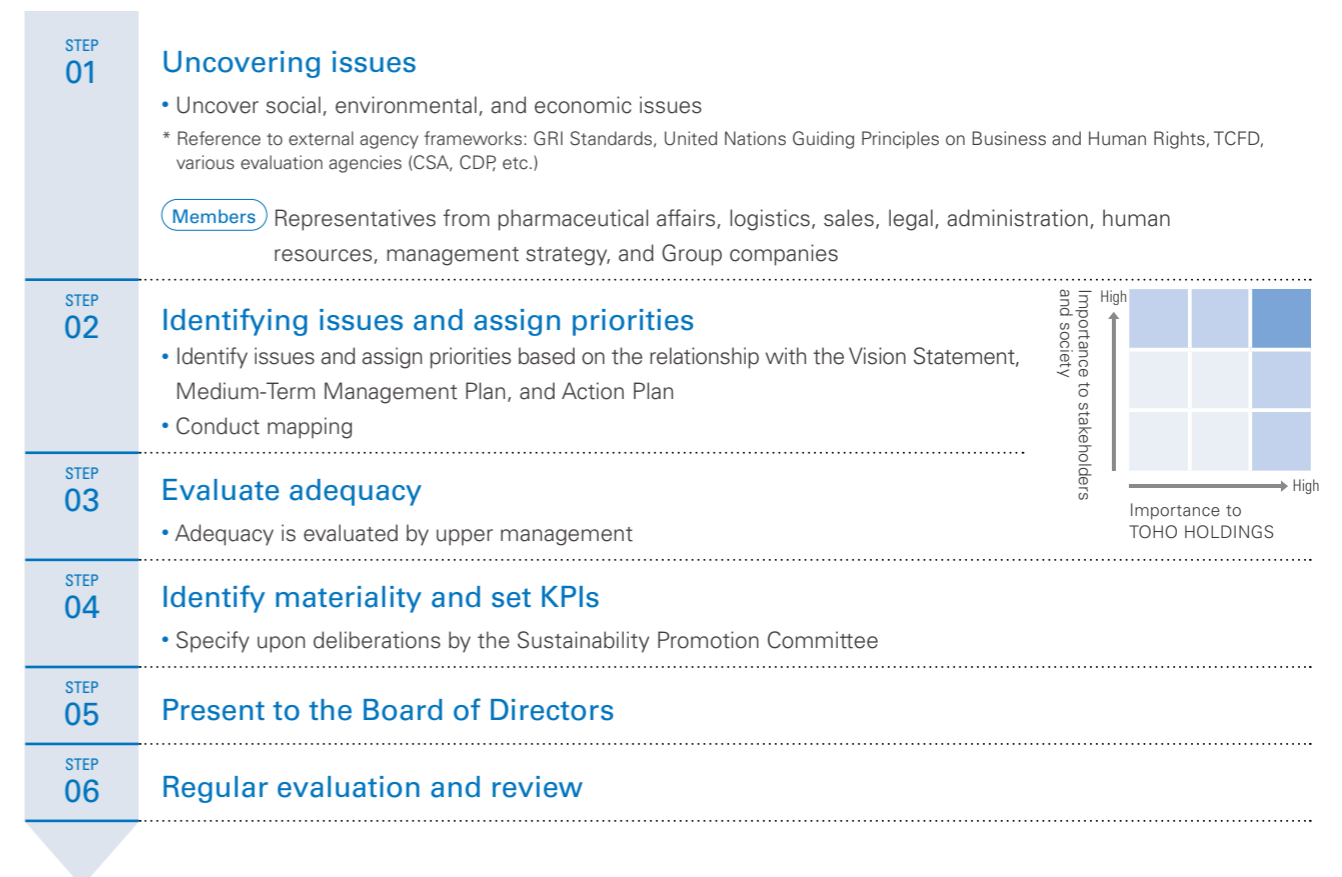
Risks related to sustainability and climate change are under the responsibility of the Sustainability Promotion Committee, which identifies and assesses business risks and revenue opportunities arising from sustainability issues. The Committee reports the results to the Board of Directors in cooperation with the Risk Management Committee and the Kyoso Mirai Group Disaster Countermeasures Committee.

Materiality Assessment Process

In order to achieve sustainable growth and enhance corporate value over the medium to long term, it is important that we grasp social issues and the needs and expectations of stakeholders, and then that we identify issues that we need to address and implement initiatives to resolve them.

Amid rising interest in corporate social responsibility (CSR), we formulated materiality for the first time in FY2009. To achieve the Medium-Term Management Plan 2023-2025 “Create the Next Generation,” announced in FY2023, and the Ideal State of the Company, a Group aim, announced in FY2024, we believe it is necessary to revise materiality and are currently redefining it in line with the following process.

Assessment process



VOICE Comments from members of the materiality assessment project

From my position in the Corporate Planning Department, I organized issues with a particular focus on governance and while also considering our Vision Statement and Medium-Term Management Plan. Members from diverse departments and operating companies offered a wide range of opinions based on their respective viewpoints, providing a valuable opportunity to gain a deep understanding of the challenges facing the Group’s businesses.

I believe the key themes that emerged from these discussions will contribute to the sustainable growth of the entire Group and enhance its corporate value over the medium to long term.



Aya Renjo
Assistant manager,
Corporate Planning Department
Corporate Strategy Division
TOHO HOLDINGS

I participated in the materiality assessment project from my position in pharmaceutical affairs. In discussing matters with colleagues in other departments whom I rarely interact with on a daily basis, I gained diverse perspectives on issues the Company should address and initiatives to resolve them, so the opportunity was very valuable. From the perspective of pharmaceutical affairs, we aim to establish materiality that not only ensures quality, efficacy, and safety but also, based on compliance with pharmaceutical regulations, delivers services that meet the expectations of society and patients.








































Katsuhiko Sekikawa
Pharmaceutical Information
Department
TOHO PHARMACEUTICAL

Sustainability Essential for Value Creation

Materiality

* Under review as of October 2025

	Important issues	Social issues	Targets	SDGs
 E (Environment)	Promotion of decarbonization   P.41	<ul style="list-style-type: none"> Climate change 	<ul style="list-style-type: none"> FY2025 target (short-term): 40% reduction in greenhouse gas emissions compared to FY2019 FY2030 target (medium-term): 60% reduction in greenhouse gas emissions compared to FY2019 FY2050 target (long-term): Carbon negative * Scope 1 and 2 	   
	Consideration of biodiversity   P.44	<ul style="list-style-type: none"> Water pollution Impact on the ecosystem 	<ul style="list-style-type: none"> Corporate management emphasizing biodiversity conservation and raising employee awareness 	
	Reduction of waste   P.44	<ul style="list-style-type: none"> Increasing environmental impact 	<ul style="list-style-type: none"> Appropriate disposal of industrial waste Promotion of paperless operations through DX 	
 S (Social)	Stable supply of pharmaceuticals and support for BCP   P.31	<ul style="list-style-type: none"> Discontinuation of logistics functions in times of disaster Insufficient supply of drugs, mainly generic drugs Outbreak of a pandemic Termination of pharmacy function due to disaster 	<ul style="list-style-type: none"> Contributing to the establishment of a system to provide safe and secure medical care to patients in need of treatment Stable supply of pharmaceuticals throughout the supply chain 	 
	Improvement of quality, safety, and efficiency   P.33	<ul style="list-style-type: none"> Diversification of drug modalities and changes in categories Expansion of specialty products Medical safety and quality control in pharmacies 	<ul style="list-style-type: none"> Establishment of full-line services for specialty products Supply of high-quality generic drugs 	 
	Solution of issues related to access to medical care   P.38	<ul style="list-style-type: none"> Physician shortages and regional variations 	<ul style="list-style-type: none"> Building community healthcare design Realization of universal medical access Promotion of medical DX through the use of customer support systems 	 
	Maximization of the value of human capital   P.45	<ul style="list-style-type: none"> Shrinking workforce Diversity & Inclusion Work-style reforms 	<ul style="list-style-type: none"> Increase in the ratio of female managers (TOHO HOLDINGS's targets by 2030: 30%, TOHO PHARMACEUTICALS targets by 2026: 4%) Creating a pleasant working environment 	 
	Respect for human rights   P.48	<ul style="list-style-type: none"> Human rights risks such as labor, gender, and privacy 	<ul style="list-style-type: none"> Respect for the fundamental human rights that all people are born with 	
	Coexistence with society	<ul style="list-style-type: none"> Establishment of community-based integrated care system 	<ul style="list-style-type: none"> Contributing to a society where everyone can live with peace of mind 	
 G (Governance)	Strengthening risk management   P.65	<ul style="list-style-type: none"> Occurrence of legal and compliance violations 	<ul style="list-style-type: none"> Thorough compliance 	
	Establishment of a transparent governance system   P.49	<ul style="list-style-type: none"> Weak governance structure 	<ul style="list-style-type: none"> Building a stronger corporate governance system Further improvement of the effectiveness of the Board of Directors 	

Section 02

Medium- to Long-Term Growth Strategy for Value Creation

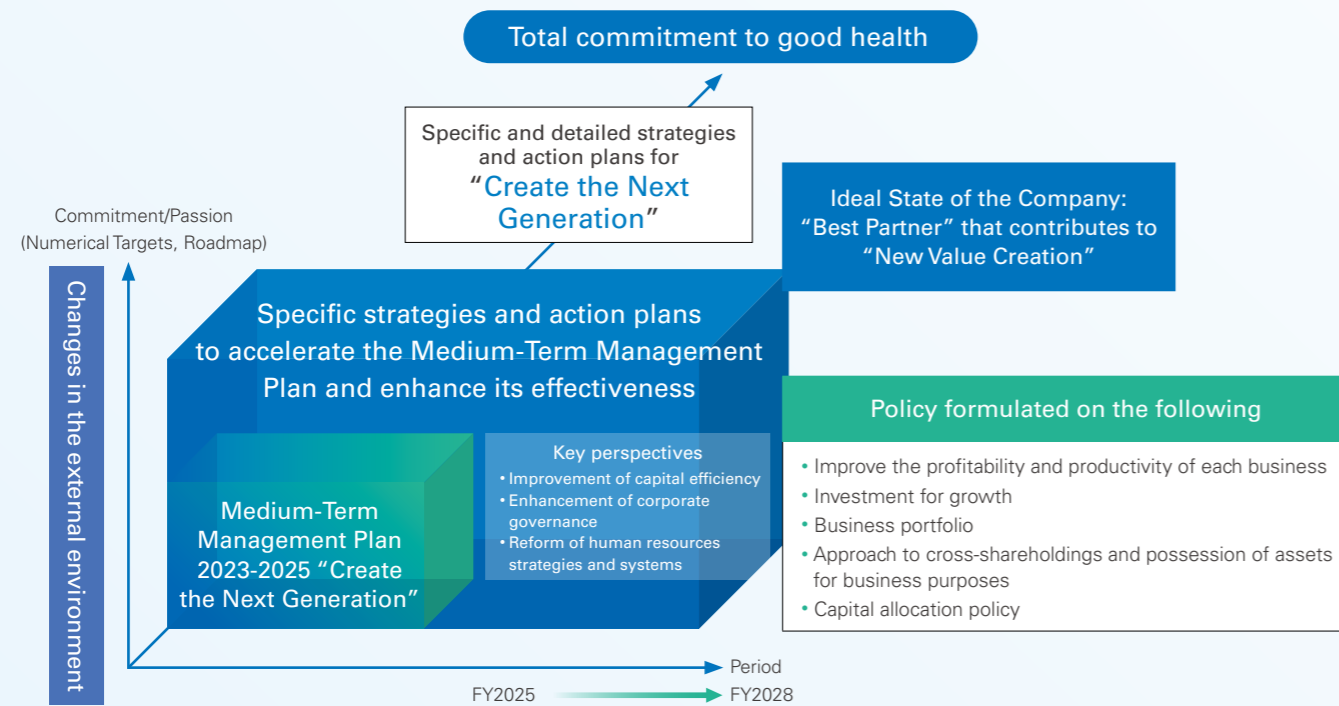
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Overview of Medium- to Long-Term Growth Strategy

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

In FY2023, the Group formulated the Medium-Term Management Plan 2023-2025 “Create the Next Generation,” and is implementing concrete measures based on the four basic policies. Furthermore, in 2024, we established the Management Strategy Committee, which incorporated external viewpoints, and conducted discussions and reviews from a variety of angles. And we developed strategies and action plans to ensure that the targets are met, with a specific time frame and commitment, and a clear roadmap without changing the basis and direction of the ongoing Medium-Term Management Plan.

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



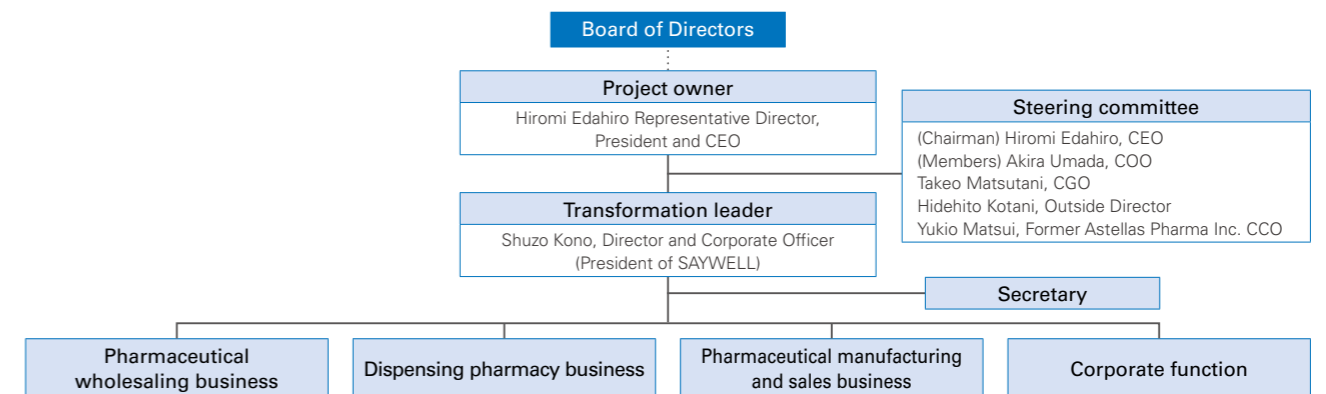
Action Plan

Transformation Project

The action plan announced in November 2024 was formulated to accelerate the initiatives of the Medium-Term Management Plan 2023-2025 “Create the Next Generation” and to enhance their effectiveness. We have incorporated feedback received through dialogue with shareholders and investors, clarified the timeline, and revised our strategy and redefined numerical targets with a focus on achieving them by March 2029.

To achieve the targets, the implementation of individual measures in accordance with the action plan is the most critical task. To this end, this initiative has been named the Transformation Project, and CEO Hiromi Eda is managing it as the company-wide project owner. Director Shuzo Kono, who is also the president of SAYWELL, a consolidated subsidiary in pharmaceutical wholesaling, serves as the transformation leader, and a steering committee has been established as a mechanism to support critical decision-making for the project.

The steering committee includes not only internal members but also external members, ensuring a structure capable of reliably executing the transformation. The committee meets quarterly to assess whether the project is proceeding according to plan to achieve the targets. This includes grasping the progress on improvement of capital efficiency, enhancement of corporate governance, and reform of human resources strategies and systems.

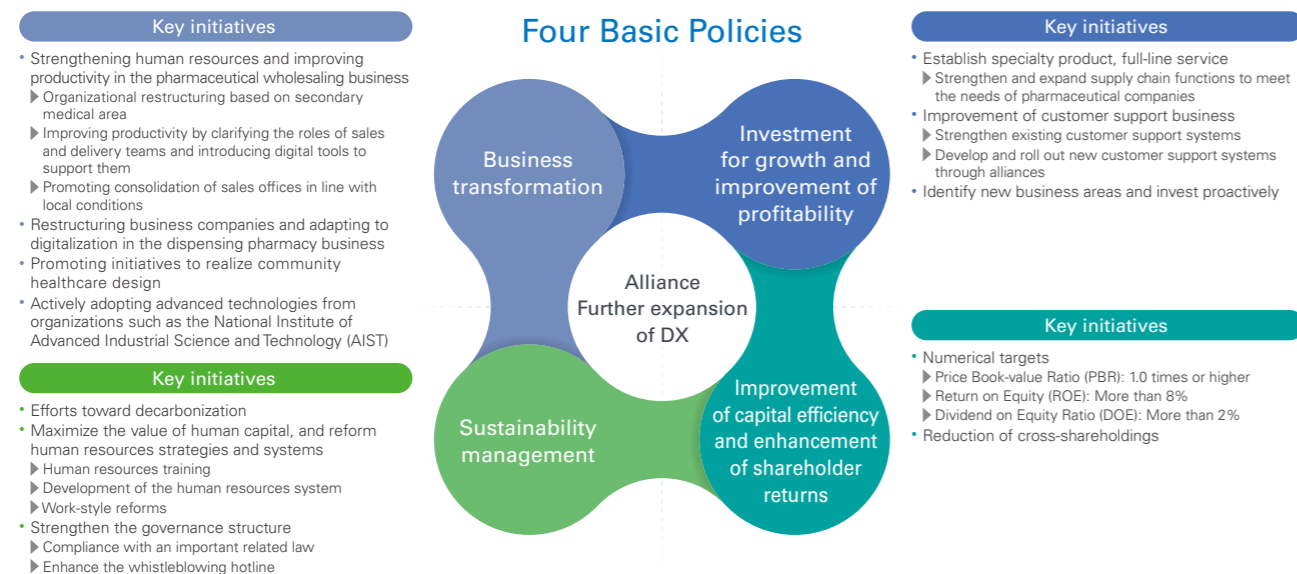


Direction of Business Portfolio

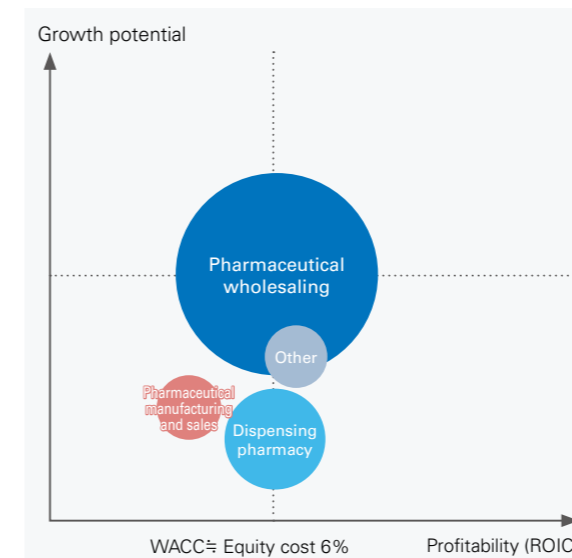
The direction of our business portfolio by FY2029 is as follows.

We will, while steadily achieving organic growth with our pharmaceutical wholesaling business at the core, accelerate aggressive and bold alliances with other companies and organizations with the aim of maximizing corporate value by reinforcing our business foundation or acquiring functions that address issues.

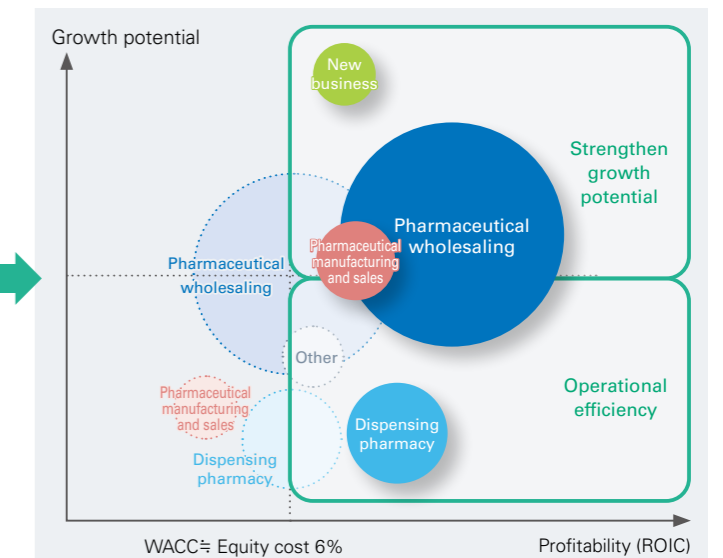
Medium-Term Management Plan 2023-2025 “Create the Next Generation”



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



Target Business Portfolio (FY ending March 2029)

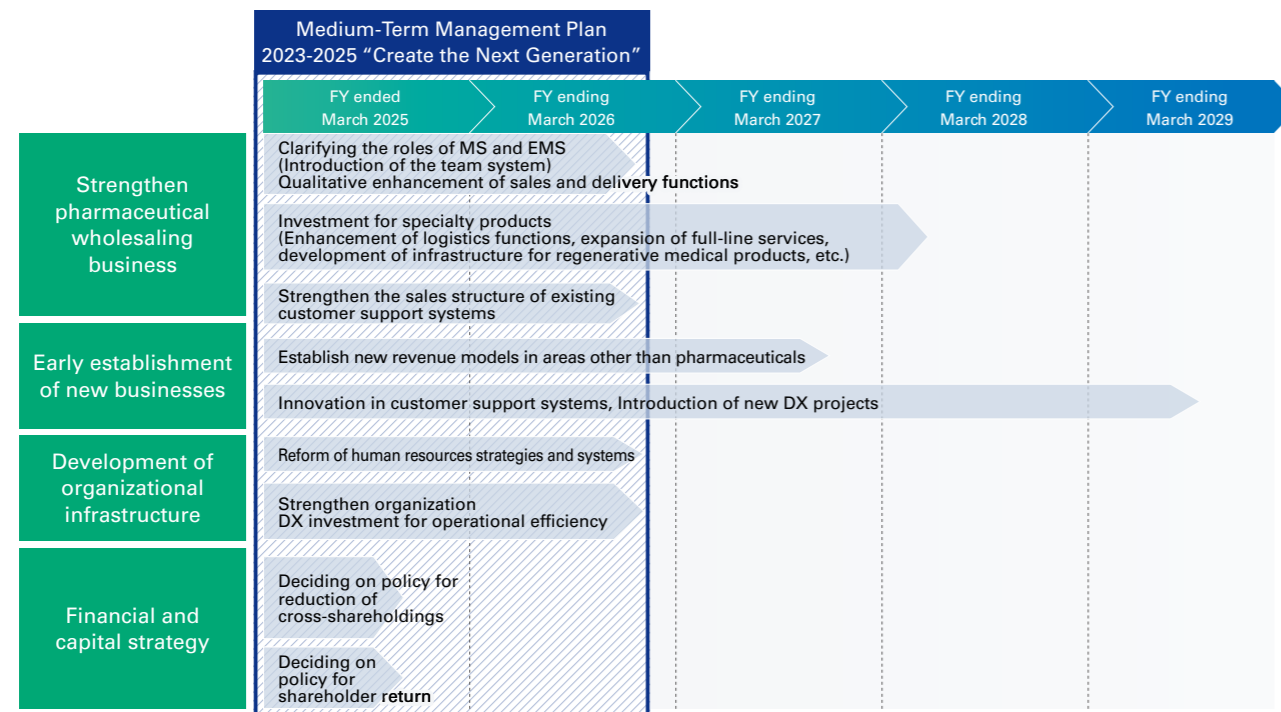


* Circle size represents business scale (operating profit) as an image

Progress on the Action Plan

Roadmap

The roadmap for this plan is as follows:



Progress Summary

Based on discussions within the Management Strategy Committee, we are advancing initiatives from three perspectives—strengthening the pharmaceutical wholesaling business, early establishment of new businesses, and development of organizational infrastructure—in accordance with the roadmap for realizing the action plan announced in November 2024.

	Major Initiatives
<p>Strengthen pharmaceutical wholesaling business</p> <p>We are carrying out various initiatives in line with our growth strategy, including development of infrastructure to ensure specialty products, enhancement of logistics functions to support them, and expansion of customer support systems, a strength of the Company. These initiatives are measures focused on establishing foundations and enhancing capabilities in anticipation of changes in the product mix within the domestic pharmaceutical market going forward. We aim to be the "Best Partner" that contributes to "New Value Creation" by enhancing the quality of sales and delivery to adapt to changes in the behavior of pharmaceutical companies, key customers, and others, and by implementing the team system, a major pillar of our Medium-Term Management Plan.</p>	<ul style="list-style-type: none"> Construction of a new logistics center to enhance logistics functions Business alliances with TEIJIN REGENET CO., LTD. and ITOCHU Corporation to build a regenerative medical ecosystem Launch of L1MON patient home delivery service for specialty products Opening of the Haneda Packaging Center secondary packaging facility Capital and business alliance with PHARUMO, Inc.
<p>Early establishment of new businesses</p> <p>We are advancing the evaluation of new business seeds that will blossom significantly in five to ten years, by the final fiscal year of the action plan ending March 2029. Although there are no specific contract examples at this time, the number of evaluations is increasing. To further accelerate this momentum, we have begun exploring new mechanisms and systems that will expand our investment opportunity discovery network.</p>	<ul style="list-style-type: none"> Initiatives to build a seed exploration network Evaluation of new business candidates
<p>Development of organizational infrastructure</p> <p>We are steadily advancing toward realizing our action plan by successively introducing within a short timeframe measures to boost employee motivation and enhance governance in order to strengthen our holding company functions. We will continue to drive forward reforms to our human resource system and strengthen the effectiveness of our governance without letting up on our efforts to improve.</p>	<ul style="list-style-type: none"> Implementation of engagement survey Measures to reform the organizational culture (campaign to call each other by name instead of title, a flat communication measure, promotion of casual business wear, the holding of town hall meetings, etc.) Revising the makeup of the Board of Directors Strengthening group governance

Numerical Target

[P.29 CFO Message](#)

We have formulated the following targets aiming to enhance corporate value through expansion of business profits and proactive shareholder returns, including stable dividend increases and flexible share buybacks, to improve capital efficiency. We will establish a revenue and financial base that will enable ROE to at least exceed the cost of equity of 6%* going forward, achieve 8% or more in the FY ending March 2029, along with an operating profit margin of 1.5% or more on a consolidated basis, and keep ROE at 8% or more thereafter.

	2025.3	2026.3	2029.3
ROE	7.85% <small>Excluding special factors: 6.09%</small>	6.12%	8.0%
Operating profit margin	1.25%	1.32%	1.5% or more
PBR	1.09 times	1.0 times or higher	
DOE	1.61%	2.0% or more	Stable dividend increases
Cross-shareholdings to net assets ratio	16.2%	Less than 15%	Less than 10%

* Approach to cost of equity

The Company's cost of equity calculated using the CAPM (Capital Asset Pricing Model) was determined to be approximately 6% in consideration of calculation results using various methods, past results, and possibility of changes in interest rates. In the case of the Company, since the net debt balance (debt-cash and cash equivalents) is negative, the debt balance is not reflected in the calculation of WACC (Weighted Average Cost of Capital) and the cost of equity is also used as WACC.

Message from a Steering Committee Member

The Management Strategy Committee was established to consider an action plan to accelerate the Medium-Term Management Plan "Create the Next Generation." As a member of the committee, I provide advice and recommendations from an external perspective to encourage discussions that are not bound by TOHO's conventional wisdom. The first two things I noticed were the following.

1. Despite the stated objective being business transformation, the proposed plan sought to expand sales based on the conventional business plan.
2. Beyond its pharmaceutical wholesaling business, a revenue pillar, the Company operates numerous other ventures including the dispensing pharmacy business and the pharmaceutical manufacturing and sales business. However, these businesses were not being strategically managed under the umbrella of TOHO HOLDINGS.

We therefore reconfirmed the purpose of the Management Strategy Committee and advanced discussions from the perspectives of improving capital efficiency, enhancing corporate governance, and investing in human capital to carry out management strategy. Specifically, we openly discussed which businesses to focus on to secure a competitive advantage while leveraging the strengths of the Kyoso Mirai Group, based on external environmental changes and future projections, in order to achieve sustainable corporate value enhancement. We also discussed which profitable businesses should be scaled back or exited from a capital efficiency perspective, and which new businesses should be strengthened. As a result, we identified four key priorities, strengthening the pharmaceutical wholesaling business, early establishment of new businesses, development of organizational infrastructure, and financial and capital strategy, and we announced the action plan in November 2024. We are currently in the implementation phase and are following the plan's execution as the Transformation Project. We are steadily implementing the measures formulated to date, including alliances with partner companies to strengthen the ability to acquire specialty products, progress in integrating our dispensing pharmacy subsidiaries, and enhancement of logistics functions. In addition, a leader was appointed from outside the Group to execute reform of human resources strategies and systems. Going forward, to faithfully achieve the action plan, I believe it will be critical to foster a corporate culture in which all employees have a correct understanding of the purpose and direction of reforms and proactively think about and act on what needs to be done, rather than merely carrying out tasks as instructed by their superiors. There is not yet a high level of understanding of the reforms among employees. Currently town hall meetings are being conducted by the CEO and COO.

Moving forward, as a member of the steering committee, I intend to follow through not only on the hard-side transformations, such as the planned organizational restructuring and the introduction and improvement of various systems, but also on the soft-side transformations to foster a corporate culture where people think and act independently.



Yukio Matsui
Former Astellas Pharma Inc.
Senior Managing Executive
Officer and CCO

COO Message



Akira Umada
Senior Executive
Managing Director and COO

Building a solid management foundation for corporate value increase

A year of significant results achieved by leveraging our strengths

In FY2024, our business continued to be impacted by government measures to curb medical costs. These included a downward revision of NHI drug prices and the introduction of a system that charges an additional fee to patients opting for treatment with long-term listed drugs, which led to an accelerated switch to generic drugs. On the other hand, although sales of COVID-19-related therapeutic drugs and reagents fell, the launch of routine vaccinations by local governments led to increased vaccine sales. Additionally, sales of limited-handling products for selected wholesalers, mainly specialty pharmaceuticals, continued to expand favorably, resulting in net sales growth from the previous fiscal year.

Elsewhere, we invested in new peripheral businesses outside the prescription pharmaceuticals sector, sought alliances in a wide range of areas, and launched new products such as simplified MIZAR and Byouin-Navi PR services as part of the customer support system, which had already been contributing to profit. I believe that these and other initiatives made this a year of significant achievement.

Driving transformation on the hardware and software fronts for further evolution in pharmaceutical logistics

The Group is aware that it has issues to address in order to adapt to a business environment where rapid change is predicted going forward. One of these is the distribution of low-priced products such as long-term listed drugs and generic drugs. The drug price revision of FY2025 saw some relevant measures, including the raising of minimum drug prices. However, in the case of generic drugs in particular, large price reductions year after year mean that the widening

mismatch with logistics costs is a major issue. At the same time, in addition to conventional pharmaceutical logistics, it is also important to establish a logistics system for specialty products, which require special storage and transportation methods that are very costly. The Group is undertaking active investment in robot picking and other forms of automation to realize labor saving and to streamline operations, as demonstrated in the large-scale, advanced logistics center we have created at TBC DynaBASE. However, as well as promoting this kind of innovation, I believe that we also need going forward to energetically drive the establishment of a new distribution model that can absorb the cost of logistics operations for low-priced items and at the same time realize the strict quality control necessary with high-cost specialty products.

As we proceed with this initiative, it will be essential not only to draw on the accumulated knowledge of our logistics departments, but also to incorporate the sales and marketing perspective, which is in touch with the needs of pharmaceutical companies and medical institutions. In line with this approach, we are now engaged in efforts to transform the distribution system by combining within it insights from both the logistics and sales and marketing sides. As part of these efforts, logistics department managers, who up till now have been selected from among staff with a long logistics service record, will now be appointed from among sales and marketing staff. I understand that the further evolution of pharmaceutical distribution requires us to take measures of this kind to drive transformation on both the hardware and software fronts.

Looking ahead to new possibilities in logistics

As a measure for the strengthening of the hardware side that I mentioned just now, we plan to establish a new logistics

center TBC Tokai, with operation scheduled to start in FY2027. TBC Tokai is intended to be an advanced logistics center, dealing not only with pharmaceutical wholesaling but also areas such as manufacturer logistics and reagents, and will be progressively fitted with material handling equipment incorporating innovative automation technologies. We additionally foresee the establishment of a logistics center with similar functions in the Tohoku region, which is however still at the planning stage. I think that the establishment of comprehensive logistics centers in both the Tokai and Tohoku regions will relieve the load on our logistics centers in the Tokyo and Kansai regions and also drive further improved efficiency in delivery and inventory management at each sales office.

As the opening of the two new logistics centers will also bring dynamic change to the practice of sales and marketing and delivery, I want to use it as an opportunity to clarify the functions of our marketing specialists (MS) and delivery personnel (EMS). That will also support the introduction of the team system to improve productivity, which we will implement in stages taking account of conditions in each region.

Meanwhile, the pharmaceutical industry continues to be surrounded by constantly changing systems and trends, which may result in a demand for logistics functions quite different to those of today. For example, a trial is currently under way in certain strategic economic zones to promote the outsourcing of the so-called one-dose packaging method. If this were to become a permanent system, changes in pharmaceutical logistics and delivery systems could result. We will maintain a constant watch for this kind of market change and will continue going forward to undertake appropriate investment under the new team system, drawing on our accumulated knowledge.

Strengthening the customer support systems by accelerating alliances and building a robust sales and marketing system

One of the Group's strengths lies in our customer support systems such as ENIF and the ENIFvoice series, which we have so far developed and delivered independently. Going forward, however, to respond to accelerating technological innovation and new user needs, it will be essential to supplement in-house efforts with new product development through external alliances. Accordingly, we have recently been engaged in stocktaking of the existing customer support systems and have additionally concluded a capital and business alliance with PHARUMO, Inc., which operates an ICT business targeting pharmacies. Our aim is to link PHARUMO's "Every" series of functions with our own customer support systems as part of an initiative to promote system development from more wide-ranging perspectives.

To drive sales expansion of our customer support systems, it is also important to strengthen the sales and marketing system. In parallel with the transition to the team system I spoke of earlier, we are promoting efficient staff allocation in line with the aptitudes of the individual marketing specialist. By combining this with comprehensive in-house training in customer support systems, we believe that we can equip our marketing specialists to bring to the frontline professional expertise not only in pharmaceuticals but also in customer support systems. Going forward, we intend to proceed with training to enable them to propose solutions to the frontline customer issues they encounter based on our customer support systems.

Fostering human resources as a strong asset by valuing dialogue with employees

Another of the Group's strengths is that, as drug prices continue to fall, we maintain a level of sales activity corresponding to the product value. This approach has been highly commended by pharmaceutical companies and has also led to our winning new distribution contracts. Another important factor is the personal energy of the marketing specialists in terms of their ability to explain to the customer the added value over and above the price in a way that the customer can appreciate, and additionally to accurately communicate the product value. We therefore plan to further enhance education for the reskilling that will enable our marketing specialists to accurately identify customer needs and work to secure new business.

Sustainability management is declared as one of the basic policies of the Medium-Term Management Plan. As chairperson of the Sustainability Promotion Committee, I believe that we need to carefully explain our policies and objectives in such a way that each employee can come to see sustainability as relevant to their own life. To implement sustainability management, it is crucial to improve employee motivation. We will therefore work actively on enhancing employee benefits, reforming work styles, and other measures that promote the well-being of all employees and support them to approach their work with motivation.

Currently, I am joining our CEO Hiromi Edahiro in holding town hall meetings in the workplace for direct dialogue with employees. This has allowed us to hear at first hand the voices of many employees engaged in different areas of work at different levels of seniority in all regions of Japan. Having listened to their comments on issues and problems as well as success stories, I feel strongly that this is a very significant initiative. It will be important to continue with these meetings in the future, taking on board what the frontline has to say and reflecting it in our management activity.

Building a solid management foundation for corporate value increase

As an important link in the medical supply chain, it is vital that we work continuously to mitigate risk and improve resilience. The Group has put in place a range of measures so as to give top priority to continuing stable supply in the event of an emergency such as a natural disaster or pandemic. Specifically, we have introduced a personnel safety confirmation system and regularly carry out drills to practice system switchover in the event of a disaster.

At TBC DynaBASE, meanwhile, we carry out drills based on a disaster scenario involving coordination with the Japan Self-Defense Forces and emergency base hospitals. Going forward, we intend to design the newly established TBC Tokai and Tohoku logistics centers to incorporate business continuity planning of this kind.

Amid the constantly changing business environment, we are committed to increasing corporate value by sharpening our competitive advantage and building a solid management foundation, thereby continuing to be an indispensable partner for all our stakeholders.

CFO Message

Working for corporate value increase through proactive management focused on earning power

Yasuo Sakae
Corporate Officer
and CFO



Fostering a vibrant corporate culture as we work toward the action plan's targets

The Group is engaged in comprehensive operations centered on the field of prescription pharmaceuticals, where it ensures the safe and secure delivery to patients of the materials and services they need. Ours is thus a business of great social significance, but from the financial viewpoint, we face the major issue of low profit margins arising from the structure of the pharmaceutical industry, which represents a potential hindrance to the Group's stable business operation and corporate value increase. A simple method of increasing the profit margin is to cut costs, but an exclusive emphasis on this would restrict our corporate energies. We will therefore seek to raise efficiency through effective management of investments and costs, recognizing at the same time the importance of increasing the gross profit figure. Based on this approach, we have identified our greatest challenges as being to formulate a growth strategy for the pharmaceutical wholesaling and other businesses and to determine the direction of our business portfolio, and have engaged repeatedly in relevant discussion through the Management Strategy Committee established in FY2024. I am determined to seize this opportunity to generate momentum for initiatives toward Group-wide transformation.

Before my appointment as CFO, the Group was already taking steps under CEO Hiromi Eda to consolidate its financial base by introducing more sophisticated risk management, increasing the efficiency of operating processes, and strengthening company-wide profit management. Going forward, we will intensify cost and risk management based on a redoubled focus on growth so as to realize improved cash flow and enable the necessary level of investment. This will allow us to foster a vibrant corporate culture and attain our action plan's targets for the fiscal year ending March 31, 2029 — consolidated ROE of more than 8% and consolidated operating profit margin of at least 1.5% — before moving on to further growth.

Review of the fiscal year ended March 31, 2025, and outlook for the fiscal year ending March 31, 2026: Improving operating profit margin to boost earning power

In the fiscal year ended March 31, 2025, although growth in net sales brought increased gross profit, the higher cost of sales resulted in a lower gross profit margin. Moreover, higher wage levels and measures to deal with labor shortages in logistics and pharmacy stores were among the factors in higher selling, general, and administrative expenses, which led to a decrease in both operating profit and operating profit margin. In addition, despite the second consecutive fiscal year of gains on the sale of cross-shareholdings and real estate, return on equity (ROE) fell.

In the fiscal year ending March 31, 2026, the trends of the previous fiscal year will continue. However, to avoid having to restrict human capital investment, we plan to promote optimal allocation of other business expenditure so as to improve operating profit and operating profit margin and in turn achieve an increase in ROE (calculated as core ROE excluding extraordinary profit and loss). The gross profit margin of the pharmaceutical wholesaling business that is central to our profit base is on a downward trend due to the rising proportion of products limited to designated wholesalers, mainly specialty pharmaceuticals. However, by devising targeted measures to limit the decrease in gross profit while at the same time increasing the volume of specialty pharmaceuticals handled, and applying these measures flexibly, we aim to achieve a year-on-year increase in earning power, in other words, an increase in operating profit and operating profit margin.

Improving profitability and capital efficiency during the action plan period with an ROE target of well above 8%

One of the clearly stated targets of the action plan formulated in November 2024 is to maximize the Group's earning power, with transformation of the business portfolio as a prime strategy. In addition, the plan not only presented a growth strategy for each business and company-wide numerical

targets, but also backed these up effectively with policies to enhance corporate governance and reform our human resources strategy and system. If we can succeed in expanding the scale of our core pharmaceutical wholesaling business and boosting its profitability and growth potential, and are able at the same time to enhance the profitability of the dispensing pharmacy business and expand the CDMO sector of the pharmaceutical manufacturing and sales business, I think that the target set out above will be well within reach.

Considering the level of net assets and cash and cash equivalents needed to maintain the logistics infrastructure and the associated costs in a business model centered on pharmaceutical wholesaling, I think that it will be difficult to reach the target ROE level of well above 8% under current conditions unless we record one-time profits from the sale of investment securities and real estate. This means that we must strengthen our ability to reach the target by generating stable profit from the pharmaceutical wholesaling business, which we will retain as our core business while reinforcing it in sectors where it is lacking. We can then re-invest that profit in a growth strategy for the CDMO sector of the pharmaceutical manufacturing and sales business and in expanding into new businesses. In addition, we will move quickly to identify and cultivate new business seeds so as to reap a major profit contribution ten years from now. I believe that this will enable us to reach an ROE level of well above 8% on a continuous basis.

Capital allocation: proactive business investment to generate expanded profit and cash flow

I think that the action plan cannot be realized without first investing in human capital. It is not a question only of increasing employee motivation by raising salaries and other incentives; we also have to be clear about how to invest in employees to cultivate and enhance the capabilities required to fulfill the action plan. We are looking at the option of recruiting from the exterior to reinforce our human resources in line with the plan's strategy, but ahead of that comes investment based on thinking about how to further develop the abilities of the human resources who have carried our business so far. I think that DX investment aimed at increasing operational efficiency will only be meaningful if it helps to maximize employee performance, and I intend to follow through consistently on that point.

It is also important to qualitatively enhance our logistics functions by investing in organization and infrastructure. It is no exaggeration to say that our value as a company depends significantly on investment in a system that will be able to respond individually to the diverse modalities of the pharmaceuticals developed in the future and that gives top priority to quality assurance at the same time. We will move swiftly to anticipate future trends in pharmaceutical logistics, but adequate cost control will be needed against a background of labor shortages, particularly in construction and related sectors, and price inflation. We set up a new organization in July 2025 to enhance purchasing functions and are now working to reap the benefits.

Regarding investment in growth fields, as well as strategic alliances to boost our profit-generating ability, we are looking

at investment in drug discovery- and DX-related venture businesses to identify new business seeds. During this process, we remain constantly focused on the need to transform the business portfolio. Specifically, we need to expand our business scale by achieving improved profitability and growth potential in the pharmaceutical manufacturing and sales business in the fiscal year ending March 31, 2029. As for new businesses, although these may still be small in scale at that stage, within five or ten years from now we will need to develop sectors with a business scale second only to the pharmaceutical wholesaling business. Our policy is to set clear numerical targets in this area and proceed on a selective basis. In my capacity also as chairperson of the Investment Committee, I believe that it is important to apply firm judgment but without excessive risk avoidance in order to target growth by cultivating a rich resource of business seeds and pipeline projects. Based on this approach, we will undertake bold investment, performing instantaneous analysis of large amounts of data to support decision-making so as not to miss opportunities. As part of this constant search for ways to link investment with the expansion of new business sectors, we are currently engaged in joint research projects with the National Institute of Advanced Industrial Science and Technology (AIST).

By boosting net profit, the sale of cross-shareholdings will result in improved ROE in the short term. More important, however, is to allocate the sale proceeds to the investments I have set out above as a contribution to building the business pillars that will be key to profit in five to ten years' time.

Active business investment of this kind will generate increased profit and cash flow, enabling us to provide steady dividend increase and perform agile share buybacks toward a target shareholder return of at least 80 billion yen between now and the fiscal year ending March 31, 2029.

Realizing transformation through proactive management

Lastly, to state once again what I believe to be the necessary financial strategy for the Group, proactive management focused on earning power is the required approach. This means targeting medium- to long-term corporate value increase by proceeding boldly with capital allocation, having first carefully identified where investment is truly needed, and then driving this investment forward so that it leads to a sustainable increase in corporate value. This is the key to reliably achieving the transformation of our business portfolio. I will monitor the process to make sure that the relevant policy measures do lead to improved ROIC and ROE, not in a defensive way, however, but through a proactive approach aimed at growth. Moreover, instead of engaging in time-consuming assessment of each policy measure, it will be important to gather the necessary information in a short timeframe and subject it to analysis for swift decision-making and aggressive action.

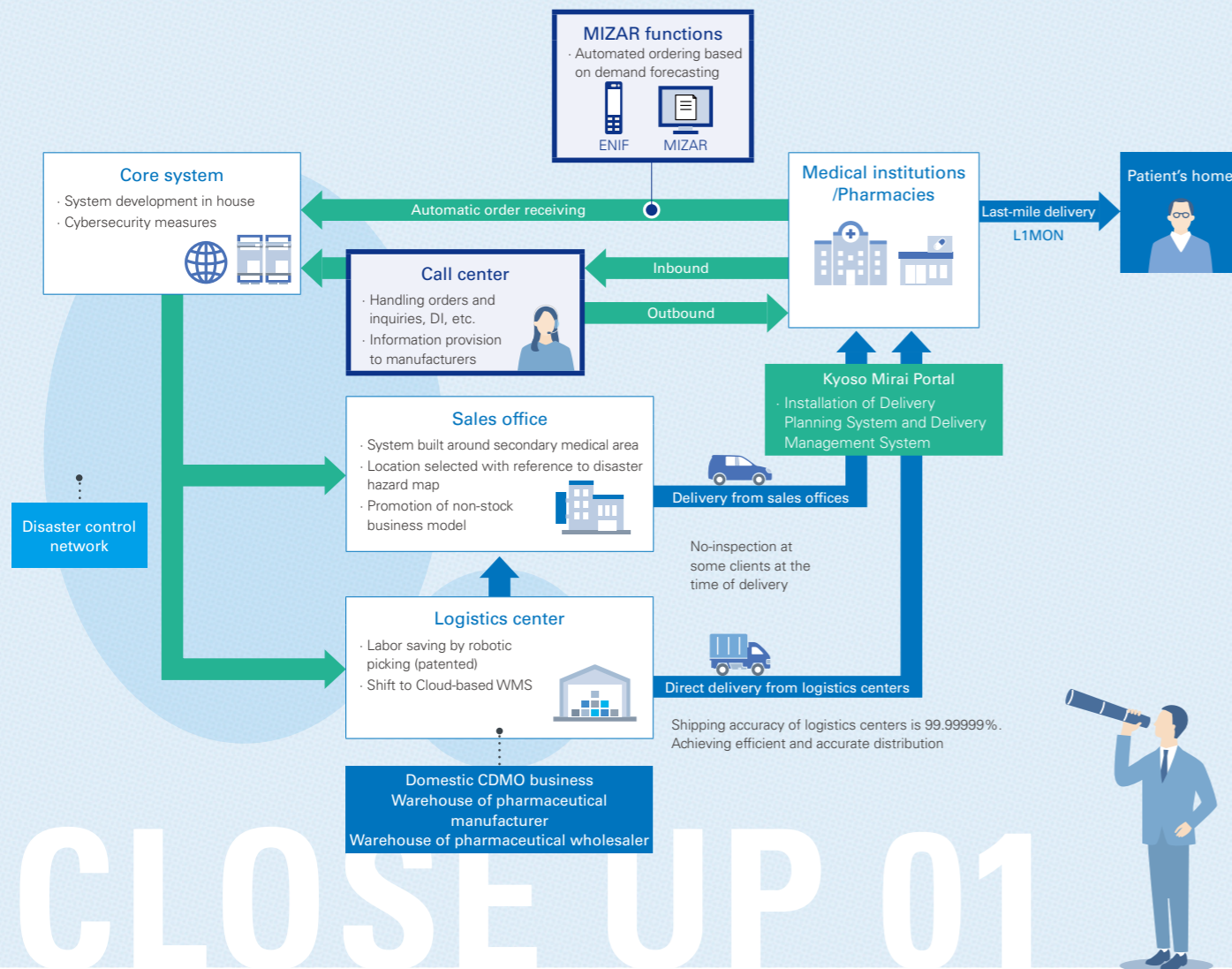
I want us to be a company that is an essential presence for all stakeholders, overcoming challenges as we work to increase our corporate value and fulfill our vision statement. My duty as CFO is to realize these goals company-wide and I am committed to unsparing efforts to do so.

Business Strategy

Relevant materiality:
Stable supply of pharmaceuticals and support for BCP

CLOSE UP 01 Business infrastructure for stable supply of pharmaceuticals

The Group's business infrastructure is constantly linking core systems managing sales, inventory, etc., with information systems managing sales operation, customers, etc., for automated data processing. We have been also focusing on the traceability for many years, and have established a system that enables centralized management of necessary information on any order issued, regardless of which logistics center or sales office or the products are shipped from across the country.



Centralized information management at all logistics centers and sales offices nationwide

For more than 20 years, the Group has operated a system that enables the management of individual products by expiration date and lot number. This system enables the centralized management of the necessary information at sales offices and logistics centers nationwide from Hokkaido to Okinawa. Linking the core system and the systems of all the logistics centers and sales offices together facilitates swift and flexible product movement in response to the inventory level at each base and allows us to optimize stock distribution by avoiding inventory imbalances. This system will come into its own in the event of an emergency as it supports stable supply by facilitating smooth product transfer between centers.

It is also a major corporate strength that we develop these sophisticated systems in house, which enables us to adapt swiftly to environmental change and customer needs and also makes it possible to link smoothly with customer support and other systems.

Systems for disaster preparedness

To prepare for unforeseen circumstances, we have established a system in which host computers at two locations, one in Tokyo and the other in Osaka, are constantly synchronized to provide backup even if one is damaged by a disaster. We have also been steadily advancing our business continuity plan (BCP) by enabling remote computer support at our sales offices and logistics centers. To guard against a range of eventualities, we have additional measures in place that include duplicated warehouse management systems, coordination between call centers, in-house power generation systems at all business bases, backup refrigeration systems, and periodic disaster drills.

Meanwhile, TOHO HOLDINGS and its wholesaling subsidiaries have approximately 60% of their vehicle fleet registered as emergency vehicles, which means that they will be able to operate even in the event of vehicle movement restrictions being imposed following a disaster. We thus have a system in place to ensure stable supply of pharmaceuticals even in the event of a disaster.

Enhancing the delivery infrastructure

Enhancing the delivery infrastructure is vitally important not only to ensure the stable supply of pharmaceuticals but also to respond to social issues such as the shrinking workforce and the need for environmental impact reduction. It will also increase operational efficiency to help improve the productivity of each of our delivery personnel. The Group has been working to roll out scheduled delivery based on automated ordering through MIZAR, the centralized administration system of pharmacy operations. Currently, we carry out such deliveries once or twice a week to some customers. In FY2024, we introduced new scheduled delivery and delivery management systems to improve convenience for both customers and delivery personnel. Going forward, we will continue with efforts to ensure a delivery infrastructure that is efficient as well as safe and secure.

Realizing last-mile delivery

The digital transformation (DX) of the healthcare industry is accelerating with the introduction of online medical examinations, online medication instructions, electronic prescriptions, and other innovations. Amid these changes, and with the increased prescription frequency of specialty pharmaceuticals that require strict temperature control, growing importance attaches to last-mile delivery (delivery to the patient's home) to improve medication management by patients and access to medical care. Up to now, the Group has had in place a system for stable delivery from pharmaceutical companies to medical institutions and pharmacies, but the absence of a system for delivery to the patient's home was an issue. To address this, in FY2025 we launched L1MON, a service for home delivery of specialty products. For patients who, due to their symptoms or other reasons, are unable to take home their prescribed specialty pharmaceuticals unassisted, we deliver through the network of SAGAWA EXPRESS CO., LTD., using a constant-temperature transportation box also provided by SAGAWA. Through L1MON, we will continue doing our best to contribute to improved quality of life for patients and higher quality in pharmaceutical distribution.

Voice 01



Terukazu Sugimoto

General manager, Sales Strategy Division
TOHO PHARMACEUTICAL

The launch of L1MON represents a major step toward a last-mile delivery system, which will deliver orphan drugs directly to the patients in real need of them rather than indirectly through medical institutions and pharmacies. This is an achievement made possible by the existence of the intricately networked pharmaceutical distribution platform we have built up over many years. I see it as an important initiative that embodies our corporate slogan "Total commitment to good health." With the support of external alliances, we will work during FY2025 to develop highly convenient functions, including online ordering, to realize a society in which all patients can be confident of receiving treatment.

Voice 02



Takeshi Sakamoto

General manager, Logistics Planning
Department, Logistics and Systems
Planning Division, TOHO HOLDINGS
(and Deputy General Manager, Logistics
Division, TOHO PHARMACEUTICAL)

To put in place systems that are able to provide uniform services of high standard at logistics centers nationwide, we are currently progressing with the shift to a Cloud-based WMS.* This initiative will not only help create a more robust centralized management system, but also represents an effective defense against unforeseen events in the form of large-scale disasters and cyberattacks, thus making a major contribution to strengthening the business continuity plan (BCP).

In addition, we will utilize the Kyoso Mirai Portal and our Delivery Management System not only to supply the pharmaceuticals needed at the time needed, but also to simultaneously provide high-quality pharmaceutical-related information and services, thereby contributing to resolving customer issues and creating value.

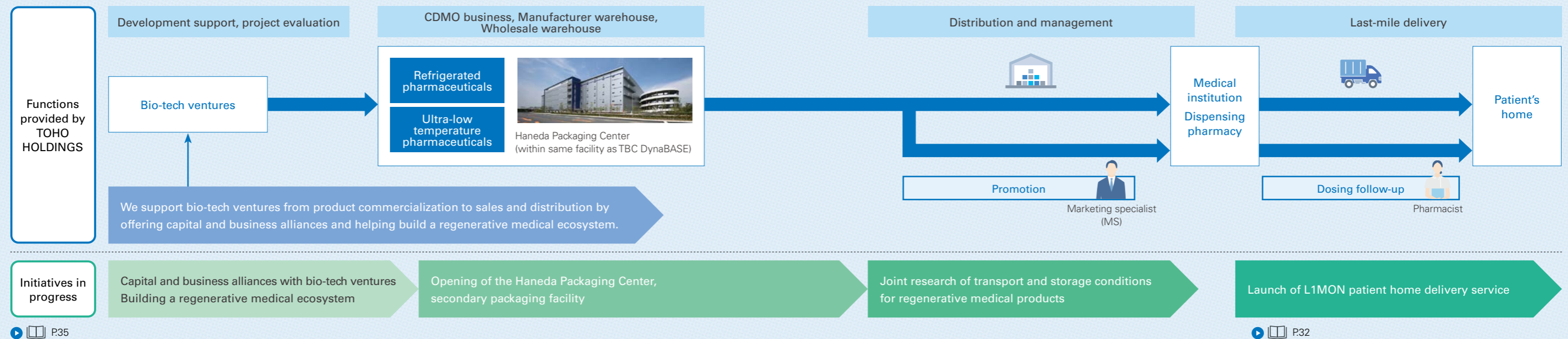
* WMS (warehouse management system): system used at logistics centers to centralize the management and increase the efficiency of operations from product receipt and shipment to inventory management, picking, and packaging.

Business Strategy

Relevant materiality:
Improvement of quality, safety, and efficiency

CLOSE UP 02 Full-line service for specialty products

Up to now, the main driver of the pharmaceuticals market has been small-molecule drugs for lifestyle-related and similar diseases, but going forward the mainstream is expected to shift to specialty products such as biopharmaceuticals that target more complex biomolecules and regenerative medical products. To adapt to this change in modalities, the Group is progressing with a range of strategies, including investment in bio-tech ventures, seeking alliances with enterprises that offer a range of knowledge and functions, and working to strengthen logistics systems and develop CDMO functions.



CLOSE UP 02



Project characteristics

To strengthen its handling of specialty products such as orphan drugs, biopharmaceuticals, and regenerative medical products, where market expansion is expected going forward, the Group is working to expand to full-line service functions for these products. This means putting in place a framework to provide the domestic and overseas bio-tech ventures and pharmaceutical companies that are the supply source of specialty products with the necessary support services for the whole series of processes from product research and development to manufacturing and distribution. We aim to realize this full-line service by taking on a range of services including: support for pharmaceutical development through investment in bio-tech ventures; secondary packaging at the Haneda Packaging Center established within the same facility as the TBC DynaBASE logistics center; manufacturer logistics; wholesale logistics consisting of delivery and inventory management, which is an existing strength of ours; and last-mile delivery of pharmaceuticals to the patient's home.

Challenges and future responses

There is a tendency among pharmaceutical companies to limit the handling of specialty products to designated wholesalers due to their special characteristics. These include the small number of patients, the limited number of prescribing medical institutions, the high product unit price, and the strict quality control of temperature and other conditions that is required. Given this situation, to continue to be the service provider of choice for our customers, it is essential for the Group to establish competitive advantage in the handling of specialty products and related items. To that end, the Group is working not only to expand to a full-line service by exploiting its infrastructure to the maximum, but also to put in place the cold chain that is essential for regenerative medical products. This means collaborating with our alliance partners on research into related storage and logistics technology and other cutting-edge initiatives. We also need to make progress with raising productivity through improved quality and strengthening of marketing and logistics systems so as to establish a position as an indispensable partner in pharmaceutical- and healthcare-related product logistics systems.

Voice 03



Shigeki Nakata
Representative Director and President
Orphan Trust Japan

Comment from project leader

Toward resolving unmet medical needs, research and development into innovative therapies based on a diverse range of modalities is in progress. In response, the Group is working to put in place a full-line service in the specialty products supply chain.

Our aim is to provide support at every stage from specialty products drug discovery to drug fostering and evolution. Specific examples include capital and business alliances with bio-tech ventures, initiatives to build a regenerative medical ecosystem, business alliances with major contract research organizations (CRO) to address the issues of drug lag and drug loss, opening of a secondary packaging facility as a CDMO business, and introduction of a patient home delivery service.

Going forward, to adapt to new modalities in areas including regenerative medical products, where market expansion is expected, we will put in place a high-precision cold chain logistics system capable of ultra-low temperature control. We will also devote increased resources to the establishment of specialist departments to carry out the high-quality management and information provision required with specialty products, and to the training of expert human resources. Additionally, we aim to use IoT to create a traceability system able to track all supply chain processes. This will enable us to increase the accuracy of demand forecasting to optimize inventory control for small-lot, multi-item pharmaceuticals and shorten lead-time, thereby adapting continuously to the diverse needs of medical institutions. By additionally strengthening marketing support, we are committed to contributing to medical care by providing assistance throughout the pharmaceutical lifecycle.

It is also important to build solid partnerships based on relationships of trust through alliances with partner enterprises. Here, we will work with pharmaceutical companies on joint projects from early-stage new drug development to putting in place supply chain systems, and with medical institutions to build trust through stable supply of pharmaceuticals and increased efficiency. In this way, the Group will advance toward sustained growth as an important part of the infrastructure supporting medical care.

Business Strategy

CLOSE UP 02 Full-line service for specialty products

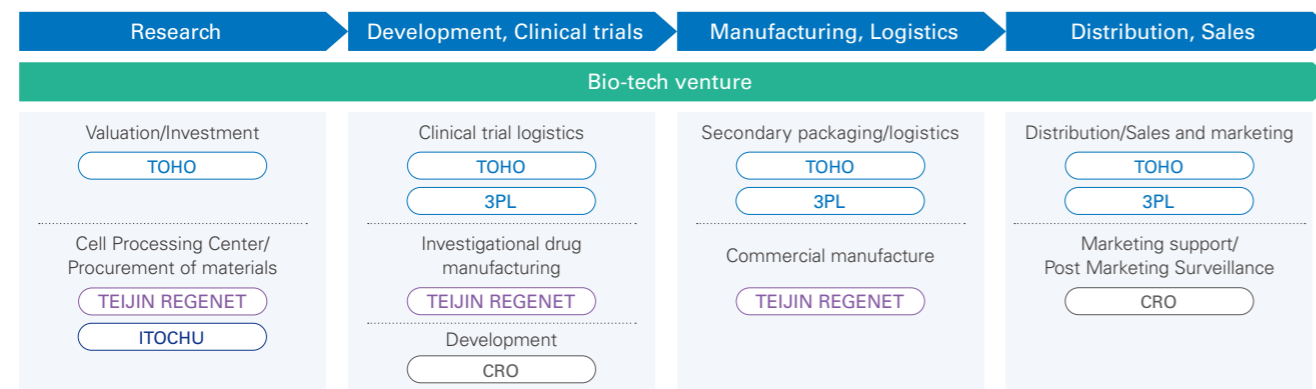
Building a regenerative medical ecosystem

The development of innovative therapies in the field of regenerative medicine is a major challenge for many bio-tech ventures. In particular, each stage up to product launch, from research and development to manufacturing, distribution, and sale, demands advanced specialist knowledge, massive costs, and an intensive labor investment to secure the facilities and equipment necessary for cell culture, plan optimal distribution routes, and procure high-quality materials. Moreover, the procurement of materials at the research and development and trial manufacturing stages requires unique expertise. These multiple issues mean that many bio-tech venture companies are forced to abandon development projects before completion.

To overcome this barrier so that innovative regenerative medical products can reach the patient in greater numbers, the Group aims to create a new regenerative medical ecosystem through a business alliance with TEIJIN REGENET CO., LTD. and ITOCHU Corporation. This ecosystem will bring together the expertise and strengths of each partner to respond to the complex issues faced by bio-tech ventures and offer a comprehensive one-stop development support service that will give powerful backing to the smooth market launch of products. In the fall of 2025, we will hold a briefing for bio-tech ventures and other companies developing regenerative medical products and related therapies in order to share issues and identify needs. In this way, we are making efforts to help deliver an increased number of innovative therapies to patients.

Role of each partner

- **TOHO HOLDINGS:** Drawing on the pharmaceutical logistics expertise accumulated over many years, we will take charge of logistics at each development stage of regenerative medical products. Taking account of the special characteristics of these products, we will put in place a dedicated transportation system to contribute to the safe and speedy delivery of products from research institutions to manufacturing bases and on to medical institutions. We will also be responsible for providing administrative support to the three companies in joint decision-making and project rollout, for instance in the case of evaluation of rental agreements with bio-tech ventures for cell processing centers, investment decisions, and seminar planning.
- **TEIJIN REGENET CO., LTD.:** With its cutting-edge research and development abilities and manufacturing technology in the regenerative medical field, this partner will be responsible for cell culture and research support at the research stage, support for manufacturing process development and production of investigational drugs at the development stage, and manufacture of the final product at the manufacturing and marketing stage.
- **ITochu Corporation:** Backed by the procurement ability of its global network, this partner will be responsible for procurement of materials at the research stage and the development stage, and development of materials as necessary at the research stage.



CPC (cell processing center): a high-level cleanroom facility for the processing—including extraction, culture, and induced differentiation—of cells used in regenerative medicine and cell therapy.
3PL (third-party logistics): a logistics model in which the cargo owner contracts out the whole operation based on third-party submissions proposing efficient logistics strategies and systems.
CRO (contract research organization): an organization that undertakes contract operations relating to clinical development and clinical trials for pharmaceutical companies or similar institutions.

Capital and business alliances with bio-tech ventures

Advances in the regenerative medical field have brought innovation in therapies. However, the path to success is long and procuring finance is a major issue for bio-tech ventures, especially in the startup phase. The Group undertakes active provision of funds at the early project stage to bio-tech ventures that possess such innovative technology. Moreover, we offer not only finance but also access to the expertise and networks we have built in the field of pharmaceutical logistics to support the development of optimal logistics and stable supply systems adapted to the special characteristics of regenerative medical products. At the same time as contributing to medical care, this initiative represents an important step for the Group toward establishing competitive advantage in logistics operations for the regenerative medical sector and thereby achieving sustained growth.

Recent capital and business alliances

- **CynosBio Inc.:** A bio-tech venture established at Hirosaki City, Aomori Prefecture, for the development, manufacture, and sale of regenerative medical and other products. It handles advanced regenerative medical products engineered using a scaffold of collagen matrices such as processed amniotic membrane sheet. Through our investment in this venture, we are supporting its business development and helping it to increase production capacity. Since April 2024, we have additionally been entrusted with the distribution of its regenerative medical product SAKRACY.[®]
- **Ishin Pharma Co., Ltd.:** A bio-tech venture which has been engaged in the development of a regenerative medical product for the treatment of epidermolysis bullosa, a hereditary chronic skin condition designated as an intractable disease. An application for a manufacturing and sales license for the product developed was filed in July 2025. In addition to supporting its research and development, we will collaborate with Ishin Pharma across the full range of operations, from visual inspection to release decision and product distribution.

Opening of the Haneda Packaging Center, secondary packaging facility

Among Japanese and overseas bio-tech ventures and overseas pharmaceutical companies, there are many that do not have adequate infrastructure within Japan. To address this issue, KYOSOMIRAI PHARMA, which undertakes pharmaceutical manufacturing and sales for the Group, is due to open a secondary packaging facility, the Haneda Packaging Center. The center is equipped with facilities for inspection, packaging, and storage, mainly of vial products and similar items, positioning it to receive contracted operations from manufacturers who lack such facilities. It is located in the same facility as the Group's high-function TBC DynaBASE logistics center, which is also the site of our manufacturer warehouse and wholesale warehouse. This will make it possible to reduce temperature excursions, vibration, and lead time, which are issues in the handling of biopharmaceuticals, regenerative medical products, and related items.



Project characteristics

1 Realization of one-stop supply chain through group synergy

By integrating KYOSOMIRAI PHARMA's Haneda Packaging Center and the logistics functions of the pharmaceutical wholesaling business within the same facility as TBC DynaBASE, the series of flow from pharmaceutical manufacturing and sales to pharmaceutical wholesaling will be realized in a one-stop manner, creating an efficient supply chain.

2 Secondary packaging facilities for prescription pharmaceuticals located in the vicinity of Haneda Airport

Taking advantage of its convenient location near Haneda Airport, we will realize inspection, packaging, and storage of domestic products as well as imported products from overseas. In addition, KYOSOMIRAI PHARMA's Shingawa Plant will be used as an external testing institution to handle contract development and pre-marketing testing.

3 Comprehensive measures against natural disasters at a facility located on a site designated by the Tokyo Metropolitan Government for use as an emergency wide-area distribution base

DynaBASE's quake-absorbing structure and in-house power generation systems will ensure business continuity even in the event of a disaster, thereby contributing to a stable supply of pharmaceutical products. Located on a site designated by the Tokyo Metropolitan Government for use as an emergency wide-area distribution base, this facility will allow us to realize swift and smooth pharmaceutical supply in the event of a large-scale disaster.

Joint research of transport and storage conditions for regenerative medical products

The Company has concluded a four-party joint research agreement with the AIST Group, Keio University, and REPROCELL, Inc. for the establishment of optimal transport and storage conditions for regenerative medical products.

This is essential to create a stable supply system for the future commercialization and dissemination of TIL therapy* and other regenerative medical therapies based on cell products, which, due to their special characteristics, require strict temperature control and quality maintenance during storage and transport from the manufacturing site to medical institutions.

Roles

- **Keio University School of Medicine:** Provision of surplus specimens for TIL therapy
- **REPROCELL, Inc.:** Provision of expertise in cell product manufacturing
- **The AIST group:** Verification of changes in cell viability and other properties under multiple environments
- **TOHO HOLDINGS:** Verification of future transport methods and provision of information on the current transport environment

This research, which is scheduled for the period up to March 31, 2026, brings together the expertise of each company in an effort to realize the smooth social implementation of regenerative medical.

* TIL therapy: tumor-infiltrating lymphocyte therapy for advanced cervical cancer

Business Strategy

Growth Strategies for Each Business

Pharmaceutical wholesaling business

Growth Strategy

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

Outline of FY2024

As part of preparations for the switch in April 2026 to the team system centered on secondary medical area, we rolled out a joint strategy for pharmaceutical and reagent marketing specialists (MS) and progressed with the consolidation of sales bases. We also launched the Kyoso Mirai Portal website, which provides at-a-glance information from past order history to delivery schedule and out-of-stock items. This is designed to improve the work efficiency of our marketing specialists and enhance convenience for medical institutions, pharmacies and other customers.

In order to improve logistics quality and productivity, we introduced new terminal devices and a Delivery Planning System. These are intended to streamline and improve the efficiency of delivery operations by making it possible to visualize the delivery status and formulate an optimal delivery schedule. We are additionally investigating new delivery methods through business alliances with Blue innovation Co., Ltd. and T2 Inc.

Business results were impacted by the reduced demand for COVID-19-related therapeutic drugs and reagents and by a switch to generic drugs, driven by the introduction of a system that charges an additional fee to patients opting for treatment with long-term listed drugs. On the other hand, sales of limited-handling products for selected wholesalers, mainly specialty pharmaceuticals, continued to perform favorably. The overall result was an increase in net sales but a decrease in profit.

Strategy for FY2025

We have continued to move forward with initiatives under the Medium-Term Management Plan and our action plan. Toward our target of achieving a consolidated operating profit margin of 1.5% by FY2028, I believe that our greatest challenge is to secure profit through improved productivity and increased efficiency. In accordance with Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies, we are also working to negotiate prices that properly reflect product value and distribution costs and to adjust selling costs to an appropriate level. Productivity improvement has been achieved using the tools introduced in FY2024, such as the Kyoso Mirai Portal website, new terminal devices for marketing staff and customers, and a Delivery Planning System. The resulting increase in operational efficiency saves time, which we will allocate to proposing solutions of higher added value and other activities for new value creation. We are also continuing efforts to visualize and optimize distribution costs for individual products and customers.

In addition, we are strengthening initiatives, including sales and marketing activities, in the vaccine business, where future market growth is expected, in order to establish it as a new revenue pillar.

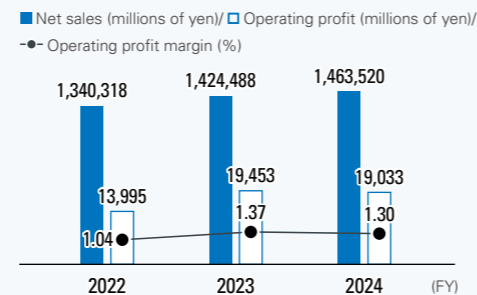
TOPICS 01 Alliances

With the aim of transforming our business portfolio, we are entering into a wide range of alliances. These include not only capital and business alliances with bio-tech ventures aimed at strengthening functions in specialty product distribution; we are also collaborating with partners in other areas, for instance putting in place systems to provide full-line service, creating a more advanced logistics infrastructure, promoting community healthcare design, developing customer support systems, and DX. The resulting transformation of the business portfolio will help build a more solid foundation for ensuring sustained growth in the medium to long term.

Alliances to Create Innovation

Specialty products, Full-line service	<ul style="list-style-type: none"> • CynosBio: Distribution consignment of regenerative medical product "SAKRACY®" through capital and business alliance • Ishin Pharma: Establishment of a regenerative medical product supply chain through capital and business alliance • The AIST Group/Keio University/REPROCELL: Joint Research on "Establish Optimal Transport and Storage Conditions for Regenerative Medical Products" • SAGAWA EXPRESS: Last-mile delivery service for specialty pharmaceuticals • TEIJIN REGENET/TOCHU: Building a regenerative medical ecosystem
Advancement of logistics infrastructure	<ul style="list-style-type: none"> • WACON: Joint development of new constant-temperature transportation products • Blue innovation: Delivery using drones and robots • T2: R&D and demonstration of overall transportation of pharmaceuticals using autonomous trucks • JR Central/JR West: Demonstration of pharmaceutical transportation using the Shinkansen bullet train
Community healthcare design/customer support systems	<ul style="list-style-type: none"> • PHARUMO: Development of new products that contribute to community medical DX. Start of offering its cloud-based picking audit system "EveryPick"
DX	<ul style="list-style-type: none"> • One Capital: Engagement of a DX advisory team • AIST/Japan Advanced Institute of Science and Technology: Creating a next-generation call center

Net sales/Operating profit/ Operating profit margin



TOPICS 02 Customer support business

For more than 30 years, we have developed and provided customer support systems that contribute to solving issues and improving efficiency for patients, medical institutions, and other stakeholders. Amid limited growth in the pharmaceutical market due to measures to curb medical costs, customer support systems are a major advantage for the Group as a business that generates steady profits.

In FY2024, we launched a new simplified version of the MIZAR centralized administration system for pharmacy operations that can be used by businesses consisting of as little as one store. We also made concerted efforts to sign customers up to our PR services for the Byouin-Navi medical institution search website. As a result of these and other efforts, our customer support systems were able to return a gross profit of 3.8 billion yen in FY2024.

Meanwhile, we formed a capital and business alliance with PHARUMO, Inc., and began handling its cloud-based picking audit system EveryPick. In this way, in addition to in-house development, we are also actively seeking alliances as another means of generating new business in the customer support sector.

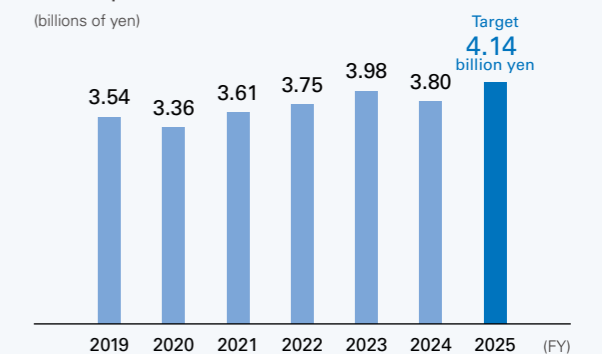
In-house development

- **Simplified MIZAR**
—Simplified version of MIZAR system for centralized administration system of pharmacy operations
- **Byouin-Navi**
—Byouin-Navi PR service
—Building an innovative medical AI business using accumulated data
- **Initial Examination Reservation Service**
- **LXMATE HeLios cloud**
↳ Launched in FY2025

Alliances

- **PHARUMO**
—Cloud-based picking audit system EveryPick, etc.
- **GMO Reserve Plus Co., Ltd.**
↳ Advanced professional version of LXMATE HeLios automated appointment system was launched in FY2025 through technical alliance

Performance of Customer Support Systems (Gross profit)



TOPICS 03 Enhancing logistics functions

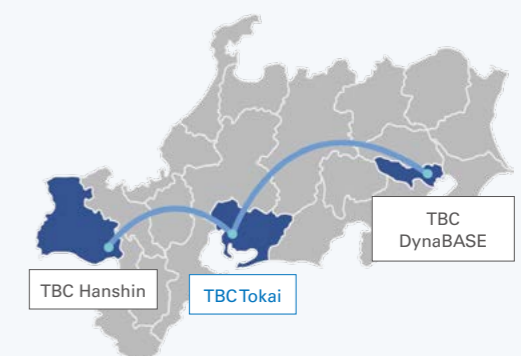
As a corporate group that deals in the life-related area of pharmaceutical products, our logistics functions are the basis for the fulfillment of our social mission. Currently, our Group operates 10 logistics centers nationwide. To further strengthen our logistics functions, we are due to complete TBC Tokai at Komaki City in Aichi Prefecture in FY2027. We will then have a logistics center in each of the Tokyo, Nagoya, and Osaka regions, which are Japan's main hubs for economic activity, information, human resources, and infrastructure.

TBC Tokai is intended to be an integrated logistics center equipped with a wholesale warehouse for prescription pharmaceuticals, a manufacturer warehouse, and a reagent warehouse, and will be fitted with innovative automation technologies in anticipation of the shrinking workforce of the future.

In the same fiscal year, we also plan to establish a logistics center in the Tohoku region as part of our progressive strengthening of logistics functions.

TBC Tokai: Establishment of a new logistics center in Komaki City, Aichi

- By establishing logistics centers in Tokyo, Nagoya, and Osaka, we will eliminate the workload saturation at logistics centers in East and West (mainly TBC DynaBASE and TBC Hanshin) and cope with future increases in distribution volume.
- An integrated center with a wholesale warehouse for prescription pharmaceuticals, a warehouse for manufacturers, and a reagents warehouse is planned.
- Unlike existing centers, new automation technology will be introduced in anticipation of a shrinking workforce.
- Targeting operation start in FY2027.



Business Strategy

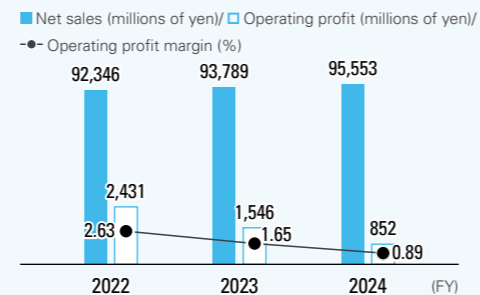
Growth Strategies for Each Business

Dispensing pharmacy business

Growth Strategy

- Strengthen profitability by improving operational efficiency while proceeding with the consolidation of subsidiaries as our top priority
- Leverage our unique networks including through the Kyoso Mirai Group in Pharmacy
- Expand the growth foundation by participating in community-based integrated care systems

Net sales/Operating profit/ Operating profit margin



Outline of FY2024

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 under the PHARMA CLUSTER brand decreased from 24 at the end of March 2024 to 11 as of April 1, 2025, with the reorganization now almost complete in the East Japan region. Meanwhile, profitability was the decisive criterion in our continued opening of new pharmacies and closing of existing ones. Elsewhere, we progressed with action in response to the revision of dispensing fees and worked to promote pharmacy DX by promoting the use of the My Number health insurance card and adapting to the use of electronic prescriptions. We also took steps to strengthen cooperation with clinics specializing in home healthcare in order to contribute to this area by promoting conducive change. However, due to the one-time expenses associated with the integration of subsidiaries and an increase in personnel expenses, in FY2024 this business posted an increase in net sales but a decrease in profit.

Strategy for FY2025

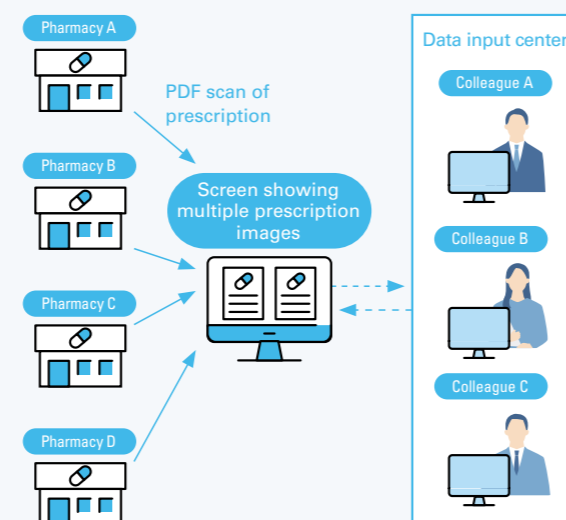
In FY2025, we will take action in five key areas around a basic policy of promoting community healthcare design.

- (1) Concentrate management assets through Group reorganization to build a sustainable system.
- (2) In the home healthcare sector, in addition to training specialist human resources, promote community-based in-home support by creating in-house operations to manage in-home care support offices and home-visit nursing functions.
- (3) To promote widespread use of online medication instruction, enhance ICT environments and promote pharmacy DX to improve convenience and service quality.
- (4) For disaster preparedness, create a disaster-resilient pharmacy network and strengthen cooperation with local governments.
- (5) To generate income beyond the health insurance sector, strengthen systems for providing health-promoting products and self-care services to move toward multifunctional pharmacies.

Through these initiatives, we aim to evolve as a pharmacy group contributing to communities.

TOPICS Establishment of prescription data input center

Due to the falling birth rate and social aging, Japan's working-age population (aged 15 to 64), after peaking in 1995 at 87.16 million, is predicted to fall to 52.75 million in 2050. Additionally, with the recovery in tourism demand after COVID-19 and other factors, the average active jobs-to-applicants ratio across all industries remains stubbornly high at 1.28 (as of 2024). The retail-related sector in particular shows intense competition for staff with a ratio in the Tokyo metropolitan district of 2.0 to 2.6. Medical administration is no exception and securing human resources remains difficult especially in the Tokyo region. To respond to this structural labor shortage, we have established a data input center that will centralize prescription data input for pharmacies, thus enabling stable pharmacy operation even with a small number of staff. The center in Niigata City opened in July 2025 and will be equipped by the end of FY2025 to handle prescription data input for up to 50 pharmacies every day. We also plan to open a second center after March 2026 to ensure business continuity in the event of a disaster.

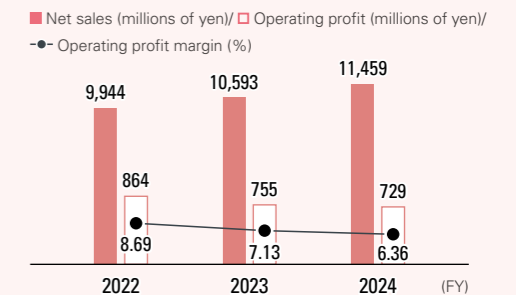


Pharmaceutical manufacturing and sales business

Growth Strategy

- 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

Net sales/Operating profit/ Operating profit margin



Outline of FY2024

The Group has developed its own verification system for strict monitoring of product quality and has established a planned production and procurement system. Based on these systems, we worked to ensure a stable supply of high-quality, high-value-added pharmaceuticals. In addition, we prepared for the opening, in the same facility as TBC DynaBASE, of the Haneda Packaging Center, a secondary packaging facility for prescription pharmaceuticals that can handle inspection, packaging, and storage, mainly of vial products, including drugs that require storage at low temperature. In FY2024, due to the rising cost of sales and other factors, this business posted an increase in net sales but a decrease in profit.

Strategy for FY2025

In FY2025, as stated above, we are due to open the Haneda Packaging Center, which will handle contracts from pharmaceutical companies. Taking advantage of its location adjacent to Haneda Airport, it will actively seek business not only from domestic pharmaceutical companies, but also from overseas operators that do not have a facility of its kind in Japan.

We will additionally pursue opportunities to expand the CDMO business so as to strengthen the pharmaceutical wholesaling business by enhancing full-line services for specialty products, thus putting in place an efficient one-stop supply chain within the Group from manufacturing through to distribution. At the same time, we will establish the CDMO business as a highly profitable business in its own right to become a new growth pillar.

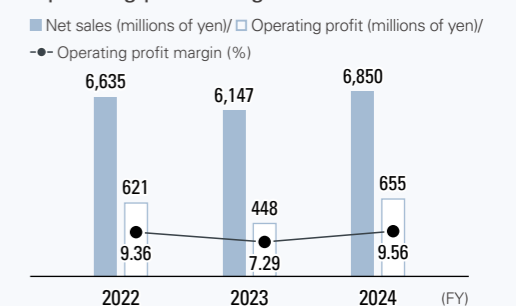
In the generic drugs business, we will engage in stable supply of generic drugs of reliable quality, selected based on our own independent verification system. We will support this by using accurate identification of demand and supply volumes within the Group to operate a demand-supply chain.

Other peripheral businesses

Growth Strategy

- 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 Group and alliances with external parties
- Building new businesses in areas other than prescription pharmaceuticals

Net sales/Operating profit/ Operating profit margin



Pick up Tokyo Research Center of Clinical Pharmacology

Outline of FY2024

In recent years, around half of the center's contract projects have been for COVID-19-related clinical trials, but with the end of the pandemic, the number of such projects has been on a decreasing trend, representing 61% of contracts in FY2022, 57% in FY2023, and 46% in FY2024. It therefore needs urgently to secure contracts for non-COVID-19-related clinical trials. Among projects utilizing the center's OHIO Chamber, there is an increasing number of pollen exposure tests and dermatological clinical trials using the OHIO Chamber's environmental chamber. We are also acting to strengthen cooperation with the Medical Corporation Shinanokai, a Group member, and with other medical institutions engaged in clinical trials, and taking steps to increase the number of clinical research coordinators (CRCs) through education programs.

Strategy for FY2025

We are working to strengthen alliances with other medical institutions conducting clinical trials and to put in place a framework for outsourcing clinical trials to overseas contractors. We are also focusing on decentralized clinical trials and studying the effectiveness of this format. Elsewhere, we are taking action to reduce costs, notably through increased efficiency by creating an internal control system, introducing DX, and digitizing clinical trial-related documentation. In parallel, we are seeking to add to our competitive strength by enhancing sales and marketing activities. Likewise, we are taking measures to fulfill our management plan, for instance by ensuring the safety of volunteers, building relationships of trust with commissioning clients, enhancing in-house communication, developing human resources, and ensuring compliance.

Environmental Strategy

Relevant materiality:
Promotion of decarbonization / Consideration of biodiversity / Reduction of waste

Formulating Our Environmental Policy

The Group recognizes the impact its business activities have on the global environment and positions contributing to the realization of a sustainable society as an important task of management. It has formulated its Environmental Policy as follows.

TOHO HOLDINGS fulfills its social mission of providing a stable supply of pharmaceuticals and recognizes the significant impact that its business activities have on the global environment and biodiversity. In all aspects of our business activities, we strive to harmonize with the environment and actively work to conserve the environment and reduce environmental impact. Through these efforts, we strive to continuously review and improve our targets, thereby contributing to the realization of a sustainable society.

▶ Basic Policy

1. Reduction of environmental impact

- We will work to reduce greenhouse gas emissions by improving delivery efficiency and promoting conversion to environmentally friendly vehicles.
- We will strive to reduce energy consumption, water consumption, and waste emissions in our business activities and promote the effective use of resources.

2. Proactive introduction of environmentally friendly technologies

- We actively investigate new technologies and methods that contribute to reducing environmental impact and promote their introduction into our business activities.

3. Compliance with environmental laws and regulations

- We will comply with global environmental regulations, ordinances and other requirements to which our company agrees.

4. Improvement and penetration of environmental awareness

- We will make this Environmental Policy known to all employees.
- In order to raise awareness of environmental conservation, we will carry out education and enlightenment activities on an ongoing basis and encourage each and every employee to actively participate in environmental activities.

5. Disclosure and communication of environmental information

- We will actively disclose this Environmental Policy and our environmental initiatives and data through websites and other means to ensure transparency.
- We will actively communicate with local communities and all stakeholders by participating in environmental activities in local communities.
- We will promote cooperation and activities to reduce environmental impact throughout the supply chain.

Responding to Climate Change

The Group expressed its support for the TCFD* recommendations in June 2023. We promote disclosure in line with the TCFD's recommended disclosure framework (governance, strategy, risk management, metrics, and targets related for climate change risks and opportunities)

* Task Force on Climate-related Financial Disclosures



Governance

We have a corporate governance system in place with the Sustainability Promotion Committee playing a central role, subject to supervision by the Board of Directors.



Strategy

The Group recognizes sustainability action, including climate action, as one of our key managerial priorities. Supply chain disruptions and reduced capacities to supply drugs due to intensifying natural disasters pose a significant business risk for us – an entity responsible for the distribution of vital and other drugs. They also pose a risk for society at large. Due to the nature of the business, the emission volume of the Group is characterized by low Scopes 1 and 2 emissions (emissions released directly from it) and high Scope 3 emissions (emissions released from its supply chains). With this understanding, we have conducted a scenario analysis to assess climate impacts on our business and devise measures to cope with them.

Responding to Climate Change (Scenario analysis)
<https://www.tohohd.co.jp/en/csr/environment/climatechanges>



Climate change risks and opportunities

The table below summarizes possible climate-induced events in light of the analyzed scenario by identifying risks and opportunities with high impact and evaluating the influence on business and financials from both quantitative and qualitative aspects. The Sustainability Promotion Committee is conducting a quantitative assessment, including financial impact, while considering the resilience of our strategy and the necessity to develop a transition plan.

Risk

Category	Classification	Risks	Financial impact*1		Time frames*2	Relation to materiality
			FY2030	FY2050		
Transition (1.5°C scenario)	Carbon tax	Increases in distribution and operational costs at stores, sales offices, logistics centers, etc., due to the introduction of a carbon tax (The impact of a carbon tax on the supplier's purchase cost is not taken into account, since the cost is related to the drug pricing system)	Medium (About 0.6 B yen)	Large (About 1.1 B yen)	Medium to long term	Promotion of decarbonization
	Energy	Increase in business operating costs such as storage and distribution of pharmaceuticals at stores, sales offices, logistics centers, etc., due to rising energy prices	Large (About 1.3 B yen)	Large (About 1.1 B yen)	Medium to long term	Promotion of decarbonization
		Increase in procurement costs due to increased procurement costs at suppliers being passed on to procurement prices	Large*	Large*	Medium to long term	Promotion of decarbonization
	Technology	Increase in capital investment costs due to the strengthening of decarbonization-related policies, laws and regulations, energy conservation measures, and the introduction of decarbonization equipment	Large	Large	Medium to long term	Promotion of decarbonization
	Reputation	Decline in stakeholder evaluation and impact on stock price and business performance due to delay in climate change measures	Large*	Large*	Medium to long term	Promotion of decarbonization
Physical (4°C scenario)	Acute	Higher operational costs associated with suspension of operations at stores, sales offices, and logistics centers due to the increased frequency and intensity of storms and floods	Large	Large	Short to medium term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP
		Decline in business performance due to a shortage of employees (difficulty of employees coming to work) and patients' reluctance to seek care owing to the spread of infectious diseases (pandemic)	Small*	Small*	Medium to long term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP
		Impact on stable supply due to inability to procure pharmaceuticals, etc., due to suspension of supplier operations	Large	Large	Medium to long term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP
	Chronic	Higher operational costs on pharmaceutical quality control due to rising temperatures	Large (About 1.6 B yen)	Large (About 1.5 B yen)	Medium to long term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP Improvement of quality, safety, and efficiency
		Higher costs for improvement of workplace environments and business operations at business site due to rising temperatures	Large	Large	Medium to long term	Promotion of decarbonization
		Decline in business performance due to suspension of operations and reduction of production volume at suppliers	Large	Large	Medium to long term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP Improvement of quality, safety, and efficiency

Opportunity

Opportunities	Financial impact*1		Time frames*2	Relation to materiality
	FY2030	FY2050		
Higher stock price and improved business performance due to higher evaluation by stakeholders as a result of taking action on climate change	Medium*	Medium*	Short to medium term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP Improvement of quality, safety, and efficiency
Business performance improves as demand for related pharmaceuticals increases due to the pandemic	Medium*	Medium*	Medium to long term	Promotion of decarbonization Stable supply of pharmaceuticals and support for BCP Improvement of quality, safety, and efficiency
Increased demand for related products and services as climate change drives demand for new medical care provision system	Small*	Small*	Short to medium term	Promotion of decarbonization Solution of issues related to access to medical care Coexistence with society
Creating new business opportunities as climate change drives demand for new medical care provision system	Medium*	Medium*	Short to medium to long term	Promotion of decarbonization Solution of issues related to access to medical care Coexistence with society

*1. The evaluation criteria for impact are based on the impact on operating profit. Large: 1 billion yen or more, Medium: 0.5 billion yen to less than 1 billion yen, Small: less than 0.5 billion yen

Items for which quantitative evaluation is difficult are evaluated qualitatively (*)

*2. The time frame is set at short term (to 2025), medium term (to 2030), and long term (to 2050).

Risk Management

Regarding risks related to climate change, the Sustainability Promotion Committee identifies risks and opportunities, evaluates them, considers and promotes countermeasures, and sets targets, and reports them to the Board of Directors periodically.

Risk Management
<https://www.tohohd.co.jp/en/csr/environment/climatechanges>



Environmental Strategy

Metrics and targets

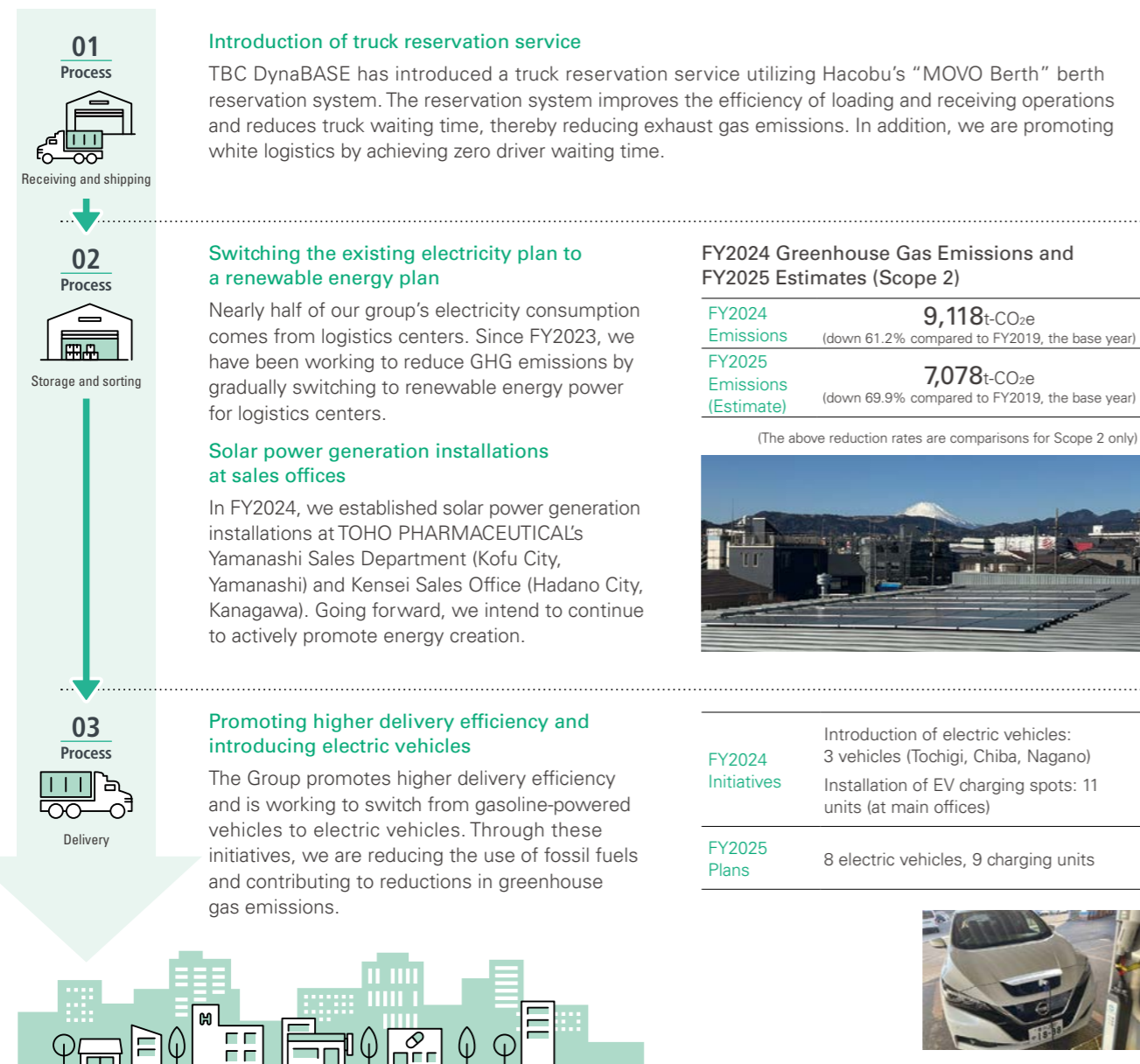
As part of its efforts to reduce its environmental footprint, the Group uses greenhouse gas (GHG) emissions as key indexes to identify the fields with large emissions and the targets for reduction. In light of changes in the social environment, we set our targets in the short, medium, and long term for reduction as far as Scope 1 and 2 emissions, which we release. We are also considering specific reduction targets for Scope 3 emissions as well in the belief that efforts to reduce such emissions are also important. Going forward, we will continue to work closely with our suppliers and customers to advance efforts to reduce GHG emissions.

Greenhouse Gas Emission Reduction Targets and Results (Scope 1, 2)

Metrics	Targets	FY2019 (base year)	FY2024 (results)
Greenhouse gas emissions (Scope 1, 2)	<ul style="list-style-type: none"> Short-term target (FY2025): 40% reduction Medium-term target (FY2030): 60% reduction Long-term target (FY2050): Carbon negative 	40,886t-CO ₂ e	22,538t-CO ₂ e (reduced by 44.9%)

Initiatives

We are working to reduce GHG emissions associated with the transportation and delivery of pharmaceuticals throughout the supply chain.



FY2024 Greenhouse Gas Emissions and FY2025 Estimates (Scope 2)

FY2024 Emissions 9,118t-CO₂e
(down 61.2% compared to FY2019, the base year)

FY2025 Emissions (Estimate) 7,078t-CO₂e
(down 69.9% compared to FY2019, the base year)

(The above reduction rates are comparisons for Scope 2 only)



FY2024 Initiatives

Introduction of electric vehicles: 3 vehicles (Tochigi, Chiba, Nagano)
Installation of EV charging spots: 11 units (at main offices)

FY2025 Plans

8 electric vehicles, 9 charging units



Biodiversity and Reduction of Waste

Environmental initiatives
<https://www.tohold.co.jp/en/csr/environment/environment>



Basic Views

Pharmaceutical wholesaling, the Group's core business, mainly distributes and sells pharmaceuticals. It has no direct impact on the natural environment through the collection and production of raw materials, and the risk of using chemical substances that adversely affect biodiversity and the discharge of waste is considered relatively low. However, we recognize that it is important to accurately understand how our business depends on and affects the natural environment. In addition, sustainable resource procurement is needed throughout the supply chain, including production and logistics processes, and collaboration with suppliers and environmentally conscious decision-making must be strengthened. Therefore, the Group has positioned the conservation and restoration of biodiversity and the reduction of waste as a priority issue and is promoting initiatives to address it.

Initiative example: Participation in medical device recycling projects

We are contributing to the reduction of plastic waste by participating in "ReMed™. New Life for Used Medical Device," a recycling project for used pre-filled injection pens, which Novo Nordisk Pharma Ltd. started operation for the first time in Japan. This program is implemented at 28 pharmacies in the Group.

Focus Continuing environmental initiatives

Environmentally friendly sales offices

At new sales offices established for the pharmaceutical wholesaling business, we are actively promoting the introduction of facilities designed to reduce environmental impact. At the new Kensei Sales Office (Kanagawa) established in FY2024, we installed solar power generation facilities, achieving the highest rating of six stars under the Building-Housing Energy-efficiency Labeling System (BELS). In addition, at existing sales offices as well, we are working to reduce environmental impact by promoting energy creation through installing solar panels and establishing charging spots for electric vehicles.



Initiatives at plants in the pharmaceutical manufacturing and sales business

At the plant of KYOSOMIRAI PHARMA, which handles pharmaceutical manufacturing and sales, we regularly conduct training to respond to leakages in order to prevent environmental pollution caused by leakages of chemical substances during the manufacturing process. In addition, at places where chemical substances are stored, precautions are taken such as measures to prevent bottles from falling over on storage shelves, installation of sandbags at the entrance to keep water away from warehouses during floods, and preparation of manuals for chemical spills from broken bottles. For waste materials, we are digitalizing manifests and conducting appropriate management.



Furthermore, the plant of KYOSOMIRAI PHARMA has acquired ISO 14001: 2015 certification, an international standard for environmental management systems, and is promoting energy conservation and waste reduction.

Verification of new delivery methods

The use of vehicles is indispensable in the distribution of pharmaceuticals, but it also poses challenges such as greenhouse gas emissions. For this reason, the Group is verifying new sustainable delivery methods based on reduced environmental impact. As one example, we are conducting demonstration experiments on pharmaceutical transport using bullet trains, which are capable of making swift, on-time deliveries. In July 2025, using the bullet train cargo transport services provided by Central Japan Railway Company and West Japan Railway Company, we verified the effect of vibrations, the transport time, and other aspects. Going forward, we will continue to verify various possibilities for balancing stable supply with reduced environmental impact.



Human Resources Strategy

Relevant materiality:
Maximize the Value of Human Capital/Respect for Human Rights

Maximize the Value of Human Capital

Basic Views

Based on the belief that employees are the Group's assets, or "human capital," the Group is committed to maximizing the value of its human capital by developing the human resources needed by the Group, improving its human resources system, and promoting work style reforms, while carefully passing on its history of growth through human capital and its corporate culture that respects the out-of-the-box idea of employees.

Human Resources Strategy

	Input		Action	Output	FY2025 Initiatives	Outcome
	Issue	Specific Theme				
System reform	A new Group-wide human resources system that breaks from conventional practices	Building a human resources system that achieves employee growth and organizational strengthening	(1) Transition to a role-based system aligned with the organizational mission and remuneration system centered on meritocracy	(1) Review and introduction of role-based grading system	<ul style="list-style-type: none"> Introduction of role-based grading system tied to expected roles Introduction of evaluation and remuneration systems based on contribution Consolidation of differences in previous company systems and operations 	
			(2) Replan of the re-employment system to promote senior employee participation	(2) Introduction of a new re-employment system		
			(3) Introduction of target management evaluations supporting growth	(3) Implementation evaluation		
Organizational development	Strengthening of human resources linked to achievement of company strategy	Securing and appropriately assigning human resources with an eye toward management strategies	(1) Clarification of roles, responsibilities, and other human resources requirements	(1) Establishment of role-based human resources requirements	<ul style="list-style-type: none"> Establishment of human resources requirement definitions linked to the new human resources system Introduction of talent management system for visualization of human resources 	<p>Corporate Slogan Total commitment to good health</p> <p>Mission Statement We shall live in harmony with society and our customers; together, we shall create new values through the provision of out-of-the-box services; and we shall contribute to the medical care and wellbeing of people around the world</p>
			(2) Building a human resources portfolio	(2) Visualization of human resources		
			(3) Upgrades to human resources system, addition of new value-added functions, and introduction of talent management tools	(3) Introduction of new human resources system		
			(4) Introduction and launch of talent management tools	(4) Introduction and launch of talent management tools		
Organizational development	Construction of training system and support for employees	Providing training opportunities and building a training system to strengthen organizational competitiveness	(1) Training next-generation leaders based on a succession plan	(1) Creation of a framework for the succession plan	<ul style="list-style-type: none"> Promoting the target management system and strengthening training for manager evaluators Start of succession plan management Formulation of next-generation training plan Introduction of leadership training 	<p>Win-win relationship where both employees and the Group enjoy sustained growth</p> <p>Providing opportunities to demonstrate capabilities through business activities</p>
			(2) Enhanced training by rank and job classification	(2) Building a new training system		
			(3) New and expanded leadership training	(3) Developing and launching programs		
			(4) Provision of self-directed learning tools	(4) Introduction of self-learning tools		
Culture reforms	A workplace environment and culture where diverse human resources can take on challenges with confidence	Fostering a new corporate culture based on creating a workplace with a high level of psychological safety	(1) Activities to increase engagement based on survey results	(1) Continuous survey implementation, analysis, and problem-solving actions	<ul style="list-style-type: none"> Issuance of DE&I Policy (Declaration) Start of training for DE&I managers Setting KPI based on year-on-year evaluation of engagement surveys 	
			(2) Establishment of a culture and environment for diversity, equity, and inclusion (DE&I)	(2) Review and implementation of measures for DE&I		
			(3) Implementing measures to promote understanding of our Vision Statement	(3) Promoting understanding of Values		

Engagement Survey

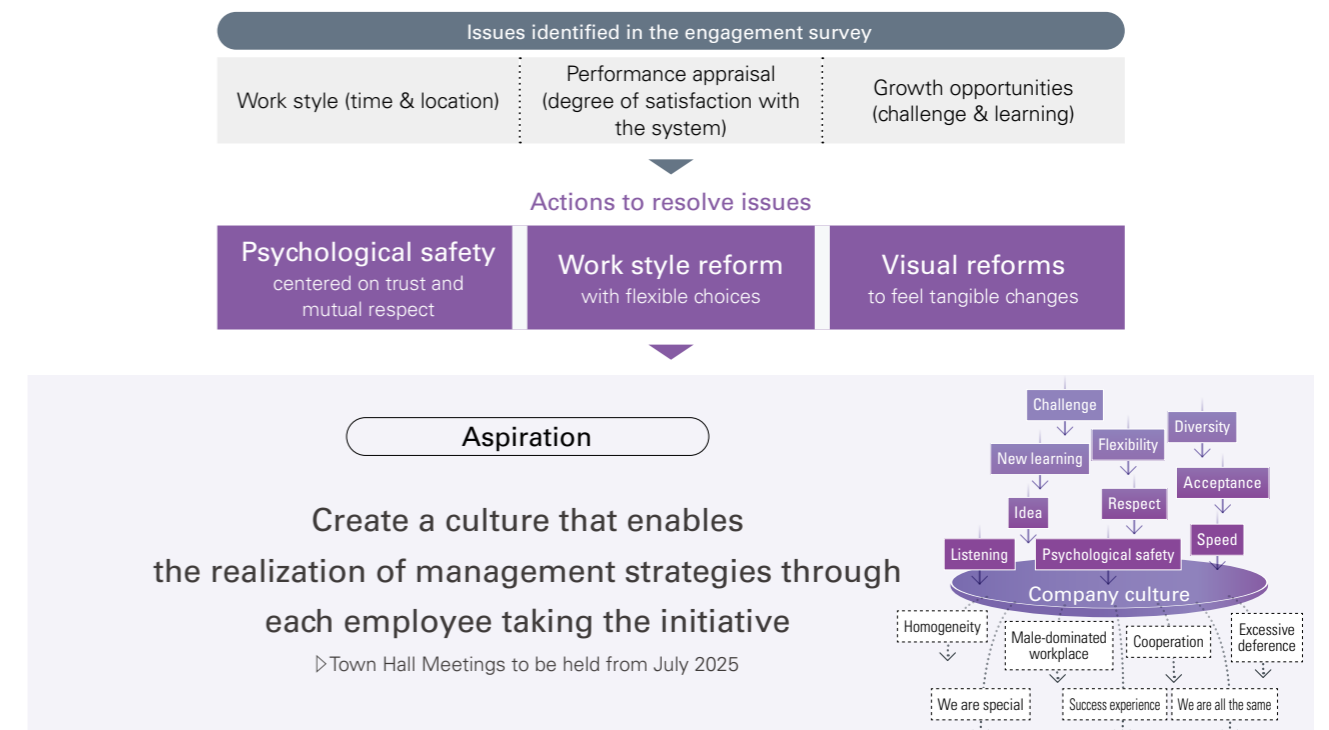
In FY2024, the Group conducted an engagement survey of all Group employees, with the aim of understanding employee satisfaction with the company organization, corporate culture, and work, as well as their motivation for work, and making use of the findings in management. This survey focuses on visualizing the awareness of employees and the issues facing the Group to help with organizational improvement. Based on the survey results, we are considering and implementing specific improvement measures to further improve employee engagement.

Survey Results Analysis and Issues

In the engagement survey conducted in FY2024, there was a high response rate of 87.6%, with 8,159 out of 9,309 employees subject to the survey having responded. The specific responses revealed strong demand for reforms in human resources systems and workplace environments, clearly identifying the key challenges facing the Group.

Specifically, we have identified three key areas requiring priority attention: work practices, performance evaluation, and growth opportunities. The most crucial factor in resolving these challenges is transforming the company's culture. We will break free of outdated rules, practices, and ways of thinking to create a culture that enables the realization of management strategies so that each employee is able to take the initiative. To this end, we are working to establish psychological safety centered on trust and mutual respect, promote flexible work style reform, and visual reforms that allow changes to be perceived visually.

Also, we recognize that reform is an essential process to maximize employee performance and achieve the targets set in our action plan. We are promoting reform by actively investing in necessary areas from the perspective of human capital management as well.



Holding Town Hall Meetings

Based on the results of the engagement survey, we have reaffirmed the necessity of incorporating feedback from employees into management and are holding Town Hall Meetings from 2025 as an opportunity for direct dialogue between management and Group employees. The Town Hall Meetings feature a lively Q&A session, with employees submitting a wide range of specific proposals covering business strategy, work-style reform, operational improvements, and the provision of training opportunities.

Through direct dialogue with employees, the Group will continue to strive to create a fulfilling workplace environment and build an organization where individual growth directly contributes to corporate growth.



Planned number of meetings in FY2025 **25**

Human Resources Strategy

Evaluation System

Basic Views

We believe that when each employee understands the company's vision of its ideal state and sets and pursues their own goals based on that vision, it leads to the company's growth. The Group respects individual autonomy and supports employees in pursuing their self-set goals. We will advance human resources development plans that encourage proactive challenges toward realizing our strategy, along with appropriate placement of human resources.

▶ Initiatives

An individual target management system was introduced in April 2025 as a part of reforms to the human resources system. The aim is to realize goal-setting aligned with the realization of business strategy and appropriate evaluation and treatment based on the results achieved.

▶ Future measures

- Formulation of employee goals and action plans to realize business strategies, and reform of the human resources system
- Realization of an organization in which appropriate human resources are allocated to the roles and responsibilities in the promotion of the action plan
- Bold appointment of talented human resources to realize the strategy
- Design and implementation of plans to develop human resources that will proactively take on challenges to realize strategies, and development of operational support systems to support them

Human Resources Development

Basic Views

We are committed to developing our human resources while preserving our corporate culture that has grown through human resources and respected the free thinking of our employees.

We are developing a new training system to enable many employees to experience growth and feel a sense of fulfillment while engaging in their work.

We will build a platform for self-development that enables each employee to maximize their diverse individuality and abilities, while also accommodating each person's desire for growth.

▶ Main training content and objectives

MTP (Medical Total Planner) training, Senior MTP training

MTP training is strategy-linked training aimed at fostering employees who make high-quality proposals to customers and have the communication ability to build deep trusting relationships. Regardless of age or position, employees who voluntarily participate strive to enhance their proposal-based sales skills by working hard and encouraging each other.

Training by rank classification

To ensure smooth departmental operations and strengthen management capabilities, we conduct training by rank classification primarily for sales office managers and employees newly appointed to managerial positions. Along with skill acquisition appropriate to each role, we are also focused on developing the next generation of leaders.

New employee training

We provide year-round training for new employees who will shape the future of the Group.

- Orientation training (April)
- Onsite training (logistics centers, sales offices: May-June)
- Follow-up training (November)

Other

We initiated career design training for employees who have been with the company for three years to enable young employees to independently shape their own careers. In addition, as part of our efforts to provide information tailored to employees' life stages, we conduct a senior life planning seminar for employees turning 50 during the fiscal year, establishing the opportunity to think about asset formation.



Fostering a Corporate Culture

Basic Views

For a company to achieve sustainable growth, it is crucial to provide an environment where talented individuals can gather and thrive, and to establish a corporate culture where employees continuously grow and proactively tackle diverse challenges. Through improved internal communication, the Group is fostering a corporate culture that respects the autonomy of each employee and directly translates individual growth into corporate growth.

▶ Initiatives

- Flat communication
Flat communication is being promoted as a measure to improve internal communication.
- Casual business wear
To promote understanding of diversity and foster a workplace environment where individuals can work authentically, we are advancing the adoption of casual business wear.

Respect for Human Rights

Basic Views

The Group places respect for human rights at the core of its management and aims to contribute to a sustainable society.

We prioritize creating a workplace where employees can work with peace of mind, striving to foster a healthy and fulfilling environment for both mind and body through measures such as eliminating harassment.

Furthermore, respecting diversity is a source of new value creation. We enhance creativity by harnessing the individuality and abilities of each employee regardless of gender, nationality, disability status, age, or values. Through transparent and appropriate evaluations, we justly reward the contribution of employees and provide equal opportunities for growth.

▶ Initiatives

- Formulation of the TOHO HOLDINGS Group's Human Rights Policy
- Formulation of the TOHO HOLDINGS Group's Procurement Policy
- Publication of the Declaration of Partnership Building



Human rights

<https://www.tohohd.co.jp/en/csr/social/humanrights>



Health and Productivity Management

Basic Views

As a company involved in the fields of medical, health, and nursing care, the Group promotes health and productivity management so that each employee takes responsibility for their own health and strives to work in a state of physical and mental well-being. In FY2024, two additional Group companies were certified Health and Productivity Management Outstanding Organizations, with five companies in the large enterprises category and three companies in the small and medium-sized enterprises category receiving the certification. Going forward, we intend to continue actively working to promote health and productivity management across the Group.

▶ Initiatives

- Promoting health checkups (changing follow-up examinations from personal leave to official leave)
- Introduction of No-Smoking Days and establishment of a smoking cessation support system
- Training and surveys on health and female-specific diseases
- Improvement of dietary habits (implementation of health fairs and nutritional consultations, introduction of VegeCheck®)



Health and Productivity Management

<https://www.tohohd.co.jp/en/csr/social/employee>





Section 03

Corporate Governance

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Directors

1 Hiromi Edahiro

Representative Director,
President and CEO

2 Akira Umada

Senior Executive Managing
Director and COO

3 Takeo Matsutani

Executive Managing Director
and CGO

4 Shuzo Kono

Director and Corporate Officer,
in charge of Transformation

5 Manako Haga

Outside Director

6 Yoshiaki Kamoya

Outside Director
(Audit and Supervisory
Committee Member)

7 Hidehito Kotani

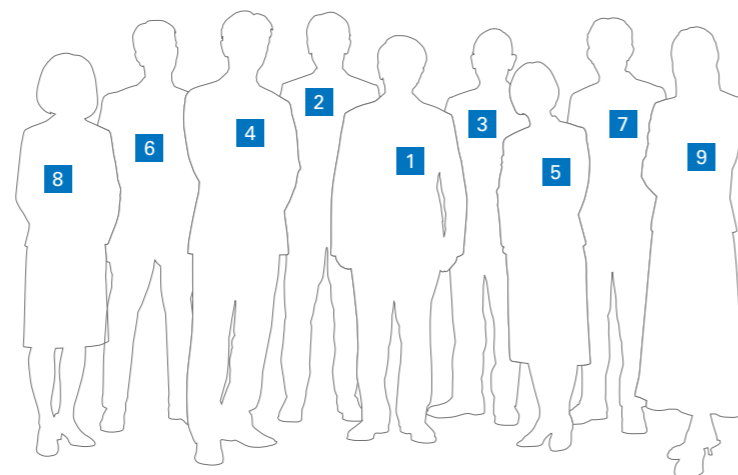
Outside Director
(Audit and Supervisory
Committee Member)

8 Chie Goto

Outside Director
(Audit and Supervisory
Committee Member)

9 Miho Saito

Outside Director
(Audit and Supervisory
Committee Member)



Enhancement of auditing and supervisory functions concerning corporate management, achievement of full compliance, and improvement of management transparency

The Group is committed to enhancing the corporate governance as one of the most important managerial tasks. We recognize the importance of enhancement of the auditing and supervisory functions concerning corporate management, achievement of full compliance, and improvement of the management transparency to sincerely fulfill our responsibilities towards various stakeholders, including customers, business partners, shareholders, employees, and government entities, and enhance our corporate value as sustainable companies.

Tripartite Discussion Among Outside Directors



Building a solid management foundation with a view to our ideal state

Hidehito Kotani × Yoshiaki Kamoya × Chie Goto
 Outside Director (Audit and Supervisory Committee Member) Outside Director (Audit and Supervisory Committee Member) Outside Director (Audit and Supervisory Committee Member)

The Group is implementing the Medium-Term Management Plan and an action plan with a view to realizing its ideal state and also working to strengthen its governance system. This talk among the Group's three outside directors focuses on strengthening the governance system, the details of and progress on formulating an action plan to enhance the effectiveness of the Medium-Term Management Plan, and the importance of human capital.

Strengthening the governance system

Kamoya: When I was initially appointed as an outside director, my honest impression was that the Company faced numerous challenges requiring improvement in both its human resource strategy and management strategy. But now, five years later, TOHO HOLDINGS has steadily carried out various reforms. Significant progress has been made in strengthening the management foundation, including the establishment of specialized organizations for each issue, such as the Investment Committee, the Management Strategy Committee, and the Governance Enhancement Special Committee.

Kotani: During my three years serving as outside director, I have observed that every employee—from headquarters

management to field staff at each sales office and store—possesses a sincere commitment to medicine. Moreover, I believe employees work with pride in supporting Japan's medical infrastructure through their own efforts, and that a sense of unity is a significant strength unique to TOHO HOLDINGS.

Goto: That's exactly right. Similarly, during my first year as an outside director, I have strongly felt the earnestness and sincerity possessed by all employees. The dedication of all executives and employees to engage with customers, communities, and society to ensure pharmaceuticals are delivered when and where it is needed clearly demonstrates how deeply the commitment to medical care and health, as stated in our Mission Statement and Corporate Slogan, permeates throughout the organization.

In addition, as Mr. Kamoya has said, the management foundation is being steadily strengthened. The Board of Directors has seen an increase in the number of outside directors, leading to a greater exchange of candid opinions, which has significantly invigorated discussions. Furthermore, the Board of Directors discusses the content of each committee's recommendations and may revisit them with a critical eye, ensuring that external perspectives are thoroughly reflected in management.

Kotani: I, too, strongly feel that discussions have been invigorated. Previously, there was little discussion and few questions on the Board of Directors, and meetings took just around one hour. However, discussions now take more time and have become more substantive. Additionally, we are working to create an environment where each person can clearly express their opinions and engage in discussion, such as by adopting a show-of-hands system for indicating support or opposition to proposals, which was suggested by Ms. Goto.

And as an outside director myself, I held approximately 20 meetings with shareholders and investors over the past six months. I have received various opinions from our shareholders regarding our growth strategy, governance structure, human resource systems, and other matters. By sharing these with the Board of Directors, efforts are being made to incorporate stakeholder perspectives into management.

Kamoya: It's just as the two of you have said, the quality and quantity of discussions on the Board of Directors have increased dramatically, and I feel that reforms to the Board of Directors are making steady progress. In addition, there has been more active communication with the Board of Directors' secretariat. In addition to being able to freely ask questions to the secretariat, if there are any unclear points in the materials shared in advance, they can be clarified with the secretariat. This allows directors to attend the Board of Directors meetings with a solid understanding of the agenda items beforehand. The entire Board of Directors, including the secretariat, is actively striving to make discussions more effective, and I expect discussions to be further invigorated going forward.

Goto: All directors must engage with capital markets and shareholders, and I believe it will be necessary going forward to take more accountability for the perspectives of the management team, including the contents and outcomes of discussions. Also, in FY 2024, the Governance Enhancement Special Committee was established. Discussions have focused on radically reforming the internal reporting system and the Group's risk management. Going forward, led by the Chief Governance Officer (CGO), I expect there will be deeper discussions on the Board of Directors as well.

[▶ P54 CGO Message](#)

[▶ P61 Governance Enhancement Special Committee](#)

Details of and progress on formulating an action plan to enhance the effectiveness of the Medium-Term Management Plan

Kamoya: In formulating an action plan to accelerate the initiatives of the Medium-Term Management Plan and enhance its effectiveness, the Management Strategy Committee was established, including myself and Mr. Kotani as members, and held over ten discussions that also involved outside experts. We earnestly discussed what is necessary for TOHO HOLDINGS to survive, strengthening our recognition not only of setting numerical targets such as ROE but also of the importance of human resources. We are currently actively communicating this both internally and externally, and I feel that understanding is gradually progressing.



Kotani: Like Mr. Kamoya, I was deeply involved in formulating an action plan as a member of the Management Strategy Committee. As part of this, a positive aspect was our ability to formulate strategy through backcasting based on the future business environment and the vision for TOHO HOLDINGS we aim to achieve. This enabled us to establish ambitious numerical targets early on. We discussed the business investment and capital costs necessary to achieve them, and I believe we were able to formulate a rational plan with a clear commitment to meeting the expectations of shareholders and our other stakeholders. We broadly incorporated objective data, including the benchmarks of other companies, and outside opinions, and I think these initiatives are a major achievement of the Management Strategy Committee.

Goto: Regarding the progress of specific initiatives indicated in the action plan, information is shared by the persons responsible at regular monthly meetings. In my case, as an attorney and CPA, I monitor this progress and KPI-related matters as well as legal risk and synergies with other businesses. Going forward, as the plan progresses, I expect discussions at the Board of Directors meetings to incorporate a focus on KPIs. As for the current status of the action plan, while there are areas in need of improvement, in my assessment, overall, the plan is progressing smoothly.

Tripartite Discussion Among Outside Directors

Importance of human capital

Kotani: Achieving the Medium-Term Management Plan and its action plan requires accelerating the launch of new revenue streams, including new businesses, and securing human resources is crucial for this purpose. Based on my experience working with pharmaceutical and medical IT companies, I believe digital transformation (DX) is the most critical priority in today's medical industry. I assess TOHO HOLDINGS as having significant potential, as it was among the first pharmaceutical wholesalers to develop and provide its own business support systems for customers. Going forward, acquiring and developing human resources with specialized expertise and ideas will be essential for determining how to leverage these strengths in our business and deliver them to customers as products. I have also proposed to the steering committee that we proactively advance IT and DX-related projects more than ever before, and I expect accelerated efforts to secure human resources who will spearhead new ventures and initiatives.



Kamoya: The environment surrounding pharmaceutical wholesaling, our main business, is extremely challenging and it is expected to remain challenging going forward. In this environment, creating new businesses and revenue streams to continuously enhance corporate value into the future is a challenge not only for TOHO HOLDINGS but for the entire pharmaceutical wholesaling industry. To achieve this, it is essential to sensitively grasp changes in the external environment, such as drug pricing and medical systems, and cultivate human resources who can withstand such environmental shifts. I believe that if the organization can be transformed into one in which flexible action tailored to each site is possible, it will enable us to create sustainable value more than ever before.


Goto: It's just as you say. TOHO HOLDINGS is establishing and operating a sustainability promotion system that includes establishment of the Sustainability Promotion Committee led by the COO and with members including the people responsible for sales and logistics. This is proof that it has been achieved precisely because management understands that sustainability management, business activities, and enhancing corporate value are closely interconnected. For instance, even in pharmaceutical supply, we formulate business strategies from the perspective of addressing

social issues and contributing to community healthcare. TOHO HOLDINGS' sustainability management carries out commendable initiatives that can serve as a model.



Kotani: I have served as the chair of the Nomination and Compensation Committee since January 2025. With the change in CEOs in 2024, we recognized again the importance of succession planning, so discussions have been actively progressing. Along with having in-depth discussions on the skills and attributes required of a CEO, we are also advancing discussions on establishing an evaluation system that incorporates external perspectives, striving to move into the implementation phase as soon as possible.

On the Nomination and Compensation Committee, we have advanced reforms to the system of remuneration for directors. Based on objective data and benchmarks, we believe we have established a transparent and objective compensation system, including performance-based pay linked to progress and results against numerical targets in the action plan.

 [P62 Remuneration for Directors](#)

Goto: The necessity of reforming the human resource system is being proposed primarily by outside directors. As an example, in 2024 I proposed appointing an external candidate as CHRO. As a result, while we still don't have a CHRO, under the direction of the head of the Human Resources Department invited from outside the Company, we are in the process of establishing a new human resource system. As for the action plan, development of a new human resource system is targeted as part of human capital initiatives, and the entire Board of Directors will closely monitor its progress and outcomes.

Kamoya: An urgent task is to reform our human resource system, including the succession plan Mr. Kotani discussed, to create a company where every employee can find fulfillment in their work. The pharmaceutical wholesaling business currently faces a challenging environment, but in delivering pharmaceuticals to patients we play the important role of contributing greatly to the health of the nation's citizens. I expect that efforts to improve and reform the workplace environment will continue, so that each and every employee can feel that their work is truly needed by society.

MESSAGE CGO Message



Focused on strengthening our governance system by implementing five key policies

Takeo Matsutani
Executive Managing Director
and CGO

In light of the recent rapid changes in the business environment and the growing societal demand for strengthened governance, the Group recognizes that enhancing our governance system is an urgent priority. Based on this recognition, the Governance Enhancement Special Committee, made up of independent outside members, was established in August 2024 as an advisory body to the Board of Directors. We are working to establish an effective governance system based on objective and expert advice and recommendations from this committee.

And to further accelerate these initiatives, I have been appointed to the position of Chief Governance Officer (CGO), serving as the executive responsible for overseeing governance across the entire Group. As the CGO, my responsibility is to ensure thorough transparency, accountability, and ethical conduct in management, and to build a robust and effective governance system. To this end, I will demonstrate strong leadership and work to sustainably enhance corporate value.

Specifically, we will carry out measures based on the following five key policies.

1. Foster company-wide compliance awareness

Beyond mere legal compliance, we will promote a shift in mindset where every executive and employee acts based on high ethical standards. We will improve the effectiveness of the internal reporting system and foster an open and transparent organizational culture.

2. Strengthen the functions of the Board of Directors and ensure its diversity

We will maximize the expertise of outside directors to further strengthen the Board's management oversight function. Also, we will promote the Board's diversity, and by invigorating discussions from multiple perspectives, we will achieve higher quality decision-making.

3. Strengthen the governance systems of Group companies

We will further strengthen governance management across Group companies. By doing so, we will advance reforms toward a governance system where management decisions are made with a constant awareness of capital efficiency.

4. Advance the risk management system

We will identify and evaluate increasingly complex risk factors, including geopolitical risk and cybersecurity, and work to continuously verify and advance our management system for addressing these risks. In doing so, we will build a system that allows us to respond quickly and appropriately to all foreseeable situations.

5. Strengthen dialogue with stakeholders and co-create value with them

We will engage in constructive dialogue with shareholders and investors and further strengthen engagement with all stakeholders, including employees, customers, business partners, and local communities. Based on the trust and sympathy built through this, we will strive to realize a sustainable society and co-create new value.

Governance is a company's culture itself and is the cornerstone of all business activities. To consistently meet the demands of society, we will continue to pursue a sound and optimal governance system.

All executives and employees will redouble their efforts to meet the support and expectations of everyone. We thank you for your understanding and cooperation with the Group's initiatives going forward.

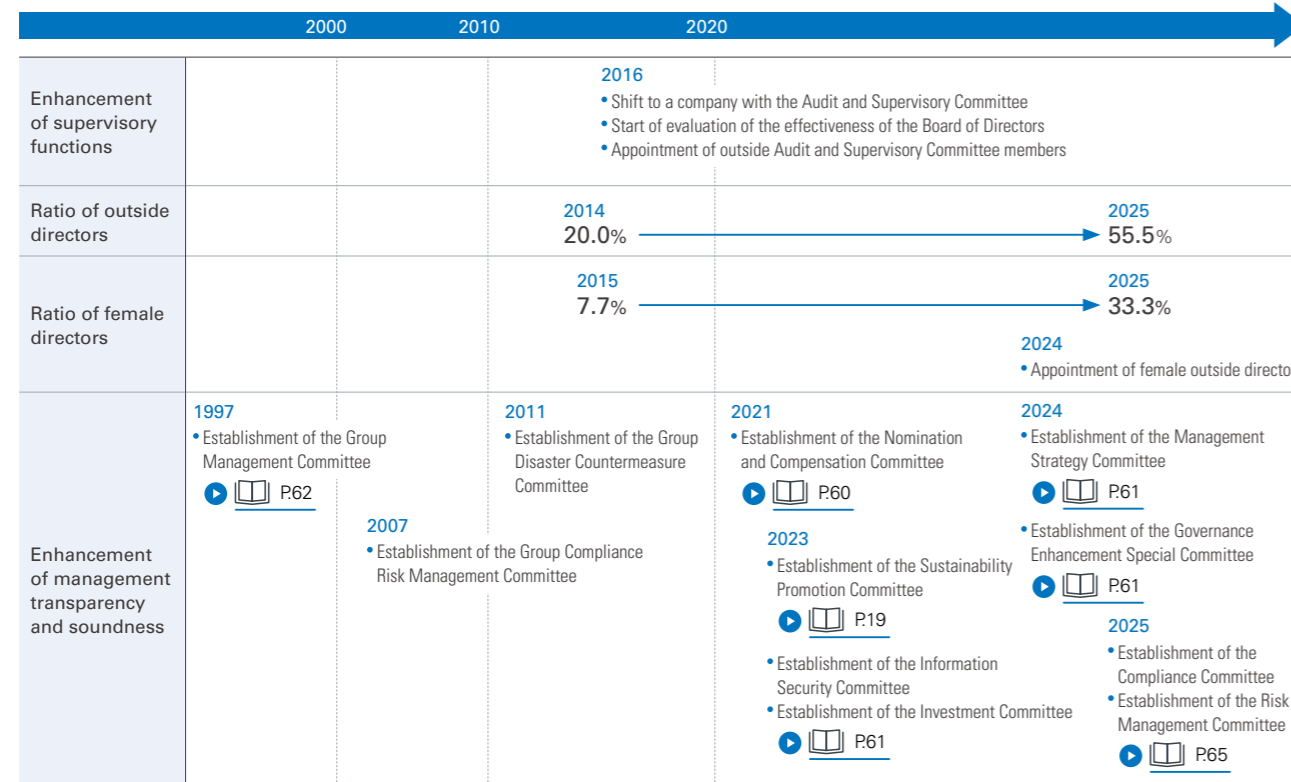
Efforts to Enhance Corporate Governance

Corporate Governance
<https://ir.tohold.co.jp/en/management/corporategovernance.html>

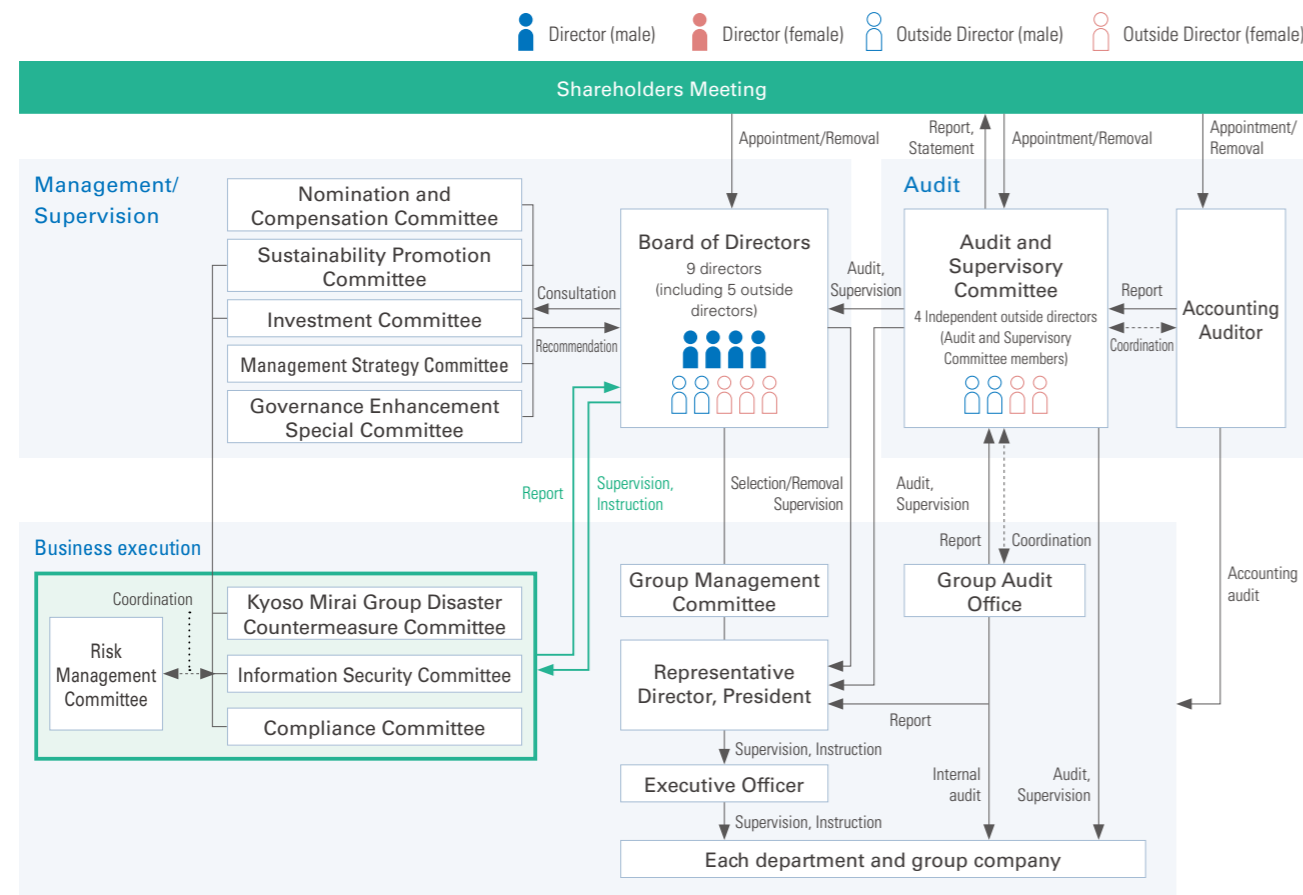


Relevant materiality:
 Establishment of a transparent governance system

Changes in Governance Enhancement (as of October 9, 2025)



Corporate Governance Structure (as of October 9, 2025)



Composition of Directors, Skill Matrix (as of June 27, 2025)

Name	Position	Gender	Attendance at Board of Directors and Audit and Supervisory Committee meetings in FY2024 (Number of times attended/ Number of times held)		Expertise and Experience						
			Board of Directors meetings	Audit and Supervisory Committee meetings	Corporate Management	Finance & Accounting/Capital Markets	Human Resource Development/Sustainability	Legal Affairs & Risk Management	Sales Strategy/Logistics	Business Development/DX	Knowledge of Pharmaceutical Administration and Policy
Hiroshi Eda	Representative Director, President and CEO	Male	13/13 (100%)	—	●	●				●	●
Akira Umada	Senior Executive Managing Director and COO	Male	13/13 (100%)	—	●		●		●		●
Takeo Matsutani	Executive Managing Director and CGO	Male	13/13 (100%)	—	●		●		●	●	●
Shuzo Kono	Director and Corporate Officer, in charge of Transformation	Male	—*1	—	●				●	●	●
Manako Haga	Outside Director	Female	—*1	—	●	●	●				
Yoshiaki Kamoya	Outside Director Audit and Supervisory Committee Members	Male	13/13 (100%)	7/7 (100%)	●			●	●		●
Hidehito Kotani	Outside Director Audit and Supervisory Committee Members	Male	13/13 (100%)	7/7 (100%)	●	●			●	●	●
Chie Goto	Outside Director Audit and Supervisory Committee Members	Female	10/10 (100%)*2	4/4 (100%)*2	●		●	●			
Miho Saito	Outside Director Audit and Supervisory Committee Members	Female	—*1	—*1	●	●	●				

*1. As the individual was appointed at the 77th Annual General Meeting of Shareholders on June 27, 2025, they were not in office during the period covered by this table.
 *2. As the individual was appointed at the 76th Annual General Meeting of Shareholders on June 27, 2024, number of the meetings held and attendance status are provided following their appointment.

Reasons for selection based on expertise and experience

Expertise and Experience	Reason for Selection
Corporate Management	We believe that a wide range of knowledge and experience in corporate management is necessary to formulate and implement growth strategies from a medium- to long-term perspective in the midst of significant changes in the market environment.
Finance & Accounting/Capital Markets	We believe that a wide range of knowledge and experience in finance, accounting and capital markets is necessary to realize sustainable growth investment and shareholder returns aimed at increasing corporate value while improving capital efficiency and securing a stable financial base.
Human Resource Development/Sustainability	Human Resource Development: With the Medium-Term Management Plan calling for maximizing the value of human capital, we believe that knowledge and experience in human resource development are necessary to provide appropriate advice and supervision when implementing and promoting human resource development and personnel system reform. Sustainability: We believe that knowledge and experience in the sustainability and ESG fields are necessary to achieve the "qualitative improvement of sustainability management" set forth in the action plan formulated based on the Company's Medium-Term Management Plan.
Legal Affairs & Risk Management	In order to increase corporate value as a sustainable company, it is important to develop and enhance the governance system and strengthen the risk management system, which form the basis for this. To this end, we believe that knowledge and experience in legal affairs and risk management are necessary.
Sales Strategy/Logistics	Sales Strategy: In order to co-create new value through the provision of unique services, it is important to strengthen our ability to understand customer needs and to provide added value. We believe that a wide range of knowledge and experience in sales strategy is necessary to accurately grasp current issues and their impact on market changes, and to appropriately advise and supervise the Group's sales strategies and policies. Logistics: As a company that handles life-related products, we believe that "safe and secure pharmaceutical distribution" is our mission, and that knowledge and experience in logistics are necessary to formulate, advise, and supervise appropriate logistics strategies.
Business Development/DX	In order to enhance the Group's corporate value over the medium to long term, it is important to establish new businesses as early as possible, reform existing businesses, and improve operational efficiency. We believe that knowledge and experience in business development and DX are necessary to implement and promote these initiatives.
Knowledge of Pharmaceutical Administration and Policy	We believe that in the complex market environment of the pharmaceutical industry, where national systems play a major role, knowledge and experience in pharmaceutical administration and policy are necessary to achieve sustainable growth and increase corporate value over the medium to long term.

Efforts to Enhance Corporate Governance

Board of Directors

To promote efficient and prompt group management, the Company appoints the representative directors of its major subsidiaries as directors, and appoints outside directors with diverse perspectives, experience, and advanced skills, including corporate managers. These members of the Board of Directors discuss issues leveraging their respective knowledge, experience, and abilities, make legal and managerial decisions and supervise the execution of business operations.

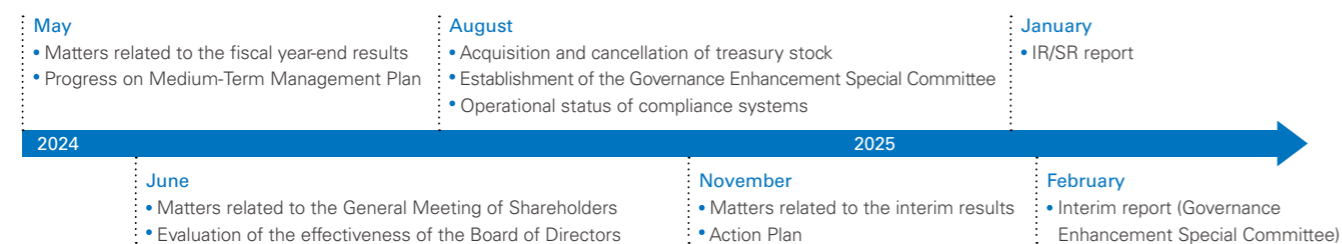
Members

9 directors (including 5 outside directors) 

Number of meetings (2025.3)

13 times

Highlights of activities (2025.3)



Evaluation of the effectiveness of the Board of Directors

In order to improve the functions and operation of the Board of Directors, the Company conducts a questionnaire survey of all directors on the effectiveness of the Board of Directors using a tool provided by an external organization. In addition, the Company analyzes and evaluates the results of the survey, and reports the results of the analysis and evaluation to the Board of Directors.

Evaluation method

The Company conducts an anonymous survey of all directors to elicit diverse opinions. The questionnaire also includes an open-ended section where specific opinions and proposals can be freely expressed. The collection, compilation and analysis of these survey results are outsourced to an external organization.

Questions (questionnaire items)

- 1 Composition of the Board of Directors
- 2 Operation of the Board of Directors
- 3 Discussion at the Board of Directors
- 4 Monitoring function of the Board of Directors
- 5 Performance of outside directors
- 6 Executive training
- 7 Dialogue with investors and shareholders
- 8 Each director's efforts
- 9 Other (about the Board of Directors in general)

Evaluation results

From the responses to the questionnaire, including the open-ended section, it was confirmed that the effectiveness of the Board of Directors as a whole has been ensured, as the Board of Directors was highly evaluated for its active discussions, diversity in terms of knowledge, experience, gender, etc., as well as for its enhanced dialogue with shareholders and investors and sufficient feedback on the status of such dialogue to the Board of Directors.

In addition, in order to further activate and deepen discussions at the Board of Directors meetings, the time of the Board of Directors meetings was extended in FY2024 to ensure sufficient time for deliberations.

At the same time, the Board of Directors shared the challenges of expanding opportunities for executive training and further activating discussions with an awareness of capital profitability and capital efficiency.

Regarding the early submission of materials for the Board of Directors meetings, which was raised as an issue in the FY2023 effectiveness evaluation, in order to enable sufficient consideration before deliberations, in addition to the early submission of materials, prior explanations were provided for some important matters. However, it is recognized as an issue that needs to be addressed on an ongoing basis.

Future initiatives

Based on the results of this effectiveness evaluation, the Company will implement the following initiatives to further improve the effectiveness of the Board of Directors.

- Establishing an annual agenda for the Board of Directors that incorporates medium- to long-term strategic perspectives
- Providing executive training on a variety of topics
- Accelerating submission of materials by utilizing DX tools, etc.

Training for directors

The Company gives newly appointed directors the opportunity to participate in external seminars in order to acquire knowledge mainly concerning the statutory duties and responsibilities of directors as stipulated by law. Members of the Board of Directors visit the Company's facilities such as logistics centers in order to enhance their understanding of the Company's business activities. In addition, the Company also provides opportunities for all the board members to obtain information and knowledge on industry trends and the business environment surrounding the Company, and the Company bears the costs required for these activities.

MESSAGE Messages from Newly Appointed Outside Directors

Achieving sustainable growth and enhancing corporate value over the medium to long term requires management proposals from diverse perspectives. We have appointed two new outside directors, selected for their specialized knowledge and extensive experience in finance and accounting, capital markets, human resource development, and sustainability. We expect them to provide independent advice and effective oversight to ensure appropriate decision-making by the Board of Directors.



Manako Haga
Outside Director

I have worked on building and improving business processes, business planning, and overseas BPO in finance and corporate planning management at foreign banks, securities firms, and asset management companies. I now focus on human capital management, serving as the CHRO of a Japanese online securities firm. I see human resources as the source of sustainable corporate value enhancement. I emphasize respecting diverse values and prioritizing both individual autonomous growth and organizational development.

Through my work across various corporate cultures, I have realized how diversity generates new ideas, revitalizes organizations, and drives growth. As an independent outside director, I see my role on the Board of Directors as using diversity to provide information from different perspectives and share my knowledge and experience, encouraging multidirectional discussions and contributing to better decision-making. Additionally, it is crucial to meet the expectations of all stakeholders, including shareholders and investors, through stronger governance and dialogue. As a member of the Nomination and Compensation Committee, I will focus on strengthening corporate governance and improving transparency.

Our group is advancing the Medium-Term Management Plan "Create the Next Generation" to ensure the secure and safe supply of pharmaceuticals while also pursuing new value creation. I feel a deep sense of responsibility as I join during a time of major transformation in business structure, governance, and human capital. I recognize my role and responsibilities as an outside director and aim to enhance corporate value through transformation.



Miho Saito
Outside Director (Audit and Supervisory Committee Member)

As an institutional investor, I have invested for many years in publicly listed companies worldwide, including Japanese stocks, in the U.S. and Singapore. Under Abenomics, initiatives like the Corporate Governance Code and the Stewardship Code laid the groundwork for enhancing corporate value and improving governance among listed companies. This has finally created an environment where Japanese companies can be fairly evaluated and held for the long term. Despite the undeniable gap between market expectations and reality, and the lack of dialogue with investors, I have always thought about how I could use my expertise to directly assist companies.

TOHO HOLDINGS transitioned early to a company with an Audit and Supervisory Committee and went on to establish other meeting bodies such as the Sustainability Promotion Committee and the Governance Enhancement Special Committee to strengthen governance. Despite constraints such as drug pricing, the Company is initiating various efforts aimed at further growth and is steadily achieving each KPI. I am honored to be appointed as an outside director and Audit and Supervisory Committee Member for the Company, which has a strong commitment to enhancing corporate value. I plan to use my experience in promoting diversity at the United Nations Pension Fund to maximize benefits for all stakeholders and further advance our group's development.

Efforts to Enhance Corporate Governance

Audit and Supervisory Committee

We listen to reports on the status of business execution from directors, etc., and check important approval documents, etc. Directors who are Audit and Supervisory Committee members conduct rigorous audits by examining the status of operations and assets in accordance with the audit policy and division of duties.

MESSAGE Message from the Chairperson of the Audit and Supervisory Committee

In June 2025, one year after my appointment as an Audit and Supervisory Committee member, I assumed the role of Committee Chairperson, where I am expected to leverage my expertise as a lawyer and certified public accountant. For FY2025, the audit priorities include: 1) assessing the progress of the Medium-Term Management Plan 2023-2025 “Create the Next Generation” as it enters its final fiscal year; 2) building a governance system based on recommendations from the Governance Enhancement Special Committee; 3) initiatives focusing primarily on compliance with the Pharmaceuticals and Medical Devices Act*¹ and the Antimonopoly Act*²; 4) initiatives in human capital management; 5) evaluating the effectiveness of the corporate organization; 6) the group governance system; and 7) assessing impairment risks in investment projects.

The committee comprises four outside directors and does not have any full-time members. Recognizing the critical importance of a strong organizational audit system, we will strive for close collaboration including regular reports from the Group Auditing Office and auditors of subsidiaries such as TOHO PHARMACEUTICAL. We also prioritize timely coordination with the accounting auditor. Additionally, each Audit and Supervisory Committee member is responsible for attending key committees to identify issues and gather information promptly, which is then shared with the entire committee. As the committee chairperson, I will lead meetings to ensure each Audit and Supervisory Committee member can use their expertise for meaningful discussions centered on auditing and supervising business execution. In addition to defensive governance, the committee actively exercises its authority—such as by offering appropriate opinions at Board of Directors meetings—with the aim of supporting proactive governance. Our aim is to enhance the Group’s sustainable and mid- to long-term corporate value.



Chie Goto

Outside Director (Audit and Supervisory Committee Member)

*1 Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Device
*2 Act on Prohibition of Private Monopolization and Maintenance of Fair Trade

Members of the Committee

4 Independent outside directors who are Audit and Supervisory Committee members



Meetings held (2025.3)

7 times

Attendance status (2025.3)

Members of the Committee (As of June 27, 2025)		Attendance status
Outside Director (Audit and Supervisory Committee Member)	Yoshiaki Kamoya	7/7 (100%)
Outside Director (Audit and Supervisory Committee Member)	Hidehito Kotani	7/7 (100%)
Outside Director (Audit and Supervisory Committee Member)	Chie Goto	4/4 (100%)* ¹
Outside Director (Audit and Supervisory Committee Member)	Miho Saito	—* ²

*1 As the individual was appointed at the 76th Annual General Meeting of Shareholders on June 27, 2024, number of the meetings held and attendance status are provided following their appointment.

*2 As the individual was appointed at the 77th Annual General Meeting of Shareholders on June 27, 2025, they were not in office during the period covered by this table.

Activities (2025.3)

- Formulating the audit plan
- Preparing the audit report
- Forming opinions on the appointment and remuneration of directors other than Audit and Supervisory Committee members
- Evaluation and reappointment or non-reappointment of the accounting auditor, and consent to the accounting auditor’s audit remuneration
- Audit and Supervisory Committee Report
- Report from the auditor of major subsidiaries
- Report on the operational audit by the Head of the Internal Audit Division, etc.

Advisory body to the Board of Directors

Nomination and Compensation Committee

In order to strengthen the transparency and objectivity, the Company has established the voluntary Nomination and Compensation Committee as an advisory committee to the Board of Directors. The Committee is chaired by an outside director and the majority of its members are independent outside directors.

MESSAGE Message from the Chairperson of the Nomination and Compensation Committee

Since January 2025, I have served as the Chairperson of the Nomination and Compensation Committee. Our Nomination and Compensation Committee, consisting of four outside directors and two internal directors, has implemented various reforms to enhance its functions. These include increasing meeting frequency to monthly from FY2025. As society increasingly demands stronger corporate governance, we are responding by revamping the Nomination and Compensation Committee’s role, broadening its agenda, and engaging in deeper discussions.

Our Group’s goal is to swiftly implement the strategies outlined in the Medium-Term Management Plan and deliver results. At the 2025 General Meeting of Shareholders, two new outside directors and one internal director were appointed. Before selecting the candidates, we held extensive discussions on the skills required for directors to achieve the strategic objectives outlined in the Medium-Term Management Plan. We expect new directors to leverage their extensive experience and knowledge to contribute to enhancing our corporate value.



Hidehito Kotani

Outside Director (Audit and Supervisory Committee Member)

We revamped our directors’ remuneration system to ensure high independence, transparency, and objectivity, fulfilling our accountability to stakeholders. We have adopted a remuneration system tied to management objectives and implemented a directors’ remuneration system based on industry benchmarks.

Additionally, we are progressing with the CEO succession plan. As chairperson of the Nomination and Compensation Committee and an outside director, I will actively engage in discussions from an independent and objective perspective to develop and select talent that can drive our Group’s sustainable growth. The reforms so far are just the first step. We will continue to identify challenges and recommend improvements.

Members of the Committee

6 directors (including 4 outside directors)



Meetings held (2025.3)

4 times

Attendance status (2025.3)

Members of the Committee (As of June 27, 2025)		Attendance status
Outside Director (Audit and Supervisory Committee Member)	Hidehito Kotani	4/4 (100%)
Representative Director, President and CEO	Hiromi Edahiro	4/4 (100%)
Senior Executive Managing Director and COO	Akira Umada	3/3 (100%)* ¹
Outside Director (Audit and Supervisory Committee Member)	Yoshiaki Kamoya	4/4 (100%)
Outside Director (Audit and Supervisory Committee Member)	Chie Goto	3/3 (100%)* ¹
Outside Director	Manako Haga	—* ²

*1 As the individual was appointed to the Nomination and Compensation Committee member by resolution of the Board of Directors held on June 27, 2024, the number of meetings held and attendance status are provided following their appointment.

*2 As the individual was appointed to the Nomination and Compensation Committee member by resolution of the Board of Directors on June 27, 2025, they were not in office during the period covered by this table.

Activities (2025.3)

- Appointment of the chairperson
- Appointment of directors
- Selection of representative directors and directors with special titles
- Remuneration, etc., of directors
- Review of directors’ remuneration system (consideration of introducing a performance-linked remuneration system)
- Revision of the Nomination and Compensation Committee regulations (broadening the scope of deliberation items)

Efforts to Enhance Corporate Governance

Investment Committee

We have in place the Investment Committee, an advisory committee to the Board of Directors, to examine investment proposals before selecting them. The Committee is comprised of members from finance, legal, sales, pharmaceutical affairs, and other divisions as well as of external experts. It is chaired by the CFO.

Meetings held (2025.3)

5 times

Activities (2025.3)

The Committee deliberated on investment projects, taking into account their appropriateness from a financial perspective, profitability and growth risks from a business strategy perspective, and the opinions of each committee member from his/her professional perspective.

Sustainability Promotion Committee

 P.19 Sustainability Promotion System

Management Strategy Committee

In the Medium-Term Management Plan 2023-2025 “Create the Next Generation,” which began in FY2023, we are working on the basic policies of “Business transformation,” “Investment for growth and improvement of profitability,” “Sustainability management,” and “Improvement of capital efficiency and enhancement of shareholder returns.” In order to accelerate these efforts and enhance their effectiveness, the Committee mainly discussed important management and business strategies, such as (1) specific execution plans to improve the profitability and productivity of each business (including indirect departments), as well as (2) investments for growth in existing, adjacent, and new businesses, (3) the business portfolio and (4) cross-shareholdings and the holding of assets for businesses, taking into account capital costs and stock prices, along with (5) capital allocation based on the above-mentioned four agendas.

Members of the Committee	
Internal directors	Hiroshi Eda, Akira Umada, Atsushi Udoh, Takeo Matsutani
Outside directors	Yoshiaki Kamoya, Hidehito Kotani
Outside experts	Shosaku Murayama, Yukio Matsui

* The above members are as of April 2024.

Governance Enhancement Special Committee

The Company established the Governance Enhancement Special Committee in August 2024 to further strengthen the Group’s governance, including compliance and risk management.

The Committee consists of three external members with expertise in fields such as law, finance, and corporate management. Their role is to objectively and professionally verify the internal control organization and provide advice and recommendations on governance.

The Committee also verifies the status of decision-making, risk management, audits, the composition, deliberations, and frequency of various meetings, regulations, and management of subsidiaries, etc., and verifies and discusses whether the Group’s governance system is functioning effectively.

The Board of Directors received an interim report from the Committee in February 2025. Following the recommendations in this interim report, we took the following measures.

Members of the Committee	
Committee chairperson	Yasuyuki Takai
Member	Hidehito Kotani
Member	Chie Goto

Enhancement and fulfillment of the whistle-blowing system	To enhance and fulfill the whistle-blowing system, we have strengthened both internal and external response channels and established a new Compliance Promotion Department as of April 1, 2025.
Further enhancement of group governance	To enhance the governance functions of the entire group, we established a new Group Governance Department as of April 1, 2025.

After 20 rounds of deliberations, the Committee submitted the final report in October 2025.

The Group takes the Committee’s valuable advice and recommendations seriously and will actively work to further enhance governance.

 P.65 Compliance/Risk management

Group Management Committee

The Group Management Committee reviews significant matters in advance for the Board of Directors, thereby ensuring thorough deliberations and prompt, appropriate decision-making.

The Committee also discusses and deliberates on the Group’s management and business strategies, important business execution matters, progress reports on initiatives in each business, and measures to address issues. These thorough deliberations by the Group Management Committee ensure the proper execution of operations.

Remuneration for Directors

Individual remuneration for directors, excluding Audit and Supervisory Committee members, is resolved by the Board of Directors after deliberation by the Nomination and Compensation Committee.

Basic policy

- Compensation shall be determined based on fair and reasonable standards, comprehensively considering the duties of directors, degree of responsibility, contribution to business performance, etc.
- Compensation shall be an appropriate combination of fixed compensation (base compensation), performance-linked compensation, stock compensation, etc., from the perspective of improving the Company’s corporate value over the medium to long term.
- The content of compensation shall be highly independent, transparent, objective, and accountable to the Company’s stakeholders.

Compensation levels

- The compensation levels shall be determined by resolution of the Board of Directors after the Nomination and Compensation Committee verifies the appropriateness thereof by conducting research and analysis of compensation levels for each position using data from an external research organization and peer groups of companies with more or less the same market capitalization or companies in similar industries.
- The compensation levels shall be reviewed from time to time in accordance with changes in the Company’s business environment and external environment.

Composition of compensation

- Compensation for directors (excluding outside directors) shall be divided into three categories: representative salary, supervisory salary, and executive salary. Outside directors shall be paid only fixed compensation in light of their duties.

Representative salary	A fixed amount of money is paid monthly to Directors with representative authority.	
Supervisory salary	A fixed amount of money is paid monthly as compensation for management supervision.	
Executive salary	Fixed compensation, performance-linked bonus (STI), and stock compensation (LTI) shall be paid for business execution. The composition of executive salary shall be 65–75% fixed compensation, 15–20% bonus, and 10–15% stock compensation.	
	Fixed compensation	• A fixed amount of money is paid monthly according to the position.
	Bonus (STI)	<ul style="list-style-type: none"> • Bonuses shall be performance-linked compensation in cash based on performance and evaluation during the relevant fiscal year. • The three indicators to be used in the evaluation shall be operating income, ROE, and employee engagement. • The ratio shall be 50:25:25, and 0–200% of the standard amount according to the position shall be paid in a lump sum after evaluation (in June of the following year).
Stock compensation (LTI)	• Restricted stock (RS) shall be granted according to the position with the aim of providing an incentive to continuously improve the Company’s corporate value and to promote value sharing with shareholders.	



Policy and Procedure on Compensation for the directors

<https://data.swcms.net/file/tohohd/dam/jcr:42f81a14-548d-47fb-bad9-df6112f4df30/S100W4IU.pdf#page=72>
(Japanese only)

Method of determining remuneration, etc.

With respect to remuneration for directors, a distinction is made between directors (excluding those who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members. A resolution was passed at the 77th Annual General Meeting of Shareholders held on June 27, 2025, to the effect that the total amount of remuneration for directors (excluding those who are Audit and Supervisory Committee members) should be no more than 500 million yen per year (of which the amount for outside directors should be no more than 50 million yen per year) and that for directors who are Audit and Supervisory Committee members should be no more than 100 million yen per year.

Efforts to Enhance Corporate Governance

Total amount of remuneration, etc., by officer category, total amount of remuneration, etc., by type, and the number of eligible directors

Officer category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)			Number of eligible directors
		Monthly remuneration	Bonuses for directors	Restricted stock compensation	
Directors excluding Audit and Supervisory Committee members (of which, outside directors)	328 (-)	271 (-)	20 (-)	36 (-)	6 (-)
Directors who are Audit and Supervisory Committee members (of which, outside directors)	50 (50)	47 (47)	3 (3)	- (-)	4 (4)
Total (of which, outside directors)	378 (50)	318 (47)	23 (3)	36 (-)	10 (4)

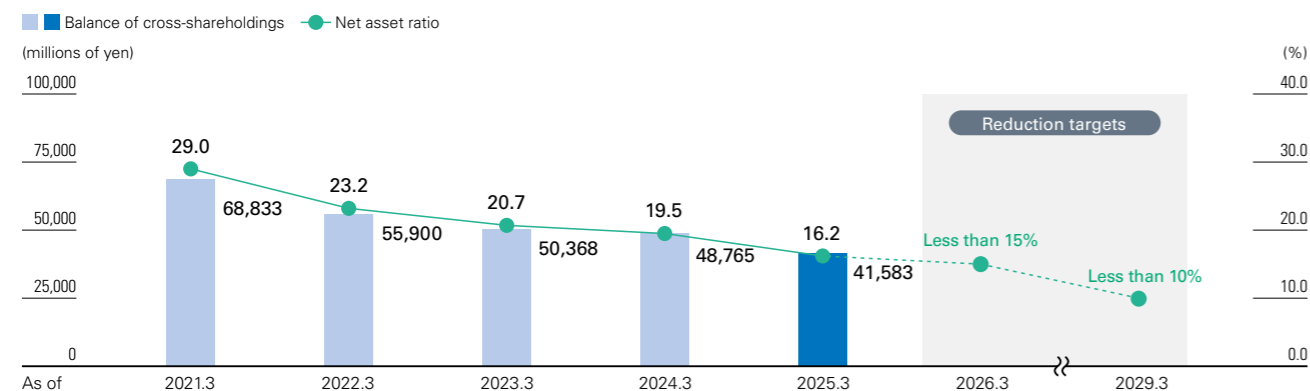
Cross-shareholdings

Comprehensively taking into account a management strategy, building, maintenance, and strengthening of relations with business connections, and other matters, the Company holds shares that it finds contribute to enhancing the Group's corporate value from a medium- to long-term point of view.

The Company regularly reviews the appropriateness of holding those shares by carefully examining whether the benefits of holding each company's shares align with the Company's policy and selling any shares deemed inappropriate to retain.

Status of cross-shareholdings

We have been steadily reducing our cross-shareholdings after thorough discussions with the companies involved. In FY2024, we sold four stocks (totaling 7,923 million yen). This reduced the ratio of cross-shareholdings to net assets to 16.2%.



*1. The above amounts include unlisted shares.

*2. The Company does not have any shares deemed to be held.

Changes in number and amounts of cross-shareholdings sold

Fiscal Year	Number of shares sold	Amounts of shares sold (millions of yen)
2021.3	16	7,391
2022.3	15	5,195
2023.3	12	5,808
2024.3	12	13,188
2025.3	4	7,923

* Including a partial sale.

Approach to exercising voting rights

The Company exercises voting rights, assessing whether exercising such voting rights will lead to enhancement of the corporate value of the invested companies over the medium to long term. If we identify issues such as sluggish business performance or serious compliance violation, etc., we engage in dialogue with the counterparties and make a comprehensive judgment based on the potential impact on our group.

Policy on Constructive Dialogues with Shareholders and Investors

The Company responds positively to dialogue (or interview) requests from shareholders or investors, which is specifically done by the Corporate Communications Department and Corporate Planning Department. Also, the representative director and outside directors respond as often as possible to some requests from shareholders or investors in the form of interviews.

In order to promote constructive dialogue with shareholders and investors, we hold financial results briefings for investors and analysts, and tours of facilities to offer a deeper understanding of the Group's management strategy.

Furthermore, based on the Company's shareholder composition and capital policy, the Company visits investors in North America, Europe, and Asian regions. The opinions obtained from shareholders and investors through dialogue are used to formulate and implement our management strategy.

Dialogue results in FY2024

- Financial results briefing for institutional investors and analysts: 2 times
- Individual interviews with institutional investors and analysts: 108 times

Main themes in dialogue with shareholders and investors

- Medium-Term Management Plan 2023-2025 "Create the Next Generation" and action plan (covering growth strategy, capital allocation, and more)
- Approach to investment and shareholder returns
- Environmental initiatives
- Approach and initiatives regarding human capital
- Efforts to strengthen governance

Internal control

The Group has established a Basic Policy on Internal Control System. This is a basic policy for systems to ensure that the execution of duties by directors complies with laws, regulations, and the Articles of Incorporation, and also to ensure the appropriateness of operations. This policy has been resolved by the Board of Directors.

By faithfully adhering to the Basic Policy on Internal Control System, we ensure the legality and efficiency of our business operations, while striving to manage risks effectively.

We regularly review the basic policy, enhancing and developing it to adapt to changes in the socio-economic environment and other factors affecting the Group.

Internal audit system

The Company has established the Group Audit Office, which is independent of business operations, to ensure sound management and proper business operations. The Group Audit Office conducts regular audits based on the annual auditing plan and irregular special audits to enhance and thoroughly implement internal audits.

The head of the Group Audit Office attends the Audit and Supervisory Committee as an observer, reporting on audit plans and results. This role also involves sharing updates on the committee's audit activities to strengthen collaboration and ensure a robust audit system.

Compliance/Risk Management

Relevant materiality:
Strengthening risk management

Reorganization into the Compliance Committee and the Risk Management Committee

Following discussions by the Governance Enhancement Special Committee, we are working to further strengthen our compliance and risk management functions.

To clarify roles and enhance expertise, we have restructured the former Group Compliance Risk Management Committee into two distinct committees: the Compliance Committee and the Risk Management Committee.

This new framework enhances effectiveness and oversight across various areas, establishing a stronger governance foundation.

Compliance

Basic Views

The Company has established the Compliance Promotion Regulations to ensure that officers and employees of the Group (employees, career staff, temporary employees, special temporary employees, loaned employees, contract employees, part-time employees) comply with laws and regulations, respect social norms, conduct corporate activities with fairness, transparency, and a high sense of ethics, as well as to ensure management that fulfills its social responsibilities.

We are committed to conducting our activities based on laws and ethics. To this end, we have established a “Code of Conduct” and annual goals, collectively known as our Compliance Program, which we continuously strive to implement.

Compliance Committee

The Company has established the Compliance Committee to ensure fair and sound business practices, driving and overseeing compliance across the entire Group.

Main roles

The Compliance Committee reviews and decides on the following matters, regularly reporting on its activities and the status of the whistle-blowing system, etc., to the Board of Directors, ensuring proper oversight by the board.

- Establishing basic compliance policies and regulations
- Review of compliance progress
- Compliance awareness activities and training

Whistle-blowing system

We view our whistle-blowing system as a key tool for preventing misconduct, detecting it early, and correcting it quickly, and have been operating the system to enhance its effectiveness.

Based on the interim report received from the Governance Enhancement Special Committee, we are working to further strengthen and enhance our whistle-blowing system.

In addition to the whistle-blowing systems we have operated within our group companies, we have established a reporting channel within the Company that is accessible to a wide range of our group’s personnel—including employees, career staff, temporary employees, special temporary employees, loaned employees, contract employees, part-time employees, dispatched workers, and retired employees—as well as to the personnel of our contractors.

As of April 1, 2025, the Company has established a new Compliance Promotion Department as a whistle-blowing channel and utilizes an external lawyer as an external contact point. With the “TOHO Hotline,” a system for direct reporting through our intranet, whistleblowers can choose whether to report anonymously or under their real name, allowing them to peace of mind. These efforts allow us to broadly accept reports and consultations about violations of laws, internal rules, and human rights abuses such as harassment. We strive to maintain and develop an environment where a diverse range of stakeholders can report with confidence.

We provide all officers and employees with training on purpose, importance, and usage of the whistle-blowing system. We also offer leniency for those who voluntarily report their own involvement in misconduct. Personnel who contribute to uncovering and correcting violations through the whistle-blowing system may be rewarded based on their cooperation and contribution. These efforts are aimed at making the system more effective.

Reports in FY2024

In FY2024, we received 17 whistle-blowing reports, all of which we promptly investigated and addressed with appropriate measures and countermeasures. The reports contained no serious legal violations.

Compliance training

In order to conduct sound business operations, it is important that all officers and employees have correct knowledge and a high awareness of compliance.

The Group requires all officers and employees to take compliance training on important laws, regulations and rules, among other matters to be understood in conducting business activities.

In addition to compliance training, we also provide timely specialized training.

Specifically, we identified topics such as the Antimonopoly Act, anti-bribery measures, and human rights, and invited external lecturers to deliver in-person lectures. We then distributed video recordings of the sessions so all officers and employees could watch them anytime—and as many times as needed.

These training sessions are designed not only to build an intellectual understanding of laws and rules but also to cultivate emotional engagement. By sharing real-life examples, they help individuals see compliance violations as personal issues that impact both the organization and themselves.

Risk Management

Basic Views

In the course of business operations, it is important to anticipate events that could occur in the future and to appropriately manage the likelihood of their occurrence and their potential impact. The Company identifies events with an unfavorable or negative impact on corporate management as risks and assesses them in terms of their probability of occurrence and impact. We are taking measures to prevent these risks under normal circumstances. Even if a risk materializes and a crisis occurs, we are hedging the risks in advance to minimize their negative impact and are prepared for a smooth transition to crisis management.

Risk Management Committee

The Company has established a Risk Management Committee to thoroughly and objectively identify various risks in our group’s management. This committee works to prevent risks and ensure quick and appropriate responses when they arise, driving and overseeing the risk management framework across the entire group.

Main roles

The Risk Management Committee reviews and decides on the following matters, and regularly reports the status of risk management to the Board of Directors, thereby ensuring the Board provides proper oversight.

- Establishing basic policies and regulations on management risks
- Identifying and assessing risks and reviewing the management framework
- Risk management awareness activities and training

► Main risks

• Legal Regulations, etc.

The Group’s core businesses and products are sold after obtaining the necessary license, registration, designation and permission in accordance with applicable laws and regulations including the Act on Securing Quality, Efficacy and Safety of Products including Pharmaceuticals and Medical Devices (Act on Pharmaceuticals and Medical Devices). The Group’s financial performance may be affected by the occurrence of cases that deviate from these laws and regulations and are subject to guidance or action by regulatory authorities, or by the status of permits and approvals.

• Impact of Revisions to NHI Drug Price Standards and Reform of Health Insurance Regime

The prescription pharmaceuticals that constitute the Group’s primary line of products are listed in the National Health Insurance Drug Price Standards. Revisions to the NHI Drug Price Standards or reform of the health insurance system could impact the Group’s sales or other indicators.

• Unique Business Practices

In the ethical pharmaceutical wholesaling industry, where the Group primarily operates, there is a long-standing practice of delivering pharmaceuticals to medical institutions and dispensing pharmacies without predetermined prices, followed by price negotiations. This unique transaction method persists because pharmaceuticals are vital products, and delivery delays are unacceptable. Public and private sectors are working together to improve these distribution practices. However, if price negotiations take too long or result in prices different from initial expectations, this could affect the Group’s performance.

Risk information
<https://ir.tohold.co.jp/en/riskfactor.html>



Section 04

Corporate Data

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Financial Summary

(Millions of yen)

	2015.3	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3	2024.3	2025.3
Operating Results											
Net sales	1,162,148	1,308,474	1,231,046	1,213,342	1,222,199	1,263,708	1,210,274	1,266,171	1,392,117	1,476,712	1,518,495
Cost of sales	1,055,793	1,182,429	1,121,182	1,099,149	1,110,152	1,148,354	1,110,961	1,157,484	1,277,750	1,357,564	1,396,847
Gross profit	106,320	125,928	109,993	114,172	112,042	115,415	99,372	108,687	114,366	119,148	121,648
Selling, general and administrative expenses	96,303	97,309	95,749	95,155	96,258	97,825	95,069	96,159	98,000	99,817	102,711
Operating profit	10,017	28,618	14,244	19,016	15,783	17,590	4,303	12,527	16,365	19,331	18,936
Ordinary profit	15,902	34,493	19,844	25,045	21,452	23,732	10,289	18,182	19,176	21,787	20,716
Profit attributable to owners of parent	13,535	21,771	14,225	14,384	13,863	16,230	4,989	13,379	13,630	20,657	19,844
Financial Position											
Total assets	598,976	641,877	598,155	645,799	663,727	670,827	683,181	702,376	715,288	773,427	722,805
Net assets	157,371	174,656	188,271	207,772	213,848	231,009	237,405	241,281	242,916	249,437	256,897
Cash Flows											
Cash flows from operating activities	29,347	2,381	16,062	51,978	13,428	10,815	8,768	16,341	-9	59,934	-26,675
Cash flows from investing activities	3,457	-4,942	-6,294	-12,448	-7,649	-15,664	680	-11,032	4,315	9,091	-4,180
Cash flows from financing activities	-7,258	-10,134	-9,900	-3,754	5,329	9,479	-680	-4,473	-13,060	-22,195	-20,364
Free cash flow	32,804	-2,561	9,767	39,529	5,779	-4,849	9,448	5,308	4,306	69,025	-30,855
Cash and cash equivalents at end of period	40,550	27,854	27,721	63,671	75,382	80,013	88,882	90,014	81,839	128,673	78,226
Capital Investment/Depreciation											
Capital investment	4,857	6,959	9,326	9,406	4,053	14,604	6,000	4,480	3,309	4,162	6,402
Depreciation	4,729	4,721	4,483	4,498	4,869	5,198	6,424	6,634	6,119	6,244	5,929
Major Indicators											
Gross profit margin (%)	9.15	9.62	8.93	9.41	9.17	9.13	8.21	8.58	8.22	8.07	8.01
Operating profit margin (%)	0.86	2.19	1.16	1.57	1.29	1.39	0.36	0.99	1.18	1.31	1.25
Return on equity (ROE) (%)	8.89	13.12	7.84	7.27	6.58	7.30	2.13	5.60	5.64	8.40	7.85
Ratio of ordinary profit to total assets (ROA) (%)	2.70	5.55	3.20	4.03	3.28	3.56	1.52	2.61	2.71	2.93	2.77
Equity-to-asset ratio (%)	26.27	27.20	31.45	32.15	32.19	34.41	34.73	34.30	33.93	32.22	35.51
Price book-value ratio (PBR) (times)	0.90	0.95	0.85	0.83	0.88	0.69	0.60	0.54	0.65	0.92	1.09
Earnings per share (EPS) (yen)	181.83	316.51	207.12	209.84	207.71	233.34	70.77	189.70	196.70	320.14	313.20
Net assets per share (yen)	2,246.54	2,544.58	2,736.30	3,030.58	3,135.45	3,273.86	3,364.65	3,415.50	3,623.81	3,969.20	4,099.71
Annual dividend per share (yen)	24.00	28.00	30.00	30.00	30.00	40.00	30.00	30.00	32.00	40.00	65.00
Shareholder Returns											
Dividend payout ratio (%)	13.20	8.85	14.48	14.30	14.44	17.14	42.39	15.81	16.27	12.49	20.75
Total return ratio (%)	83.70	23.81	14.49	18.63	86.72	34.73	42.41	15.82	70.35	70.41	96.46
Dividend on equity ratio (%)	1.14	1.17	1.14	1.04	0.97	1.25	0.90	0.88	0.91	1.05	1.61

* Owing to the change in presentation method from the first quarter of the FY ended March 31, 2024, net sales and operating profit for the FY ended March 31, 2023 are shown after the retrospective reclassification.

Non-financial Summary

	2023.3	2024.3	2025.3	Target
HR-related data				
Number of all employees	10,036	10,039	10,158	
male	5,361	5,263	5,248	
female	4,675	4,776	4,910	Consolidated
Ratio of female employees (%)	46.6	47.6	48.3	
Ratio of female managers (%)	21.5	20.9	21.2	
Ratio of female managers (%)	16.5	16.0	16.7	TOHO HOLDINGS
Number of new employees	80	77	71	
male	33	36	25	
female	47	41	46	Consolidated
Ratio of new hires who are females (%)	58.8	53.2	64.8	
Average length of service (year)	19.4	19.5	19.3	
male	22.3	22.6	22.4	TOHO HOLDINGS TOHO PHARMACEUTICAL
female	12.8	12.9	13.1	
Average annual salary (yen)	6,010,459	6,143,484	6,281,611	TOHO HOLDINGS
Average overtime hours per month (hours)	11 hours 50 minutes	11 hours 4 minutes	10 hours 41 minutes	TOHO HOLDINGS TOHO PHARMACEUTICAL
Number of paid vacation days (days)	11.9	10.7	10.6	
Ratio of paid vacation days (%)	50.2	45.4	45.6	
Ratio of males taking childcare leave (%)*	—	42.6	46.7	
Number of users of the short-time attendance system for childcare	166	179	152	
male	1	1	1	Consolidated
female	165	178	151	
Number of users of nursing care leave system	12	12	14	
Ratio of persons with disabilities (%)	3.63	3.16	3.52	TOHO HOLDINGS
Ratio of persons with disabilities (%)	2.30	2.40	2.48	TOHO PHARMACEUTICAL

* The ratio of male employees taking childcare leave has been calculated since FY2023.

Data related to the environment

	2023.3	2024.3	2025.3
Greenhouse gas emissions (Scope 1) (t-CO ₂ e)	15,105	13,915	13,420
Greenhouse gas emissions (Scope 2) Market-based (t-CO ₂ e)	14,943	14,825	9,118
Greenhouse gas emissions (Scope 2) Location-based (t-CO ₂ e)	15,947	16,001	15,589
Greenhouse gas emissions (Scope 3) (t-CO ₂ e)	2,360,680	2,105,528	1,991,676
category 1 (Purchased goods and services)	2,344,474	2,086,402	1,964,191
category 2 (Capital goods)	7,494	10,803	16,041
category 3 (Fuel and energy-related activities not included in Scope 1 and 2)	4,716	4,538	4,486
category 4 (Upstream transportation and distribution)	640	354	432
category 5 (Waste generated in operations)	20	18	20
category 6 (Business travel)	316	495	498
category 7 (Employee commuting)	2,912	2,771	5,830
category 13 (Downstream leased assets)	109	146	177
Greenhouse gas emission reduction rate in Scope 1 and 2 (Compared to FY2019) (%)	26.5	29.7	44.9

	2023.7	2024.7	2025.7
Governance data			
Ratio of outside directors (%)	33.3	33.3	55.5
Ratio of female directors (%)	11.1	22.2	33.3

Corporate Information/Executives/Stock Information

Corporate Information

Company Name	TOHO HOLDINGS CO., LTD.
Registered Office Address	4-43-11, Daizawa, Setagaya-ku, Tokyo 155-8655, Japan
Head Office	Tokyo Midtown Yaesu, Yaesu Central Tower 9F 2-2-1, Yaesu, Chuo-ku, Tokyo 104-0028, Japan
Establishment	September 1948
Capital	10,649 million yen
Stock Listings	Tokyo Stock Exchange, Prime Market (Stock Code: 8129)
Employees	7,609 (Consolidated) (Securities report basis)
Group Company	
TOHO PHARMACEUTICAL CO., LTD.	Pharmaceutical wholesaling business
SAYWELL inc.	Pharmaceutical wholesaling business
KOYO Co., Ltd.	Pharmaceutical wholesaling business
Kyushu Toho Co., Ltd.	Pharmaceutical wholesaling business
PHARMA CLUSTER CO., LTD.	Dispensing pharmacy business
KYOSOMIRAI PHARMA CO., LTD.	Pharmaceutical manufacturing and sales business
Tokyo Research Center of Clinical Pharmacology Co., Ltd.	Site management organization business
TOHO SYSTEMS SERVICE CO., LTD.	Information processing business
ALFInc	Plan and sale of information processing equipment business
Nextit Research Institute, Inc.	Software development and sales, corporate and medical management consulting business
eKenkoshop Corporation	Internet business related to pharmaceuticals
K.K.eHealthcare	Business related to medical information
Orphan Trust Japan Co., Ltd.	Business related to specialty pharmaceuticals

Executives (as of June 27, 2025)

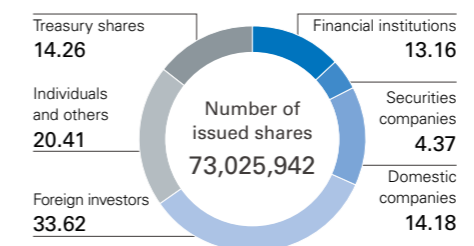
Representative Director, President and CEO	Hiromi Edahiro
Senior Executive Managing Director and COO	Akira Umada
Executive Managing Director and CGO	Takeo Matsutani
Director and Corporate Officer, in charge of Transformation	Shuzo Kono
Outside Director	Manako Haga
	Yoshiaki Kamoya
Outside Directors (Audit and Supervisory Committee Members)	Hidehito Kotani
	Chie Goto
	Miho Saito
Executive Corporate Officers	Tsuguo Nakagomi
	Makoto Kawamura
	Kengo Ogawa
	Kazuki Shimizu
	Aya Komai
Corporate Officers	Aiko Noshiro
	Shigeki Nakata
	Takashi Kobayashi
	Takuya Narikawa
Corporate Officer and CFO	Yasuo Sakae

Stock Information

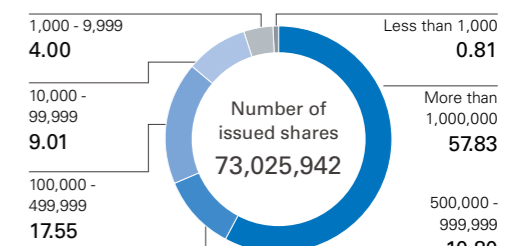
Stock Information

Number of shares authorized	192,000,000
Number of issued shares	73,025,942
Number of shareholders	4,458

Share Distribution by Type of Shareholder (%)



Shareholding by Number of Shares Held (%)



Share Prices/Trading Volume (monthly chart)

