



Kyoso Mirai

**Total commitment
to good health**



TOHO HOLDINGS CO., LTD.
Integrated Report 2024



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.

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



CONTENTS

03 CEO Message

07 Value Creation Story

08 History of TOHO HOLDINGS

09 Our Business

11 Value-added Business Model

13 “Three Business Features” for Providing Added Value

17 Value Creation Process

19 Medium- to Long-Term Growth Strategy

20 Overview of Medium- to Long-Term Growth Strategy

21 Medium-Term Management Plan 2023-2025

“Create the Next Generation”

22 New Action Plan

25 COO Message

27 Sustainability of TOHO HOLDINGS

28 Sustainability Management

30 Environment

34 Social

39 Governance

41 Corporate Governance

51 Corporate Data

51 Financial Summary

53 Non-financial Summary

54 Corporate Information/Executives/Stock Information

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.

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).

Covered Period

April 1, 2023 - March 31, 2024. *Some information after April 1, 2024 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, etc.

Caution Concerning Forward-Looking Statements

Statements contained in this document that are not past facts are forward-looking statements that reflect TOHO HOLDINGS's 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.

CEO Message



Hiromi Edahiro
Representative Director,
CEO and CFO

Promote Group-wide reforms to transform TOHO HOLDINGS into a new entity

Take the first step toward becoming a new TOHO HOLDINGS

The Medium-Term Management Plan 2023-2025 “Create the Next Generation” is the first new medium-term management plan in 10 years since the previous plan was formulated in 2013. The fiscal year ended March 31, 2024, the first fiscal year of the current plan, marked the start of efforts to realize the results of specific measures and initiatives, and we made steady progress in the face of challenges.

First, we worked to establish an internal system to powerfully promote each measure. In March 2024, the Corporate Strategy Division and the Logistics and Systems Planning Division were newly established, and a Business Development Department was established within the Corporate Strategy Division. Through this organizational restructuring, we have established a framework for promoting growth strategies and logistics and infrastructure strategies.

Furthermore, the Management Strategy Committee set up in April 2024 included not only internal directors but also outside directors and outside experts as members. It has examined measures to accelerate the implementation of the Medium-Term Management Plan and further enhance its effectiveness from various angles. I feel that incorporating outside perspectives has provided us with an opportunity to share perspectives that are difficult to notice internally and to reaffirm issues that we should pour more efforts into. The Committee has held meetings at least once a month and engaged in very productive discussions. We unveiled an action plan formulated by this Committee at the same time as the announcement of the financial results for the first half of

FY2024. I believe that this is the starting point for the next stage toward the ideal next generation that we are striving for.

As we move forward with the action plan, it is essential that all employees share the will and unite to transform TOHO HOLDINGS into a new entity for the next generation that lies ahead. As CEO, I will lead the implementation of this action plan with unwavering determination and work with all employees to advance the steps toward the rebirth of the new TOHO HOLDINGS Group.

Quantitative targets partially achieved. Enhance further shareholder returns

Of the three management indicators set forth in the Medium-Term Management Plan as the ideal state for the next generation, we have already achieved the two targets, return on equity (ROE) of 8% or more and price book-value ratio (PBR) of 1x or higher, in the current fiscal year. However, since achievement of the 8% ROE target involves temporary factors such as the sale of cross-shareholdings, we will continue to strive to achieve these quantitative targets through our core business.

We are only halfway to achieving the third target, a dividend on equity (DOE) ratio of 2% or more. In the pharmaceutical wholesaling industry, it is difficult to differentiate in terms of the products handled, and competition used to be centered on price and delivery services. In this environment, we have developed customer support systems such as ENIF and the ENIFvoice series, and have steered our business strategy to provide added value by contributing to improved convenience and operational efficiency for

CEO Message

customers. We have also made steady growth by expanding the handling of specialty products, taking advantage of our solid business infrastructure and advanced logistics functions. At the same time, we recognize the need to further strengthen shareholder returns. The stable supply of products is a top priority. While securing funds for investment for this purpose and for growth, we intend to meet market expectations by proactively returning profits to shareholders.

In the action plan formulated based on the results of the Management Strategy Committee's review and announced in November 2024, we plan to allocate 100 billion yen or more to investments in human capital, organization and infrastructure, and growth opportunities, and an additional 80 billion yen or more to shareholder returns over five years. This plan greatly exceeds the three-year plan set forth in the Medium-Term Management Plan. We will continue to focus on investment in order to further grow as a company.

Business activities centered on a value-added business model

The Group's social mission is to provide a stable supply of pharmaceuticals and other products. Therefore, we have established a system to stably provide not only pharmaceuticals but also medical devices and reagents to a wide range of stakeholders, including medical institutions and pharmacies. It is extremely important to fulfill our mission of providing a stable supply of pharmaceuticals and other products even in times of emergency, such as the 2024 Noto Peninsula Earthquake. Providing patients, their families, and healthcare professionals with this sense of security is the value of trust and sympathy we hold dear, and we believe it will lead to increased corporate value.

In addition, in order to create new value, we conduct business activities based on our value-added business model with the aim of solving the problems of various stakeholders, including healthcare professionals and patients. This business model not only provides products and services, but also identifies issues from the perspective of healthcare professionals and patients and creates new value that leads to solutions.

One example is ENIFvoice SP+A, an automatic voice-recognition medication history creation support system. This system allows pharmacists to voice record the details of medication instruction to patients and reflect them in the medication history. It was originally

intended to improve the efficiency of the recording process. Meanwhile, the data can also be used, for example, to visualize the work content and work hours of each pharmacist, and to determine whether the work is being streamlined from a management perspective. We are also considering expanding our business by utilizing such data.

The idea of using the system for another purpose came up when a manager of a pharmacy, a user of the system, asked us if they could use the data to manage pharmacists' operations. As you can see from this example, we place great importance on the voices generated from the field as a source of new value. We will continue to listen to not only the Company's employees but also customers to actively incorporate their feedback into our business. Our ability to pick up information from the field and find and propose solutions based on that information is one of the strengths of the Company, which has been developing various systems in-house. We also plan to incorporate technologies from other companies in order to expand our business further.

Create new value from the voices of the field

The initiatives I just talked about have so far been carried out mainly in a top-down manner. For example, many services such as the medication history creation support system for dispensing pharmacies that I mentioned earlier, the call center efficiency improvement using voice recognition technology, the medical care appointment system to reduce waiting times at hospitals, and the initial examination reservation service were developed under the strong leadership of the management at that time and have been highly evaluated in the industry. Going forward, while continuing to build on the foundation that has been laid, we will continue to take on the challenge of creating new value by drawing ideas from each and every employee.

In order to achieve this, it is important to build a system that quickly absorbs the opinions of the front line and gives them shape, and to create a corporate culture that encourages each and every employee to express their opinions. Furthermore, since once they have spoken up, they must take responsibility for carrying out their own actions, we must be a company that appreciates such employees. To this end, it is important that not only management but also managers, who are in a position closer to the front lines, actively listen to the opinions of

their subordinates, support them, and evaluate them appropriately. We are currently reviewing the reform of the evaluation system to ensure that it is acceptable to all employees.

Motivating employees and improving the workplace environment are prerequisites for sustainable management

In promoting sustainability management, it is essential to motivate employees and create a rewarding work environment. As of 2024, six companies in the Group's were recognized under the Ministry of Economy, Trade and Industry's Certified KENKO Investment for Health Outstanding Organizations Recognition Program. In the future, we will aim to obtain certification at more Group companies. In addition, we will further promote internal efforts to develop human resources and strengthen corporate governance, which form the foundation of our business activities. We will also focus on initiatives to reduce the environmental impact and respect human rights.

Introduce an external perspective to further strengthen governance

In recent years, there has been a growing demand from society for governance. We have identified strengthening risk management and establishing a highly transparent governance structure as key issues, and have been steadily developing relevant systems.

Going forward, it will be more necessary than ever to develop a governance system that takes in external perspectives. For this reason, we established the Governance Enhancement Special Committee in 2024 consisting only of outside members with specialized expertise to provide advice and recommendations to the Board of Directors on overall governance, including compliance and risk management. We have already received suggestions from the Committee on how to improve decision-making, subsidiary management, and whistle-blowing systems.

The objectivity of these suggestions from outside the Company has been the driving force in our efforts to develop a fairer and stronger governance structure.

To our stakeholders

Our absolute mission is to provide a stable supply of pharmaceuticals in both normal times and emergencies. We will continue to put in place the systems necessary to fulfill this mission. In addition, we will steadily implement the action plan of the Management Strategy Committee announced in November 2024 and realize the targets set forth therein.

We will promote reforms throughout the entire organization to be reborn as the new TOHO HOLDINGS, so please look forward to further growth of the Group. I would appreciate your continued support.



Representative Director, CEO and CFO



Value Creation Story

Total Commitment to Good Health

Since its founding in 1948, TOHO HOLDINGS has continued to evolve and grow in line with the changing medical environment and customer needs. We will continue to strive to be a company that is needed by society through its contribution to medical care and health.

08 History of TOHO HOLDINGS

09 Our Business

11 Value-added Business Model

13 “Three Business Features” for Providing Added Value

17 Value Creation Process



History of TOHO HOLDINGS

1948

Established

1948 Established

1980

Strengthening the management foundation and preparing for a leap forward

- 1969 Introduction of systems for proper distribution
- 1980 Listed on the OTC (over-the counter) market
- 1986 Release of inventory management system, as the first customer support system
- 1988 Tokyo block logistics center (later TBC Heiwajima) established



Initial public offering

1990

History of leap

- 1995 Release of automated medical care appointment system "LXMATE"
- 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
- 2006 Formulation of the Company's first Medium-Term Management Plan "The Third Founding - Innovation and Creation 07-09"
- 2009 Shift to a pure holding company structure and change of the company name to TOHO HOLDINGS CO., LTD.
- 2014 Established TBC Saitama and introduced robot-picking
- 2020 Established TBC DynaBASE



Automated medical care appointment system "LXMATE"

2020

Transformation

- 2022 Listed on the Prime Market in Tokyo Stock Exchange
- 2023 Formulation of Medium-Term Management Plan 2023-2025 "Creat the Next Generation"



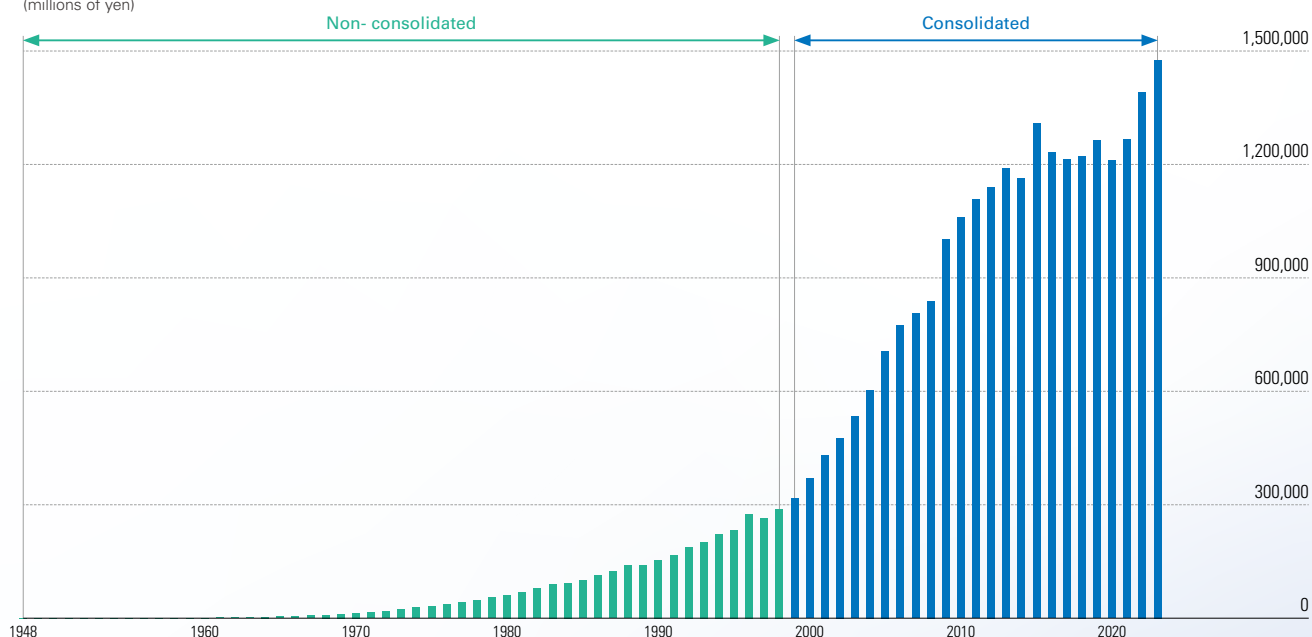
Kyoso Mirai Group established

Fiscal year ended March 2024

1,476,712 million of yen

Net sales

(millions of yen)



Established

Strengthening the management foundation
and preparing for a leap forward

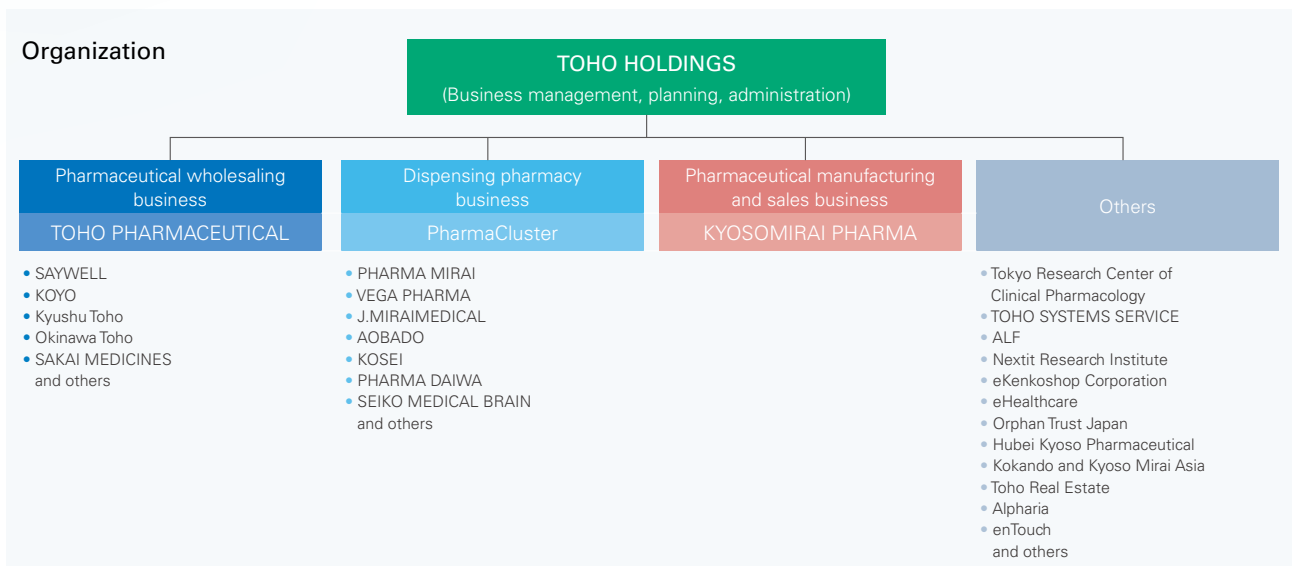
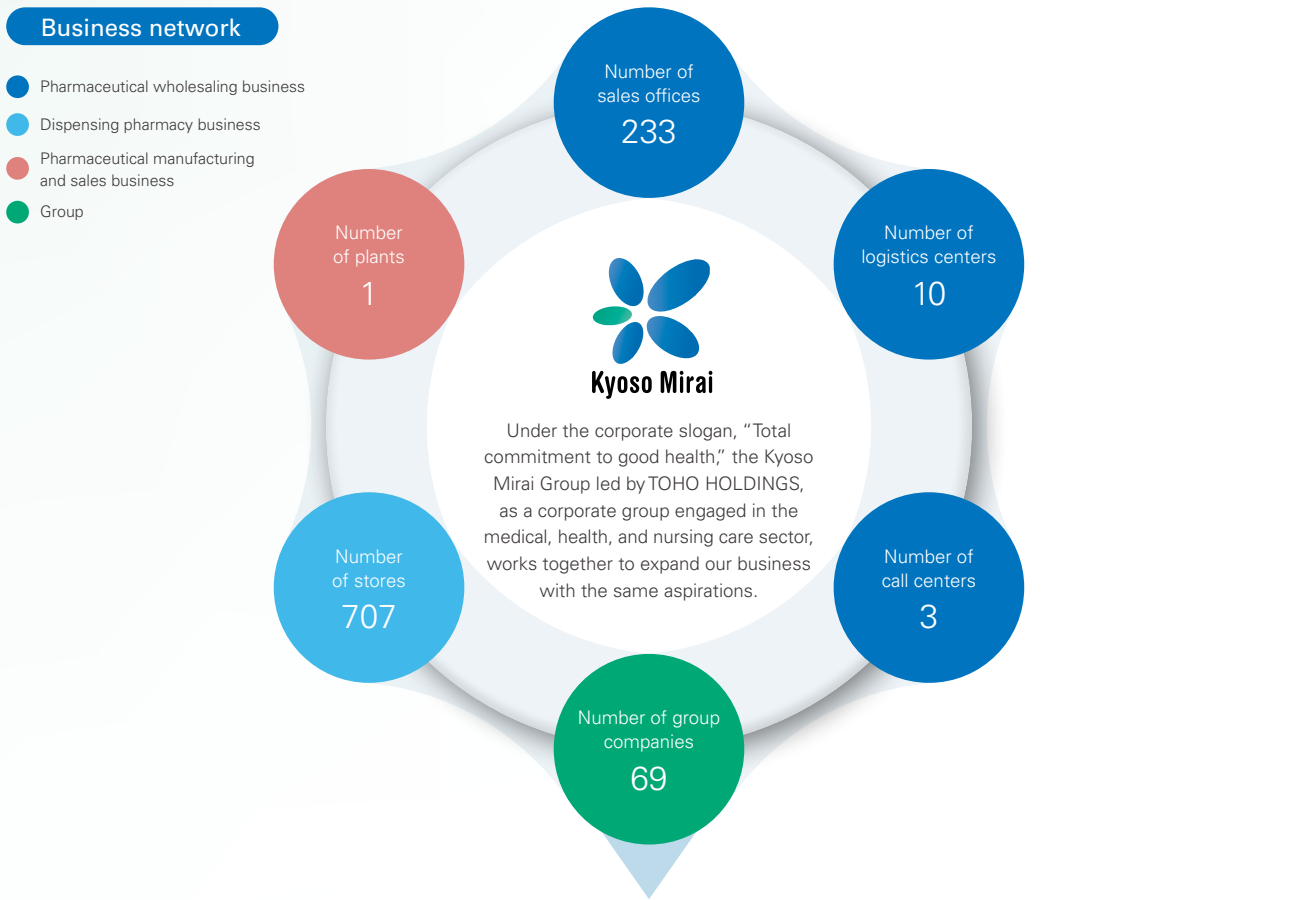
History of leap

Transformation

Our Business

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

Under the corporate slogan, "Total commitment to good health," TOHO HOLDINGS, as a corporate group engaged in the medical, health, and nursing care sector, conducts businesses such as pharmaceutical wholesaling, management of dispensing pharmacies, manufacture and sale of pharmaceuticals and others, development and provision of customer support systems, etc., and at the same time, actively promotes community healthcare collaboration and makes positive commitments to the home medical and nursing care sector.



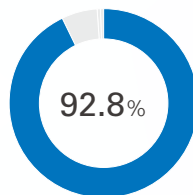


Pharmaceutical wholesaling business

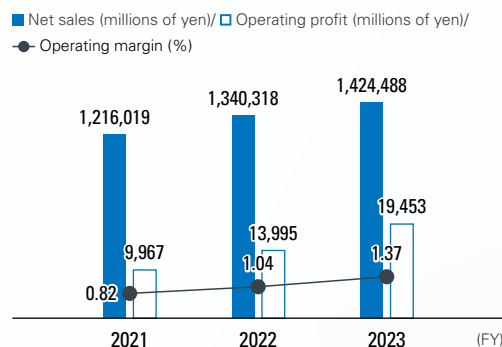
We supply more than 110,000 business customers nationwide with the pharmaceuticals, reagents, medical equipment, medical materials, etc., that consumers need in a variety of settings, from pre-symptomatic state and prevention to diagnosis, treatment, and home healthcare.

- Number of manufacturers the Company has business with: **1,100**
- Number of business customers: **110,000**
- Number of products handled: more than **200,000**

Segment composition ratio



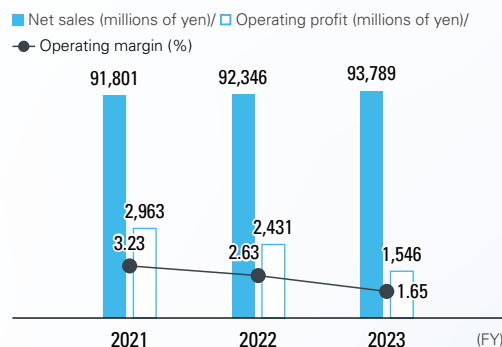
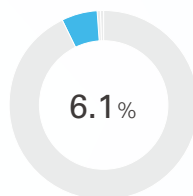
Net sales/ Operating profit/ Operating margin



Dispensing pharmacy business

In addition to dispensing and providing medication guidance, we are making active efforts, as a community health-care support pharmacy, to respond to recent changes in the health-care delivery system by providing home medical care, selling OTC drugs, strengthening advanced pharmaceutical management functions, etc.

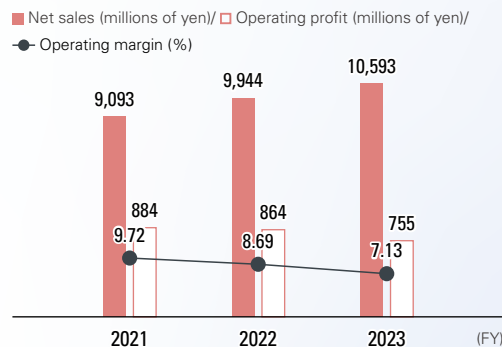
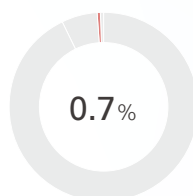
- Number of pharmacies providing home medical care: **339** (Consolidated)
- Number of family pharmacists: **795** (Including non-consolidated subsidiaries)



Pharmaceutical manufacturing and sales business

We sell generic drugs and engage in CDMO (Contract Development and Manufacturing Organization) business. While ensuring quality through our unique verification systems such as elution testing, we strive for stable and continuous supply of high-quality and high-value-added pharmaceuticals.

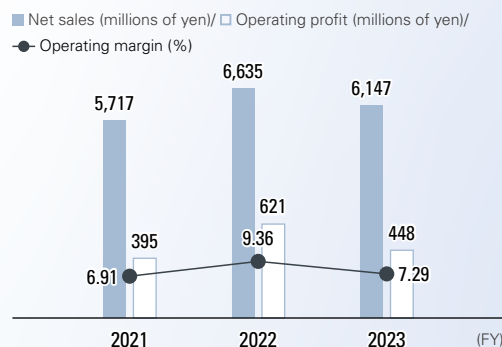
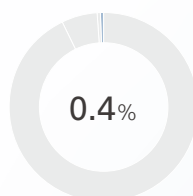
- Number of generic products handled by KYOSOMIRAI PHARMA: **77** ingredients and **177** products
- Number of large hospitals that use KYOSOMIRAI PHARMA's products: **1,044**



Other peripheral businesses

In addition to the plan and sale of information processing equipment and information processing business, the Company is engaged in supporting clinical trials and the consulting business for medical business management.

- Number of Group companies: **5** (Consolidated)
- Number of employees: **214** (Consolidated)



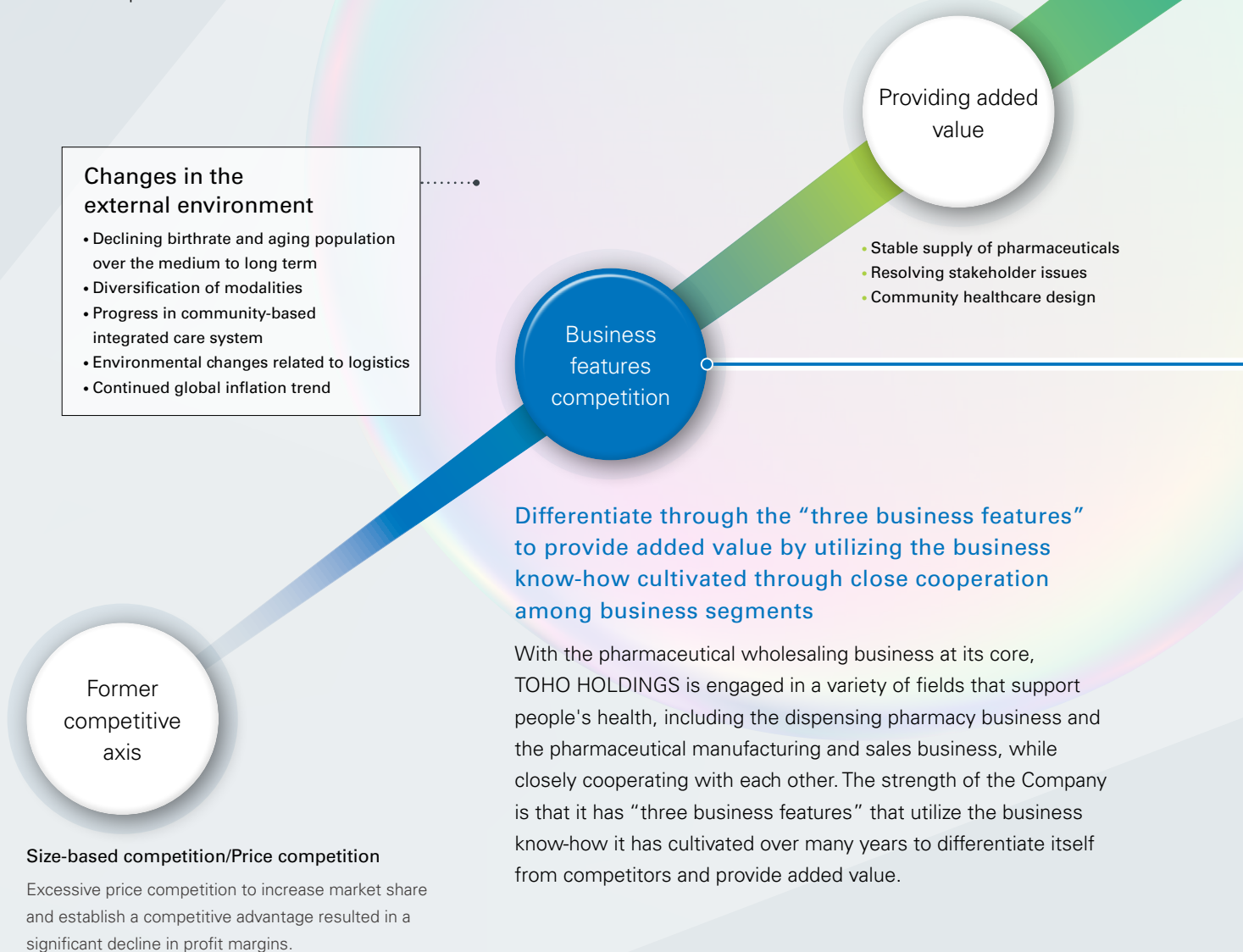
Value-added Business Model

TOHO HOLDINGS aims to provide added value to people engaged in medical care and those who wish to be healthy by building the systems necessary to solve the issues of various stakeholders

“Business features competition” to realize the ideal state of the Company

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

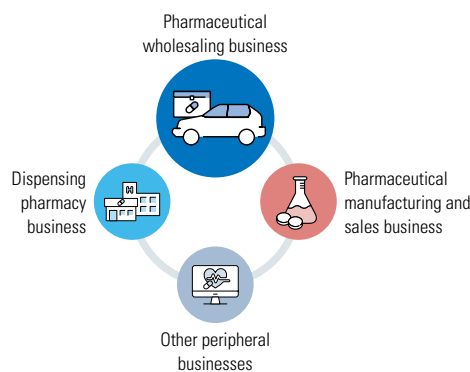
“Best Partner” that contributes to “New Value Creation”

- 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

“Three business features” for providing added value

1. Strong business infrastructure to support pharmaceutical wholesaling business  P.13
2. Resolving issues and improving efficiency in the stakeholder supply chain through DX ...  P.14
—Development of customer support systems—
3. Safe and secure delivery of pharmaceuticals  P.15

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

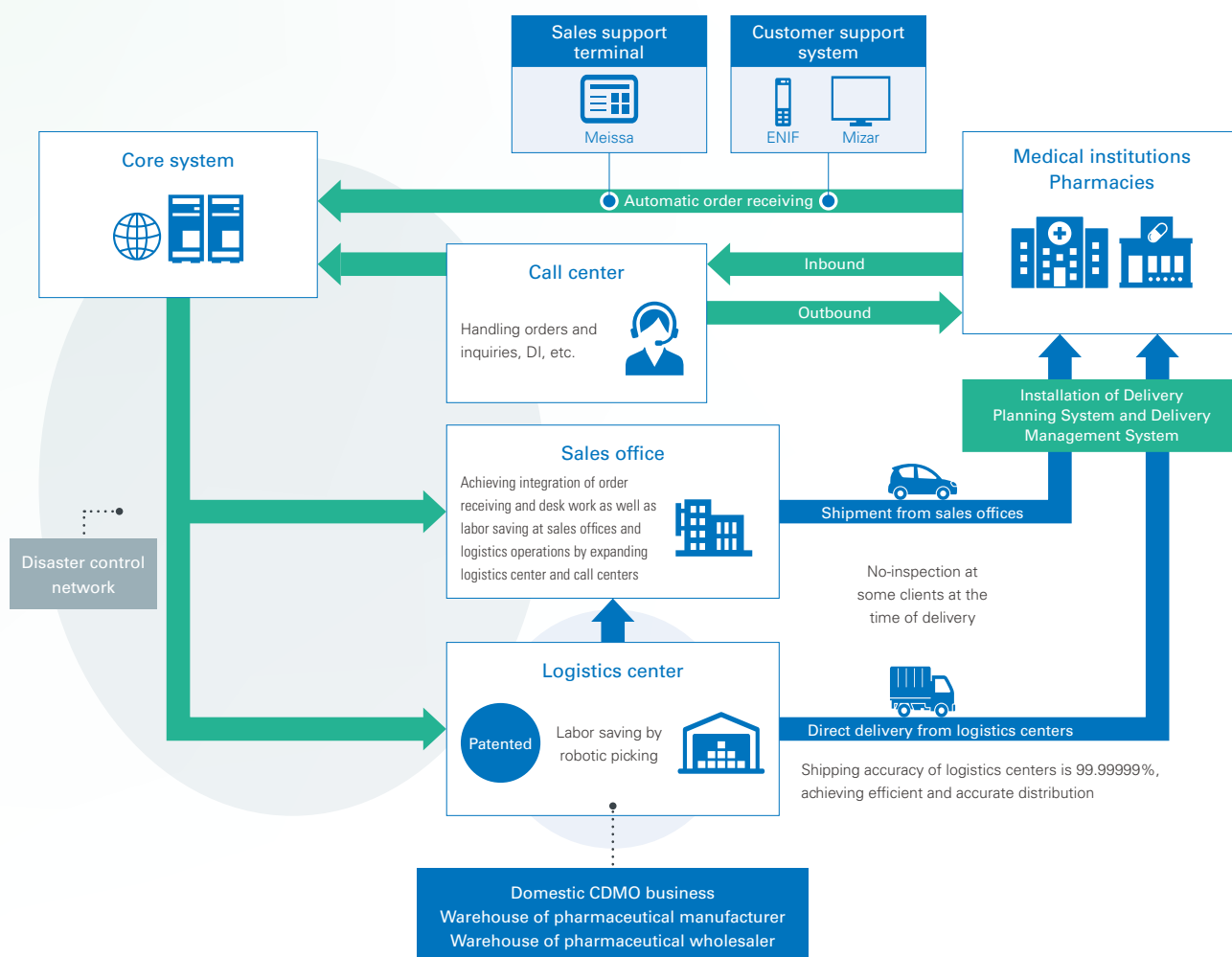
“Three Business Features” for Providing Added Value

1 Strong business infrastructure to support pharmaceutical wholesaling business

Since more than 20 years ago, the Group has developed a system that enables the management of individual products by expiration date and lot number. This system enables the centralized management of necessary information no matter where sales office or logistics center are located in Japan, from Hokkaido to Okinawa.

This system made possible the product development of the pharmaceutical ordering and information terminal “ENIF,” which confirms the inventory status at the time of ordering a product and immediately returns delivery schedule data to the customer, and forms the foundation of the customer support system that follows.

In addition, by linking the core system with the systems of all logistics centers, it is easy to move products between centers, and a system is in place to complement each other in the event of an emergency.



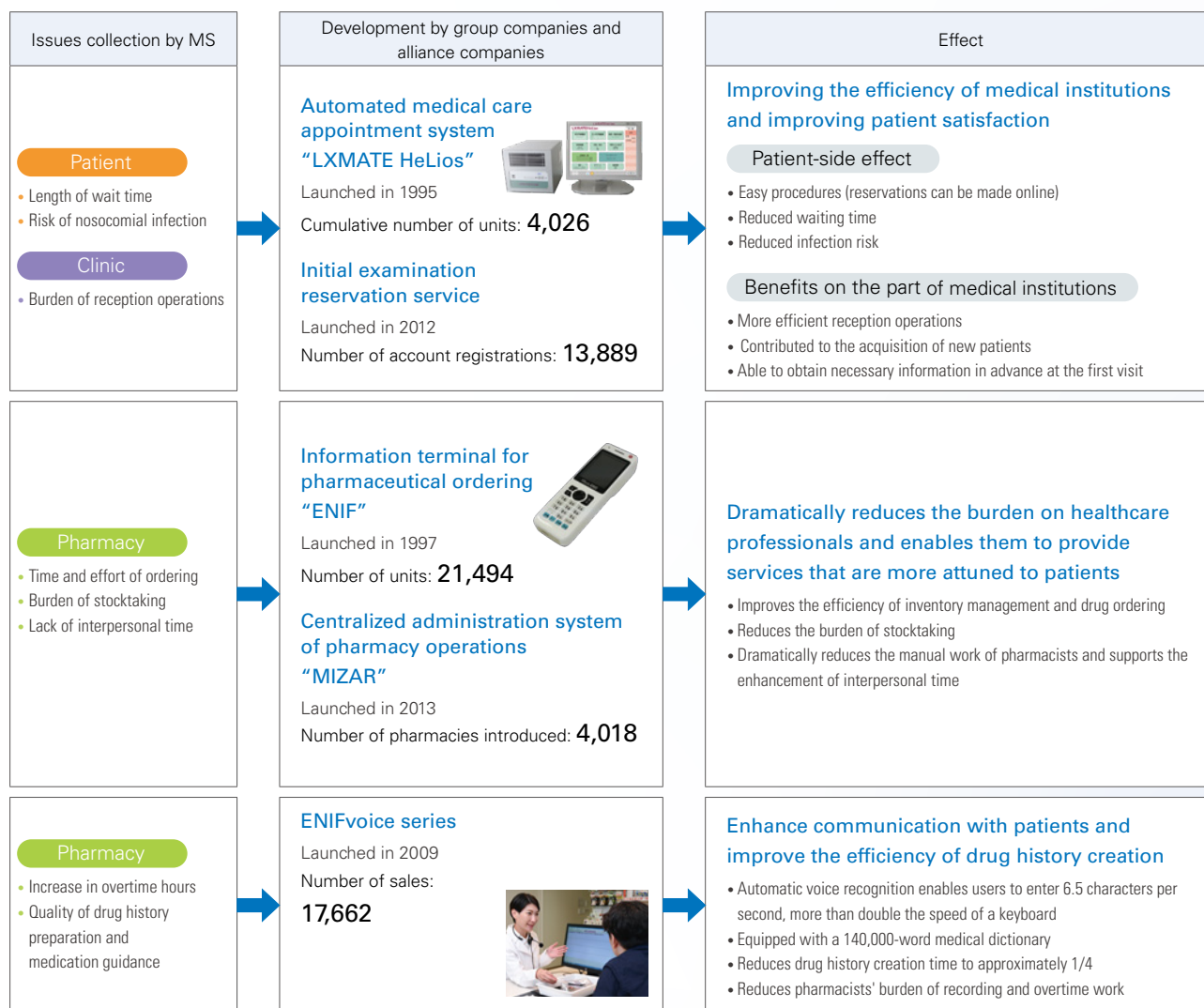
► Future prospects

By responding to the needs of manufacturers with an unparalleled and robust business infrastructure, we will secure a competitive advantage in the handling of specialty products (such as orphan drugs, biopharmaceuticals and regenerative medicine products), which are expected to expand in the market, and establish a solid position that is indispensable in the distribution of pharmaceuticals in Japan

2 Resolving issues and improving efficiency in the stakeholder supply chain through DX –Development of customer support systems–

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 generate steady profits. Gross profit from customer support systems in FY2023 was 3.98 billion yen.



Further evolution through active alliances

▶ Future prospects

We contribute to solving community healthcare issues and realize community healthcare design through new businesses created from innovation by promoting DX and proactive alliances, and contribute to improving the Group's profitability

“Three Business Features” for Providing Added Value

3 Safe and secure delivery of pharmaceuticals

For fulfilling our mission to distribute secure and safe pharmaceuticals from the standpoint of handling life-related products, we achieve the highest level of quality (thorough quality control), safety (traceability) and efficiency (establishment of an efficient logistics environment) by introducing cutting-edge technologies.

We have developed an environment that complies with the Good Distribution Practices Guidelines, which are standards for proper distribution of pharmaceuticals, and have constantly evolved to meet the needs of the times.

Number of ISO9001 certified facilities

5 logistics centers

The Logistics Division of TOHO PHARMACEUTICAL has acquired ISO 9001:2015 certification (an international standard for quality management systems for products and services) and conducts quality control (certification scope: TBC DynaBASE, TBC Hiroshima, TBC Saitama, TBC Hanshin and TBC Kyushu).

Shipping accuracy

99.99999%

We are aiming at full automation of the logistics system by utilizing advanced robot technology. Our latest logistics center has introduced robots for picking and loading. Our shipment accuracy is 99.99999%.

Number of robots installed in logistics centers

85 units

TBC DynaBASE, TBC Hiroshima, TBC Saitama, and TBC Hanshin have installed 85 robots, including picking robots and depalletizing robots.

Number of customers with no-inspection systems

4,600

A no-inspection system that omits inspection at the time of delivery has been adopted by 4,600 customers.

Amount of picking by picking robots

15,700 pieces per hour

TBC DynaBASE operates 26 picking robots and can pick 15,700 pieces per hour.

Volume handled at logistics centers

About **2.5** times (compared to 2013)

Although the number of personnel at logistics centers has remained almost unchanged from 10 years ago, the volume handled at logistics centers has increased approximately 2.5 times.

Amount of picking by depalletizing robots

500 cases per hour

The depalletizing robots operating at TBC DynaBASE can pick 500 cases per hour.

Initiatives

1. Large and highly functional logistics center TBC DynaBASE

Disaster response in the Tokyo metropolitan area

Being located inside the Loop Road No. 7 and near “Ariake-no-Oka,” the main wide-area disaster management base facility, the center is capable of providing pharmaceuticals promptly and smoothly in the event of a disaster such as the Tokyo Inland Earthquake. A seismic isolation structure is used not only for the buildings but also for the adjacent rampway (slope passage). In addition, equipped with a large private power generator (5,000 kVA), it can run at full capacity for 72 hours during emergencies.

Also, with uninterruptible power source equipment installed in the distribution server, facility controller, communication facilities, etc., it can deal with instantaneous blackouts that may occur when switching to the private power generator.



TBC DynaBASE

State-of-the-art automation technologies

In preparation for a shrinking workforce due to the declining birthrate and aging population, as well as for large-scale disasters, we have long been working to automate our logistics centers. Robots for picking products were introduced at TBC Saitama, which began operations in 2014. Since then, we have continued to push forward with the introduction of automation technology, achieving a 95% automation rate for picking at TBC DynaBASE. Furthermore, we have achieved shipping accuracy exceeding the 99.99999% recorded by conventional logistics centers. In addition to automated warehouses and picking robots, we have introduced cutting-edge equipment such as conveyors equipped with a highly functional sorter (automatic sorter) to further increase operational efficiency.



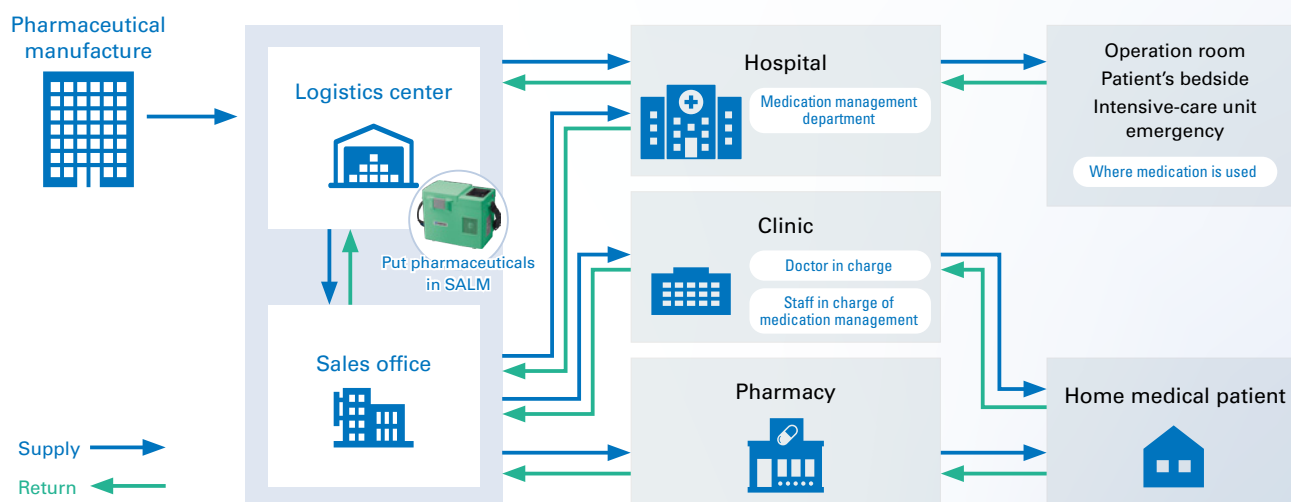
Picking robots

2. Response to specialty products

For specialty pharmaceuticals such as biomedical products and regenerative medical products, strict temperature control is required. Therefore, it is necessary to establish an optimal distribution system to meet the needs of individual products. In our company, we have established a stable and continuous distribution system for specialty pharmaceuticals based on shipment accuracy and an advanced temperature control system.

SALM Solution System

For handling specialty pharmaceuticals, we have introduced the SALM Solution System, which is realized by combining the Group's state-of-the-art logistics functions with an electronically cooled, constant-temperature transport device capable of strict temperature control and recording, thereby maintaining the quality of pharmaceutical products.



► Future prospects

In response to our social mission of providing a stable supply of pharmaceuticals at any time, we contribute to the maintenance of the healthcare delivery system through high-quality logistics established through tireless creativity and ingenuity, and continue to be a company that is needed by society. We also aim to realize last mile delivery by advancing alliances

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.



External Environment

- Declining birthrate 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

Corporate Slogan
Total commitment to good health

Mission Statement
We shall live in harmony with society and our customers; together, we shall create new value and we shall contribute to the medical care and wellbeing of people

Input

Human capital

- Maximize the value of human capital
- Number of employees 10,039

Financial capital

- Sound financial position
- Net assets 249,437 million yen

Logistics and manufacturing capital

- Strong business infrastructure and stable supply of pharmaceuticals
- Number of sales offices 233
- Number of logistics centers 10
- Number of dispensing pharmacy stores 707

Intellectual capital

- Customer support system supporting clients and patients
- Number of lineups more than 20
- Highly functional logistics system, utilization of robots
- Robot picking rate in TBC DynaBASE 95%
- Shipping accuracy 99.99999%
- Voice recognition technology
- Voice recognition rate of ENIFvoice 95%

Social capital

- Strong partnership
- Number of manufacturers the Company has business with 1,100
- Number of business customers 110,000
- Members of the Kyoso Mirai Group in Pharmacy 7,357 corporations 21,200 stores

Value-added Business Model

Business development utilizing business know-how cultivated through close cooperation among business segments

P.09

Safe and secure delivery of pharmaceuticals

Pharmaceutical wholesaling business

Strong business infrastructure to support pharmaceutical wholesaling business

“Three business features” for providing added value

P.13

Resolving issues and improving efficiency in the stakeholder supply chain through DX

–Development of customer support systems–

Dispensing pharmacy business

Other peripheral businesses

Pharmaceutical manufacturing and sales business

Corporate governance P.41

VALUE CREATION

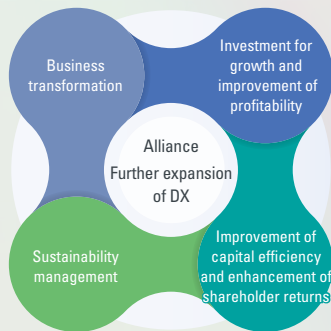


...ues through the provision of out of the box services; people around the world

Realization of our Mission Statement

Strategy

Medium-Term Management Plan 2023-2025
 "Create the Next Generation" P21



Expansion of action plan to accelerate the Medium-Term Management Plan, improve its effectiveness, and further enhance corporate value P19

Materiality P28

- Promotion of decarbonization
- Consideration of biodiversity
- Reduction of waste
- Stable supply of pharmaceuticals and support for BCP
- Improvement of quality, safety, and efficiency
- Solve issues related to access to medical care
- Maximize the value of human capital
- Human rights
- Coexistence with society
- Strengthening risk management
- Establishment of a transparent governance system

Ideal State of the Company

"Best Partner"
 that contributes to
 "New Value Creation"



Creating Value

- Business infrastructure for stable supply of pharmaceuticals
- Specialty products, full-line service
- Community healthcare design

SUSTAINABLE DEVELOPMENT GOALS



Further strengthening of management capital



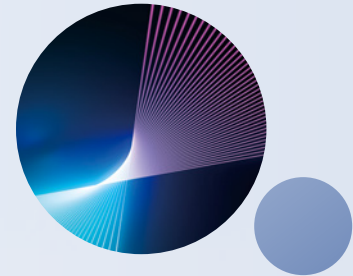
Section 02

Medium- to Long-Term Growth Strategy

“Create” the Foundation for the “Next Generation”

The Group has promoted the Medium-Term Management Plan 2023-2025 “Create the Next Generation.” By implementing the Medium-Term Management Plan, which is to create a foundation for the “Next Generation,” we aim to achieve sustainable growth despite the difficult market environment and to become a corporate group that is required and continuously supported by all stakeholders.

- 20 Overview of Medium- to Long-Term Growth Strategy
- 21 Medium-Term Management Plan 2023-2025 “Create the Next Generation”
- 22 New Action Plan
- 25 COO Message



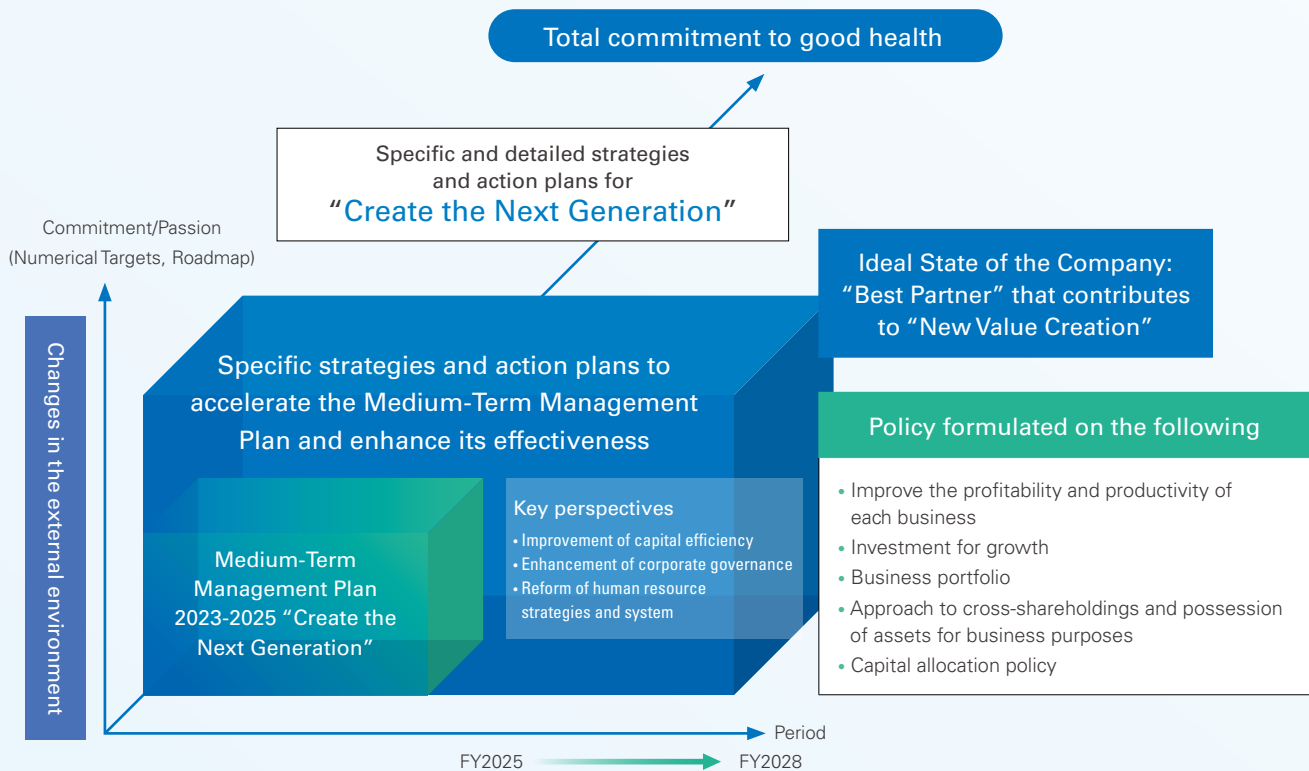
Overview of Medium- to Long-Term Growth Strategy

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



Current Issues

Based on the changes in the external environment and the gap between the ideal and the current situation, we have summarized the issues that need to be addressed as follows.

- Improve profitability and productivity in the core pharmaceutical wholesaling business
- In addition to upgrading the current logistics infrastructure, establish a competitive advantage in the distribution of specialty products, a growth field in the prescription pharmaceuticals market in the future
- Expand profits in the customer support business by leveraging existing sales networks and establish new revenue models in areas other than pharmaceuticals
- Establish a revenue model within community-based integrated care systems
- Build a governance structure (especially strengthening group management) and organizational/personnel structure that can respond to unprecedented changes in the environment, and utilize DX to improve operational efficiency
- Streamline SG&A expenses for the entire Group

Medium-Term Management Plan 2023-2025

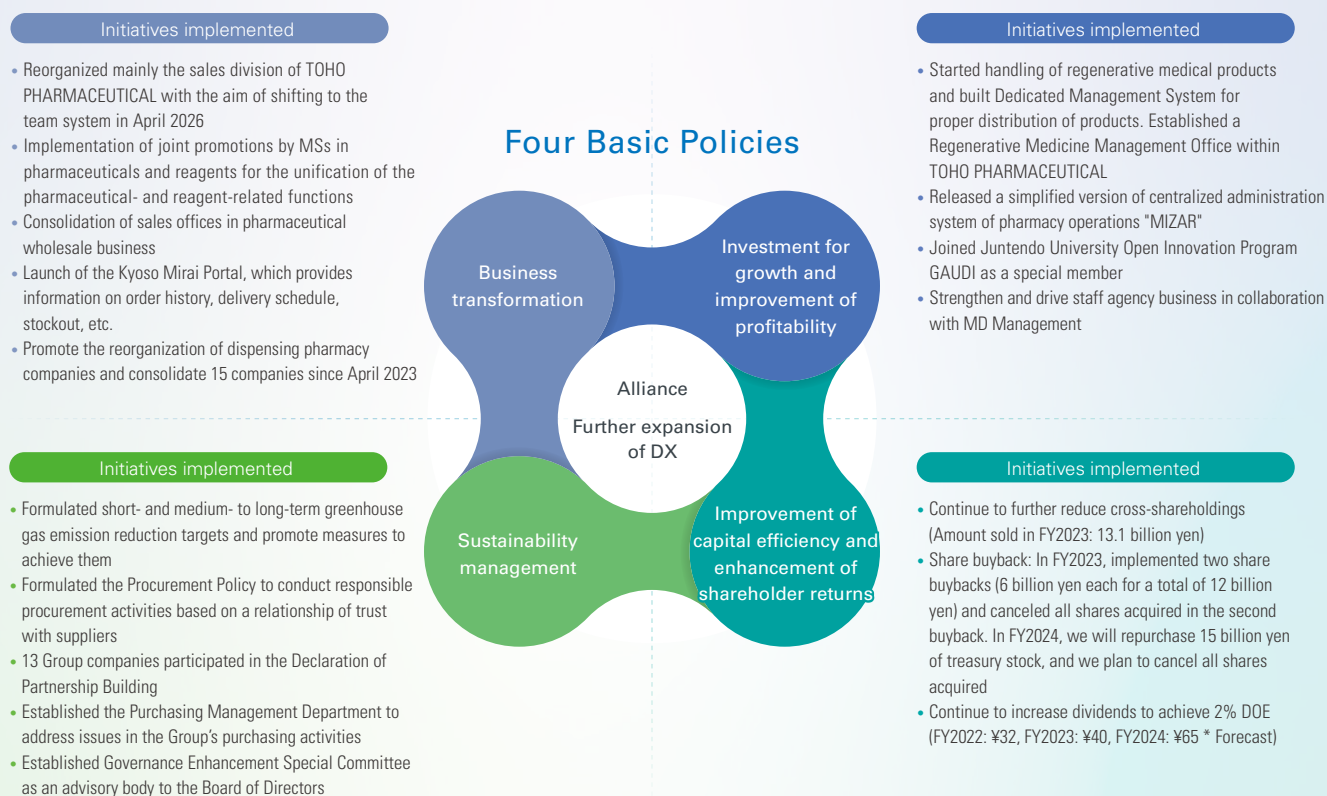
“Create the Next Generation”

Amid the rapid changes in the environment of the healthcare and pharmaceutical industries, the Group formulated the Medium-Term Management Plan 2023-2025 in May 2023 with a view to, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, contributing to extending the healthy life expectancy of people and to establishing and maintaining sustainable social security systems.

Major Initiatives and Progress in the Medium-Term Management Plan

Initiatives to accelerate the Medium-Term Management Plan and improve its effectiveness

- We reorganized the organization of the Company in March 2024 and established the Corporate Strategy Division and the Logistics and Systems Planning Division, with the aim of strengthening concrete measures
- Aiming to accelerate initiatives of the Medium-Term Management Plan and increase its effectiveness, we have established the Management Strategy Committee as an advisory body to the Board of Directors to discuss and review important management and business strategies and other matters
- Retained One Capital as a DX advisor, with a sufficient experience and track record in global major consulting firms to accelerate corporate-wide DX initiatives



Major alliances

- Established cooperative research lab with the National Institute of Advanced Industrial Science and Technology (AIST)
- Concluded a capital and business alliance with MICIN and launched six projects
- Invested in Hirosaki LI and started distribution of regenerative medical products
- Concluded a business alliance with PHARUMO
- Concluded a capital and business alliance with WACON
- Concluded a strategic business alliance with Blue innovation

New Action Plan

The contents discussed at the Management Strategy Committee are as follows.

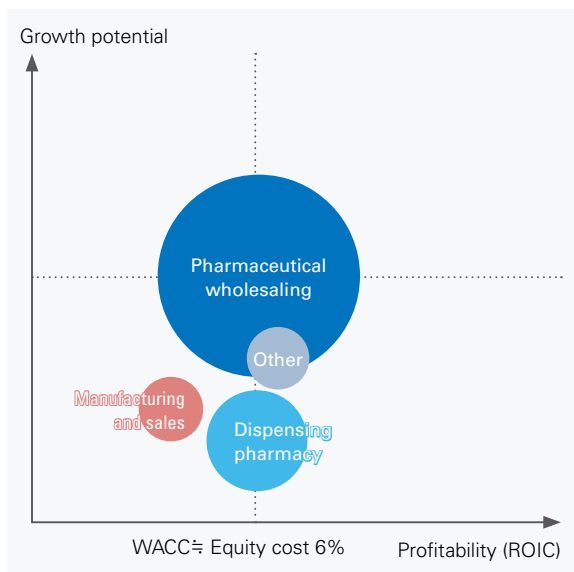
Direction of Business Portfolio

The direction of our business portfolio by the FY ending March 2029 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.

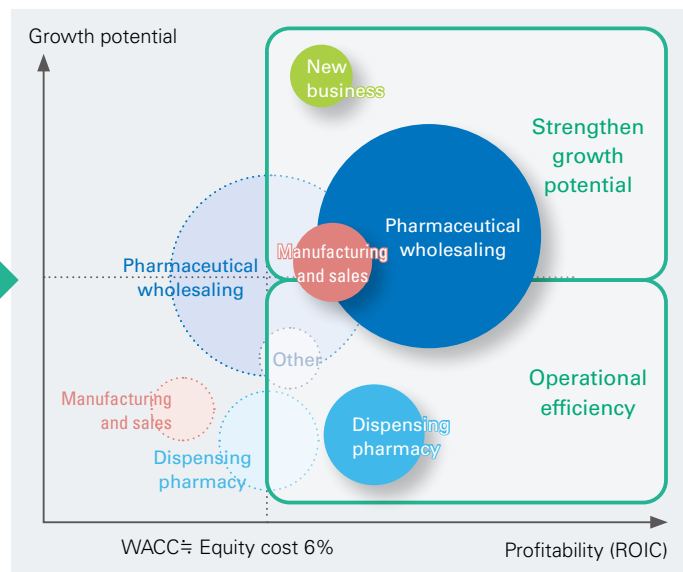
Current Portfolio

(ROIC is average for the past three periods)



Target Portfolio

(FY ending March 2029)



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

Summary of growth strategies for each business

Pharmaceutical wholesaling business

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

Dispensing pharmacy business

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

Pharmaceutical manufacturing and sales business

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

New business

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

Target

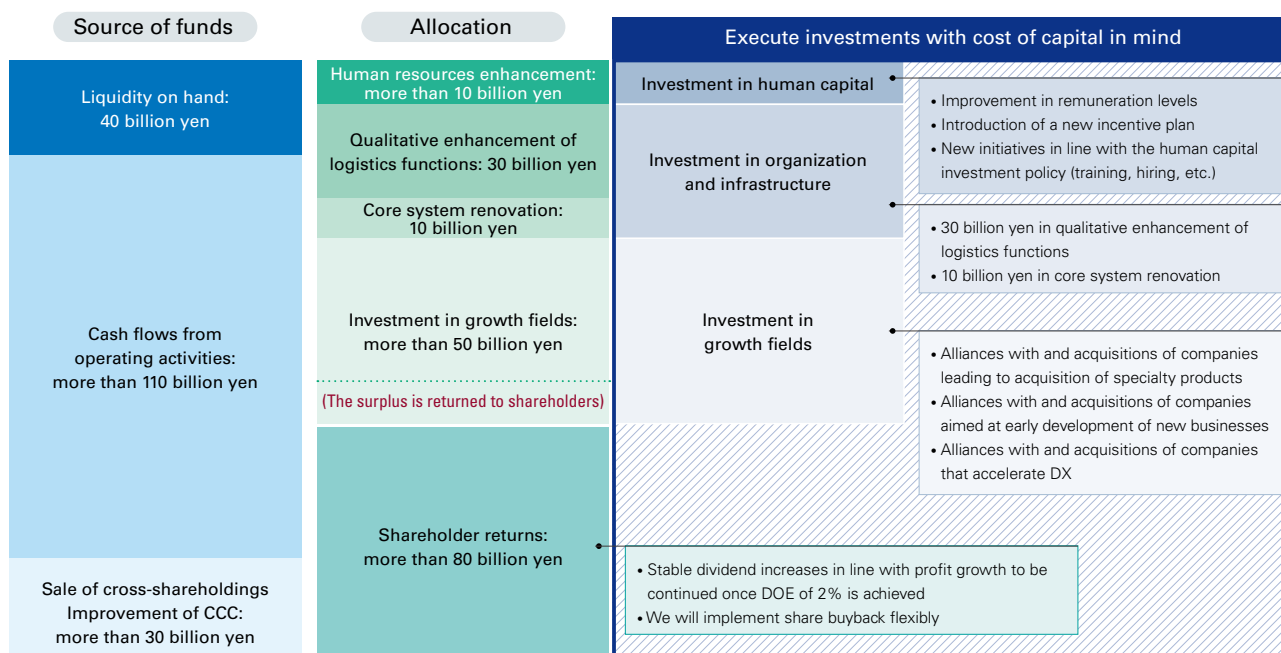
We have formulated the following targets aiming to enhance corporate value through expansion of business profits and proactive shareholder returns, including stable dividend increases and flexible share buybacks, to improve capital efficiency. We will establish a revenue and financial base that will 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.

Target for FY2029	DOE, Cross-shareholding ratios
<p>ROE: more than 8% (Maintain a level higher than the cost of equity* in the future) <small>*Approximately 6% as of the end of September 2024</small></p>	<p>DOE: more than 2% (by FY ending March 2026)</p>
<p>Operating profit margin: more than 1.5%</p>	<p>Cross-shareholdings to net assets ratio: less than 15% (March 2026) less than 10% (March 2029)</p>

Approach to cost of equity | The Company's cost of equity calculated using the CAPM (Cap 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.

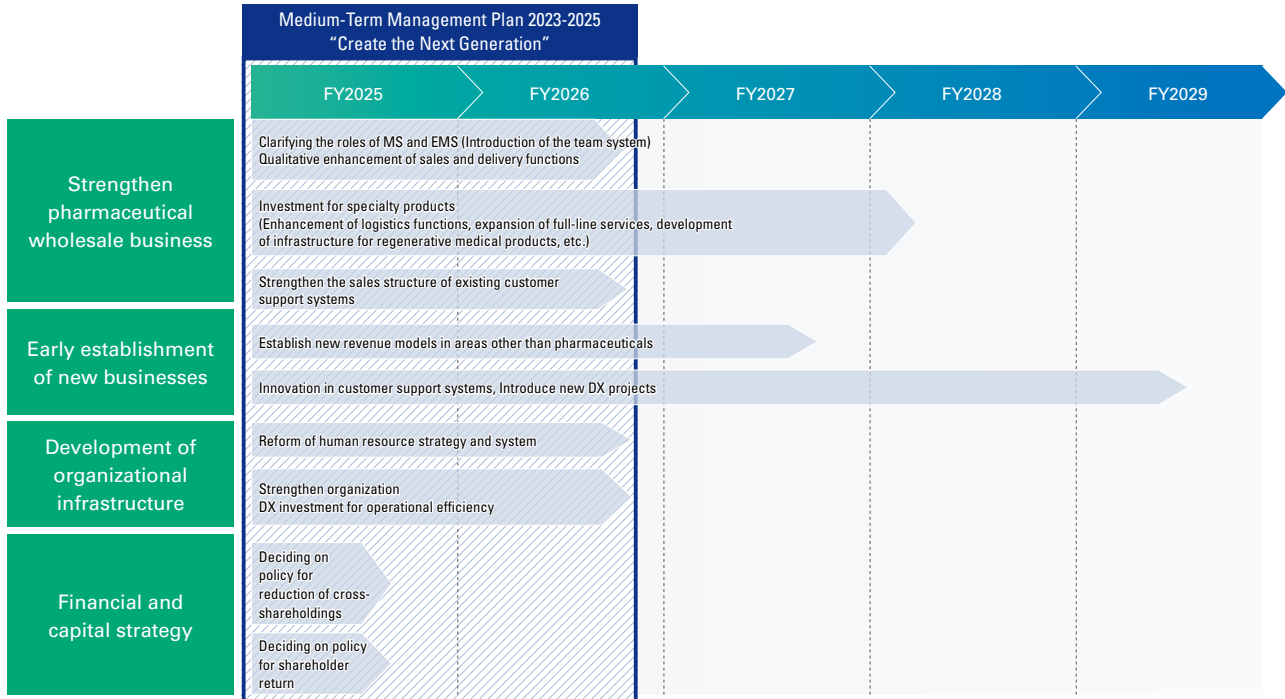
Capital Allocation

The source of funds will be secured mainly by the operating cash flow generated. In addition to this, proceeds from the sale of cross-shareholdings and cash or other liquid assets will also be used. This fund will be allocated to human capital investment, organizational infrastructure investment, and growth investment with the highest priority given to business investment that will support the Company's future growth. At the same time, active shareholder returns will be implemented.



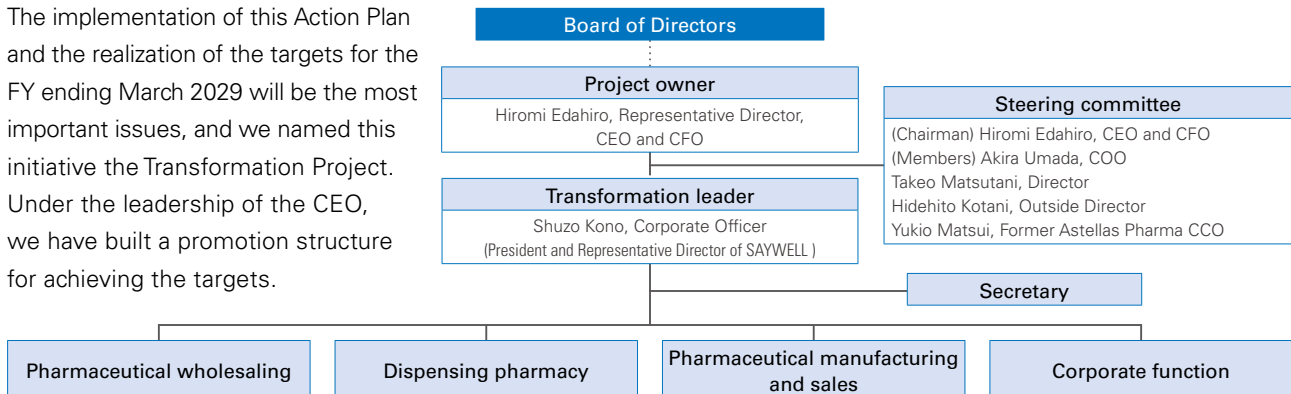
Roadmap

The roadmap for this plan is as follows.



Promotion Structure

The implementation of this Action Plan and the realization of the targets for the FY ending March 2029 will be the most important issues, and we named this initiative the Transformation Project. Under the leadership of the CEO, we have built a promotion structure for achieving the targets.



Message from Transformation Leader

I feel a great responsibility to be in charge of promoting the Transformation Project. This project aims to build a foundation that supports the Medium-Term Management Plan 2023-2025 "Create the Next Generation," and will support company-wide reforms. In order to overcome the major changes of the market environment ahead and achieve sustainable growth, in addition to the growth of our core pharmaceutical wholesaling business, we will promote initiatives, including DX and the creation of new businesses. Although we have only just begun, with the cooperation of all parties involved, we will make every effort to become a corporate group trusted and supported by all stakeholders.



Shuzo Kono
Corporate Officer
President and Representative Director of
SAYWELL inc.

COO Message

Achieve business transformation and deliver new value to society

Akira Umada

Senior Executive
Managing Director, COO



Break away from traditional business practices through business transformation

The environment surrounding the Company continues to change at a dizzying pace. In addition to social problems such as the declining birthrate, aging population, and shrinking workforce, the mainstream of new drugs in the pharmaceutical industry is shifting from primary products such as drugs for lifestyle-related diseases to specialty products such as orphan drugs. Furthermore, a focus of the domestic healthcare delivery system is shifting toward home and community healthcare.

The Medium-Term Management Plan 2023-2025 “Create the Next Generation” formulated in May 2023 sets forth strategies to respond to these drastic changes in the business environment, fulfill the Company’s 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,” and at the same time continue to be a company trusted by society. By promoting this Medium-Term Management Plan, we intend to strengthen our human capital and further improve productivity, and to achieve business transformation that will enable us to break away from traditional business practices.

To promote transformation, the Management Strategy Committee established in 2024, the midterm year of the plan, has been engaged in vigorous discussions with outside experts on growth strategies for each business, business portfolios, and investment strategies. Through the Committee, I became aware of the gap between the Company’s values and expectations from outside the Company, and it was a good stimulus for me. The action plan formulated based on the results of the Management Strategy Committee’s review and announced in November 2024 sets challenging numerical targets. We will work hard to achieve these targets.

Steer toward business transformation

With a view to achieving the targets of the Medium-Term Management Plan, we are pushing ahead with organizational transformation, centered on the pharmaceutical wholesaling business, to enable activities in line with Japan’s vision of secondary medical areas. As a first step, in the fiscal year ended March 31, 2024, we merged our pharmaceutical and reagent sales organizations. This enables us to improve the efficiency of sales activities, logistics, and delivery. In addition, as demand for immediate tests such as POCT* (Point of Care Testing) increases, we expect synergies such as finding new demand in the reagent market and developing new customers by deepening cooperation between pharmaceutical MSs (marketing specialists) and reagent MSs.

As the next step, we plan to change to the team system with a start scheduled for April 2026. In making this change, as we place importance not only on the policies of the head office but also on the opinions of employees working in each area, we are currently giving instructions to respective employees and conducting interviews with managers. Furthermore, with regard to the review of the evaluation system, which is particularly important, we are working to build a system that enhances organizational capabilities as well as the sense of satisfaction of individual employees by evaluating their activities and contributions within teams.

In addition to promoting these organizational reforms, we are also addressing other issues. One example is the adjustment of shipments of generic drugs, which has been a major burden in sales activities. To address this issue, we launched the Kyoso Mirai Portal Site to enable customers to check the status of pharmaceutical shipment adjustments and alternative product information themselves. This service has contributed to the improvement of the operations of both customers and our MSs, and together with organizational reform, it can be said to be one of the achievements of the Medium-Term Management Plan at this point in time.

Strengthening alliances for business development in areas peripheral to the healthcare industry is another important initiative that we are focusing on, and we intend to step up investment further. In Japan, the promotion of medical DX has led to the digitization of business operations. In addition, various functions, such as temperature control during transportation, are now required in response to changes in pharmaceutical categories. We have implemented a wide array of alliances in various areas. We will continue to pursue strategies to respond to these changes in the environment through a combination of deeper and stronger alliances and flexible cooperation.

*POCT (Point of Care Testing): To diagnose and treat patients based on test results obtained quickly using simple devices and reagents.

Contribute to community healthcare by introducing the team system and strengthening human resources

Specifically, with regard to the team system I just mentioned, we will, first of all, appropriately allocate human resources to the approximately 200 secondary medical areas covered by TOHO PHARMACEUTICAL alone. Given the difficulty in securing human resources due to the declining birthrate and aging population, we aim to conduct sales activities more efficiently with fewer people than before by assigning teams to areas that were previously handled by MSs individually. Furthermore, by flexibly adapting the team system according to the challenges and demographics of each local medical area, we can meet the medical needs of the community.

We are currently working with the field to determine how the team will be staffed according to the actual situation in each area. This transition to the team system is a major change for the organization. With the possibility of MSs shifting into new roles as EMSs (ENIF Marketing Supporters; delivery personnel), maintaining and increasing motivation is of utmost importance. Another goal to be achieved through the transition to the team system is to establish a system that enables proper evaluation in the Company as a whole, to ensure that the right people are placed in the right positions, and to build an environment that supports career advancement. Ultimately, we believe that creating an environment where employees in every department want to work actively and for a long time and actively working to build a community healthcare design will lead to contributions to community healthcare.

Emphasize communication with employees and strongly promote measures

As described above, we are implementing a variety of measures aimed at business transformation, but active communication with employees is essential to disseminate our strategies throughout the Company. As an example, one

of the most important tasks for me as COO is to send out messages at the monthly TV morning meeting, which is attended by almost all employees. By naming sales offices and individuals and praising their outstanding efforts, I boost employee morale. In addition, when I asked for information on opening new medical facilities, not only did I receive more information and ideas than expected, but I also received some employees who wanted to be in charge of promoting the opening support business, which helped to move the activity forward.

I believe it is of utmost importance to draw out each employee's desire for growth with such expectations, thereby making the Company as a whole more active.

Sustainability management is an important factor in reducing the cost of capital

Based on the recognition that our industry is an important element of the medical infrastructure, we want to contribute to society and medical care through a stable supply of pharmaceuticals. Accordingly, we recognize that environmental and other sustainability issues are important management issues. The Sustainability Promotion Committee established in June 2023 has been engaged in a series of discussions, including the formulation of the action plan to achieve various targets. To give an example, we consider respect for human rights to be extremely important, as a social mission to be performed and we strive to reduce and prevent human rights risks with the aim of becoming an industry leader.

We also aim to manage our business with an awareness of the need to improve capital efficiency. We will continue to promote sustainability management as an important factor in lowering the cost of capital.

Ensure that we have a rock-solid presence

Under the Group slogan "Total commitment to good health," we have been focusing on strengthening our proprietary customer support systems and logistics infrastructure, as well as on BCP measures to ensure a stable supply of pharmaceuticals in Japan, a country prone to natural disasters. Going forward, while maintaining these strengths that we have cultivated, we must deliver new value to society in order to further solidify our presence. This value is not limited to the medical institutions and pharmacies that are our customers, but also includes pharmaceutical manufacturers that are our business partners, patients, and all people who desire good health. As mentioned earlier, amidst a drastically changing business environment with a declining birthrate, aging population, and the penetration of DX, we aim to continue to be a company that is trusted by our stakeholders by executing the Medium-Term Management Plan based on our underlying value-added business model.

Section 03

Sustainability of TOHO HOLDINGS



Realizing a Sustainable Society through Business Activities

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,” we will work to solve social issues through our business and contribute to the realization of a sustainable society as a business group engaged in the fields of medical, health and nursing care.

- 28 Sustainability Management
- 30 Environment
- 34 Social
- 39 Governance


















































Sustainability Management

Basic Views

In order to achieve sustainable growth and enhance corporate value over the medium to long term, we have grasped social issues and have identified the needs and expectations of stakeholders to resolve them. And then, we have made a list of issues that we need to address. We will continue to review our issues properly in accordance with the materiality identification process.

Materiality

	Important issues	Social issues	Targets	SDGs
 E (Environment)	Promotion of decarbonization   P.30	<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.33	<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.33	<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.40	<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.15	<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"> Establish a specialty products, full-line services Supply of high-quality generic drugs 	 
	Solve issues related to access to medical care   P.14	<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 	 
	Maximize the value of human capital   P.34	<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 early 2030: 30%, TOHO PHARMACEUTICAL's targets by 2026: 4%) Creating a pleasant working environment 	 
	Human rights   P.37	<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   P.38	<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.39	<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.41	<ul style="list-style-type: none"> Weak governance structure 	<ul style="list-style-type: none"> Building a stronger corporate governance system Further improving the effectiveness of the Board of Directors 	

Sustainability Management

□ 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 materiality (important issues), 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
June 2023	<ul style="list-style-type: none"> Identified and organized issues in our sustainability disclosure Discussed issues to be addressed in the future to address climate change Decided to support TCFD recommendations
October 2023	<ul style="list-style-type: none"> Set GHG emission reduction targets (Scope 1, Scope 2) Formulated human rights policies Deliberated initiatives to promote diversity

Sustainability promotion system



Risk management

The Group has the Risk Management Basic Rules in place to cope with any managerial risks – and situations that may develop into them – and forestall such risks. The Risk Management Basic Rules and the related manual are regularly reviewed for improvement by the Group Compliance and Risk Management Committee. The Committee, chaired by the Representative Director, CEO, 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 Group Compliance and Risk Management Committee and the Group Disaster Countermeasures Committee.



Environment

□ 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, risk management, strategy, metrics, and targets related for climate change risks and opportunities).

*Task Force on Climate-related Financial Disclosures



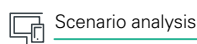
■ Governance

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.



<https://www.toho.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 will conduct 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	Increase 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

Environment

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 Solve 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 Solve issues related to access to medical care Coexistence with society

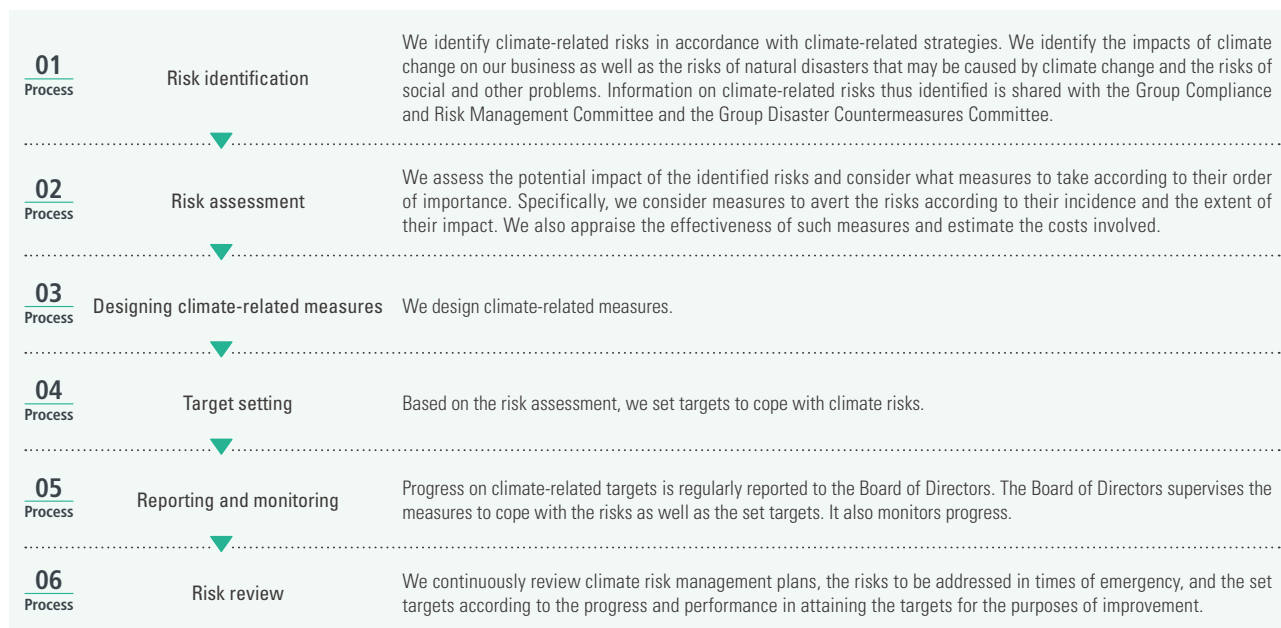
*1. The evaluation criteria for impact are based on the impact on operating profit. Large: 1 billion yen or more, Medium: 0.5 billion yen to less than 1 billion yen, Small: less than 0.5 billion yen

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

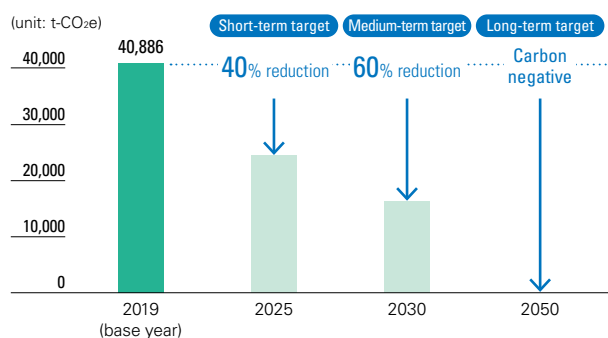
Regarding risks related to climate change, the Sustainability Promotion Committee identifies risks and opportunities, evaluates them, considers and promotes countermeasures, and sets targets, and reports them to the Board of Directors periodically.



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 medium-to long-term targets 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 work more closely with our suppliers and customers to advance efforts to reduce GHG emissions.

Targets of reduction of GHG emissions (Scope 1 and 2)



■ Initiatives

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

01 Process Receiving and shipping

Initiatives

- Eliminating driver waiting time:
Introduction of truck reservation service MOVO Berth

Introduction of truck reservation service

TBC DynaBASE has introduced a truck reservation service utilizing Hacobu's "MOVO Berth" berth reservation system. The reservation system improves the efficiency of loading and receiving operations and reduces truck waiting time, thereby reducing exhaust gas emissions. In addition, we are promoting white logistics by achieving zero driver waiting time.

02 Process Storage and sorting

Initiatives

- Achieving ZEB at new sales offices and logistics centers
- Switching the existing electricity plan to a renewable energy plan
- Installation of own solar panels

Switching the existing electricity plan to a renewable energy plan

Nearly half of our group's electricity consumption comes from logistics centers. Since 2023, we have been working to reduce GHG emissions by gradually switching to renewable energy power for logistics centers.

Reduction results and projections

Reductions in FY2023 (Scope 2)	1,183t-CO ₂ e (7.9% reduction compared to FY2022)
Projected reduction in FY2024 (Scope 2)	5,321t-CO ₂ e (35.6% reduction compared to FY2022)

03 Process Delivery

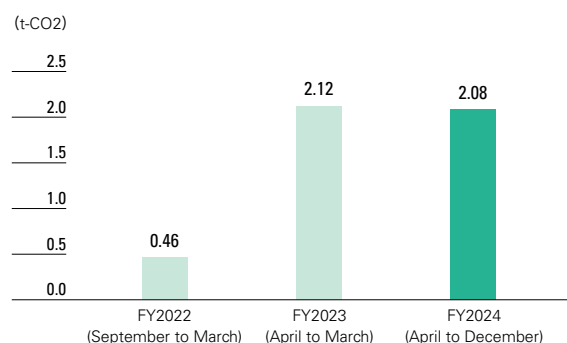
Initiatives

- Scheduled delivery based on Mizar's automated ordering
- Switching from gasoline-powered vehicles to electric vehicles
- Dry ice-free transport

Dry ice-free transport

In consideration of sustainability and eco-friendliness, we have partnered with Sysmex, and started dry ice-free transportation for the supply of quality control reagents for clinical chemistry tests requiring a high level of refrigerated transportation from September 2022. By supplying products to medical institutions through our SALM Solution System, we are working to reduce the number of transportation times, reuse transportation materials, and make the entire transportation process dry ice-free. As a result, we have reduced CO₂ emissions by 4.66t-CO₂.

Reduced CO₂ emissions through dry ice-free transportation



Environment

□ Biodiversity and Reduction of Waste

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, our pharmaceutical wholesaling business includes activities that indirectly affect biodiversity, such as fuel and energy used to transport pharmaceuticals. 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.

Against this background, 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.

■ Specific examples of biodiversity and reduction of waste

Reduction of waste in the pharmaceutical manufacturing and sales business

If a problem arises with the quality, efficacy, or safety of pharmaceuticals, its manufacturer and distributor must collect and surely dispose of products on the market in order to prevent the occurrence or spread of health hazards. To avoid this situation as far as possible, KYOSOMIRAI PHARMA, which manufactures and sells pharmaceuticals, makes compliance with Good Manufacturing Practice (GMP) a top priority. We are also working to minimize waste products by accurately predicting market demand and preventing overproduction through cooperation with the Group's pharmaceutical wholesaling and dispensing pharmacy businesses.

In addition, in order to prevent environmental pollution caused by leakages of chemical substances during the manufacturing process, we regularly conduct training to respond to leakages. At places where chemical substances are stored, precautions are taken such as: (1) measures to prevent bottles from falling over on storage shelves, (2) preparation of manuals for chemical spills from broken bottles, and (3) installation of sandbags at the entrance to keep water away from warehouses during floods.

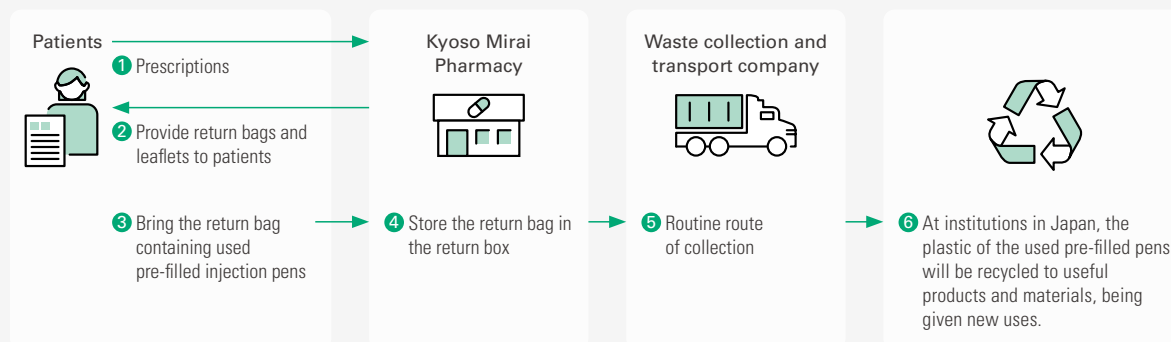
The plant of KYOSOMIRAI PHARMA has acquired ISO14001:2015 certification, an international standard for environmental management systems, and is promoting energy conservation and waste reduction.

Promotion of paperless

With the introduction of a hot-desking system at the head office, we are promoting paperless system throughout the Company by converting various materials into electronic data and stopping the distribution of documents at internal meetings. In addition, by promoting DX, we have reduced paper usage at the head office by about 30% from the previous year.

TOPIC 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 started operation for the first time in Japan. This program is implemented at 31 pharmacies in the Group.





Social

Maximize the Value of Human Capital

Basic Views

Based on the belief that employees are the Company'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 personnel 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.

Linkage with management: initiatives to maximize the value of human capital

	Human resources development / Training	Development of the human resource system	Work-style reforms
Investment in human capital (Input)	<ul style="list-style-type: none"> Enhanced training by rank and job classification Providing opportunities to take on challenges such as participating in projects or being seconded outside the Company Reskilling and assistance in obtaining personal qualifications Development of professionals 	<ul style="list-style-type: none"> Diversity & Inclusion Utilization of seniors, mid-career recruitment of excellent human resources Strengthen career development Staffing with the right people in the right places 	<ul style="list-style-type: none"> Going paperless through DX promotion Outsourcing of routine work Enhancement of work styles and systems to accommodate employees' life events Improvement of the workplace environment
Strengthening human capital (Output)	<ul style="list-style-type: none"> Monthly compliance training for all employees: 100% attendance Biannual training on the Antimonopoly Act for sales reps: 100% attendance Training for branch managers (excluding those newly appointed): 90 participants Training for new managers: 35 participants Training for new employees: 76 participants Follow-up training for new marketing specialists: 63 participants MTP training: 40 participants Senior MTP training: 29 participants Reskilling training for marketing specialists: 1,080 participants Joint research with the AIST: 24 participants (8 seconded and 16 in-house researchers) 	<p>Increase in the ratio of female managers</p> <ul style="list-style-type: none"> Proactive promotion of female employees to management positions <p><Ratio of female managers> TOHO HOLDINGS's targets (by early 2030): 30% Number of new managers: 4 men and 2 women</p> <p>TOHO PHARMACEUTICAL's targets (by 2026): 4%</p> <ul style="list-style-type: none"> Expansion of mid-career employment Promotion of contract employees to full-time employees 	<p>Creating a pleasant working environment</p> <ul style="list-style-type: none"> Increasing starting salary Master's degree graduates: 205,500 yen → 219,000 yen University graduates, professional-school graduates: 197,500 yen → 205,000 yen Junior college graduates, professional-school graduates: 177,500 yen → 191,000 yen Change of holidays (With the introduction of a full five-day work week and an increase in the number of summer vacation days, the number of vacation days per year increased by five days) Introduction of casual business wear throughout the year Promotion of health management: 6 companies have been certified as an Excellent Health Management Corporation 2024 (an increase of two companies from the previous FY)
Reform of human resource strategies and systems	<p>We will cultivate a corporate culture that helps each and every employee understand the "ideal state" of the Company, set their own ideal, and fearlessly take on challenges and grow toward the ideal.</p> <p>Specific measures</p> <ul style="list-style-type: none"> Reform of the human resource system to enable the formulation of employee goals and action plans that are more closely linked to the realization of business strategies, and the treatment of employees based on appropriate evaluation of their achievements 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 (in addition to internal appointments and mid-career recruitment from outside the Company, acquisition of companies to secure new human resources is also considered) 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 		



Maximize the value of human capital



Sustainable corporate growth

Human Resources Development at TOHO HOLDINGS

Basic Views

We consider that the human resources we need are: (1) a person who has a high sense of ethics and always complies with basic behavior; (2) a person who thinks and learns by himself/herself and is not afraid of failure but is willing to take on challenges through free-thinking; (3) a person who can make high-quality proposals and communicate well with others; (4) a person who can collaborate with business partners (customers, municipalities, etc.) and other departments in the Company; and (5) a person who can work globally. We are focusing on human resources development through various training programs.

Medical Total Planner training

▶ Outline

Launched in 1999, MTP (Medical Total Planner) training is strategy-linked training for improving the ability to propose customer support systems, etc. We aim to improve our skills in proposal-based marketing and sales regardless of age or position, in order to develop employees with the communication skills to establish deep relationships of trust by making high-quality proposals to meet the diverse needs of customers.

This training is held over a one-year period. In addition to familiarizing participants with how to use the customer support systems, participants from all over the country discuss what the current problems and issues are and how to address them. They then apply the outcome in their daily work, and repeatedly review the results among the participants to make adjustments.

Employees who have completed the MTP training receive the Senior MTP training to further improve their skills and seek to act as leaders.



Training scene

Comment from participant

Through this training, we are working to propose logistics systems for large medical institutions to hospitals that are struggling to consolidate their inventory management of pharmaceuticals and medical materials. When we first proposed the idea, they were not very interested, but through persistence and applying the learning from the training, we have progressed to the point where they are considering introducing the system. We will continue striving to take on challenges, share success stories, and demonstrate leadership.



Natsumi Kanemaru
Tokyo Sales Department
TOHO PHARMACEUTICAL

Support for obtaining Medical Management Specialist

▶ Outline

Amid the dramatic changes in the environment surrounding medical care, including the Regional Medical Care Vision, we encourage and support employees to acquire qualification as a Medical Management Specialist in order to help them acquire specialized knowledge about the management of medical institutions and medical care as well as to advance their careers.

While taking advantage of our strengths in customer support systems and high-performance logistics, our marketing specialists (MSs) practice proposal-based marketing and sales activities to resolve client and patient issues. By utilizing the knowledge and know-how learned in the process of obtaining the certification, we aim to serve as a bridge between medical institutions, patients, and manufacturers. By contributing to medical care tailored to regional characteristics, we aim to expand our opportunities as a reliable presence in each region.

Comment from qualified Medical Management Specialist, Second Grade

In the course of our daily sales activities, I felt that we needed a strength that competitors lack, beyond traditional proposals and price negotiations. For this reason, I acquired the qualification of a Medical Management Specialist in order to become equipped with a systematic knowledge of the structure and system of medical administration as an MS needed by our clients.

I can now provide my clients with the knowledge and information on laws and regulations revisions I have gained through the above-mentioned qualification, and I feel myself growing. In addition, my newly acquired Level 2 taught me approaches to achieve results in an organization besides specialized knowledge, so I hope to use what I have learned together with my team members in practice.



Hiroyuki Watatani
Senior Manager
Tokyo Sales Department
TOHO PHARMACEUTICAL

Reskilling training

▶ Outline

The global drug discovery field now requires specialty products such as pharmaceuticals that serve unmet medical needs. As a result, pharmaceutical wholesalers, which have emphasized primary products for about 40 years, cannot survive without changing with the times. In addition, the sales approach has long been about intuition, experience, and action, but now data-driven methods are the mainstream in all industries. With the development of AI, an approach that makes greater use of data is becoming even more important.

Under these circumstances, we believe that the Group needs reskilling to respond to the changes and create new business never seen before. In view of the current state of development and clinical trials of pharmaceuticals, we recognize that serving the acute care hospital market will be our most important task over the next 20 years. To achieve this, we must acquire data-driven methods and transform ourselves into a sales force capable of handling medical statistical data that has become big data. For this reason, we consider daily reskilling an important activity and conduct training accordingly.

Comment from participant

Conventional activities had difficulties accessing the medical affairs section of a hospital and struggled to build a network of contacts within the hospital. However, the data analysis-based approach mastered in reskilling greatly improved the situation. In an interview at a medical affairs section, I made a proposal based on newly acquired knowledge and data, and won their trust.

To get to the next step, which is to meet with management, we will work with the DX Promotion Department and continue reskilling.



Tsukasa Sato

Assistant Manager
Tokyo Sales Department
TOHO PHARMACEUTICAL

Joint research with AIST

▶ Outline

In April 2023, the Company established a cooperative research lab with AIST with the aim of realizing universal medical access*, through which all patients can receive high-quality medical care regardless of the skill level of medical and nursing personnel or where patients live.

Eight employees on loan and 16 in-house researchers from the Group are engaged in joint research on four themes: (1) development of new transport technologies for regenerative medicine products; (2) sophistication of logistics bases; (3) development of technology needed for telemedicine; and (4) data collection and utilization technologies— to solve medical access issues and implement new technologies, systems, and services in society.

We nurture R&D personnel through this initiative, thereby strengthening our internal R&D infrastructure.

*Universal medical access: A system that allows everyone to provide high-quality medical and nursing care without anxiety, regardless of the skill level of the medical or nursing personnel. It also refers to the highest level of medical accessibility, which allows people to access necessary and sufficient medical and nursing care regardless of where they live, even in the event of a disaster or emergency.



Comments from seconded researcher

We research for the practical application of generative AI to improve productivity mainly in call centers.

We focus on prompt engineering, a technology that maximizes the capabilities of generative AI, and its practical application methods. In addition to acquiring knowledge through research, negotiations with various parties, including AIST, university laboratories, and in-house teams, also help to develop project management skills.

Henceforth, we would like to contribute to improving the Group's corporate value by aiming at the early practical application of generative AI.



Shintaro Ueno

Specified Concentrated Research Specialist
TOHO-HOLDINGS-AIST Universal Medical Access Cooperative Research Laboratory
Collaboration Promotion Office of Life Science and Biotechnology Department of
Life Science and Biotechnology
NATIONAL INSTITUTE OF ADVANCED INDUSTRIAL SCIENCE AND TECHNOLOGY (AIST)

Social

Health and Productivity Management

As a corporate group active in medical, nursing, and healthcare fields, we are committed to creating an environment in which each and every employee can understand and deal with his or her own health. We have been certified as a “Good Health Management Corporation 2024.”



Health fair for employees

The Group’s issues, goals, and action plans for health and productivity management

We identify the relevant issues, set goals, and formulate action plans in order to implement our health and productivity management initiatives.



Health and productivity management of TOHO HOLDINGS

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



▶ Initiatives

- Installed health-related equipment, stride length signs according to height, and stretching signs in the office
- Dissemination of health information through internal newsletters and digital signage
- Health-related training and survey (Number of sessions held in FY2023: 1, attendance: 99.3%, survey response rate: 38.7%)
- Training and survey on female-specific diseases (Number of sessions held in FY2024: 1, attendance: 96.5%, survey response rate: 41.0%)
- Health fairs (Number of events held in FY2024: 1)
- Improvement of dietary habits (Nutritional consultation, VegeCheck®)

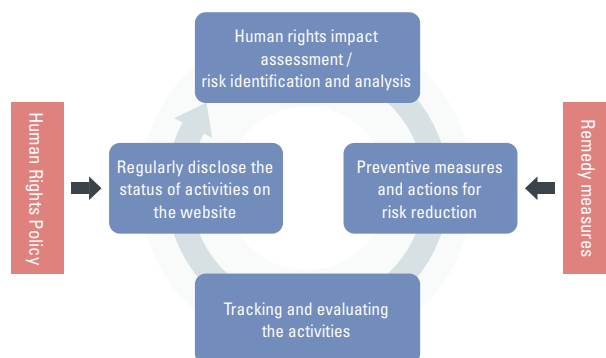
Respect for Human Rights

Basic Views

Recognizing that respect for human rights, which are the fundamental rights that all people are born with, is an important social responsibility that we must fulfill as a company, we have formulated the Group’s Human Rights Policy in 2023.

This Policy applies to all employees and officers of the Group. We also expect our business partners and other stakeholders to understand and support this Policy and will encourage them to respect it.

We carry out human rights due diligence to identify human rights issues and to prevent, reduce, and address negative impacts on human rights.



TOHO HOLDINGS Group’s Human Rights Policy
<https://www.tohohd.co.jp/en/csr/social/humanrights>



▶ Initiatives

- TOHO HOLDINGS Group’s Procurement Policy

In order to realize a corporate group that is needed and continuously supported by all stakeholders, we believe that the entire supply chain, the foundation of business continuity, must cooperate. For this reason, in 2024 the Group formulated the TOHO HOLDINGS Group’s Procurement Policy as a guideline for responsible procurement activities based on the deep relationship of trust with suppliers involved in the supply chain of our business and contributing to the realization of a sustainable society.



TOHO HOLDINGS Group’s Procurement Policy

https://www.tohohd.co.jp/en/csr/procurement/procurement_policy



- Declaration of Partnership Building

In accordance with the TOHO HOLDINGS Group's Procurement Policy, the Company declared a Declaration of Partnership Building in 2024 with the aim of further deepening cooperation with its suppliers and building new partnerships across the entire supply chain based on a relationship of coexistence and co-prosperity. At present, 13 Group companies, including the Company, have made and published such declarations.

*A Declaration of Partnership Building is made by a business operator from the standpoint of the ordering party in the name of its representative, with the aim of increasing added value in the entire supply chain and achieving coexistence and co-prosperity between large companies and SMEs.



Declaration of Partnership Building

<https://www.tohohd.co.jp/en/csr/procurement/partnership>



Coexistence with Society

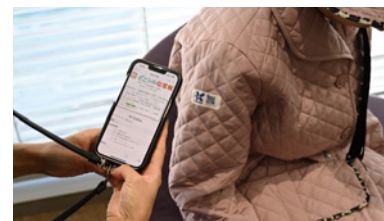
Basic Views

We will practice our business activities rooted in the local communities always with an awareness that we are a company coexisting with the local communities and strive to gain the trust and understanding of the communities.

Monitoring agreements with local governments

We have signed community monitoring agreements with 150 local governments. In addition, 344 municipalities have introduced the "Dokoshiru Dengonban." The Dokoshiru Dengonban is a service that helps people with dementia or disabilities reported missing to be found and returned home as soon as possible without disclosing their personal information.

We have developed this custody information-sharing service to allow senior citizens with dementia and persons with disabilities, as well as their families, to live with peace of mind in the community. To use this service, one needs to register and attach a dedicated 2D code to his or her clothes or belongings. If the registered user gets lost and has the code read with a smartphone or some other device, the system will automatically send an email notifying the user's family, the municipality the user lives in, and other persons concerned of the user's whereabouts.



Implementation of a health fair

The dispensing pharmacies of the Group are working to create pharmacies that can easily be visited without a prescription as community health support pharmacies. The dispensing pharmacies focus on selling OTC drugs, health foods, nursing care products, and other products to support self-medication of local residents. The dispensing pharmacies also conduct a variety of activities, including consultations and study sessions on drugs, nutrition, and health, and run dementia cafes.



Support for sports and art in Setagaya, where the company was founded

We have been an official partner of Sfida Setagaya FC, a women's soccer club in Setagaya since 2013. We also support activities related to Setagaya, where we were founded, such as sponsorship of the performing arts promotion program by SETAGAYA PUBLIC THEATER and the Setagaya Art Town festival held every October.

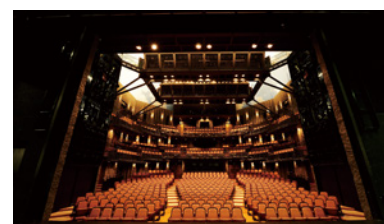


Photo: Shinji Hosono



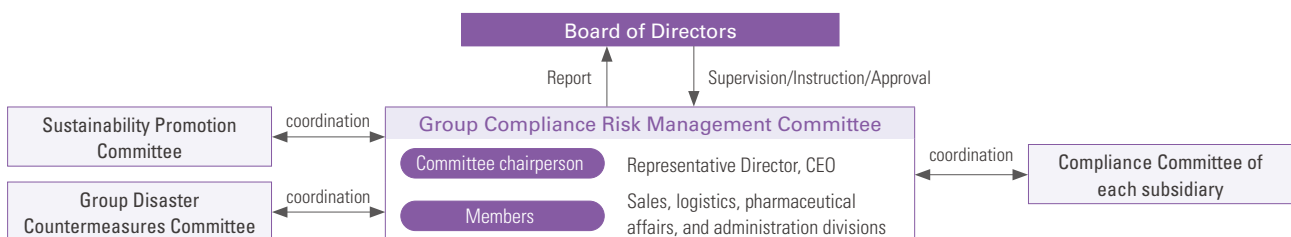
Governance

Strengthening Risk Management

Basic Views

In the course of business operations, it is important to identify uncertain future events in advance 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.

Structure of Group Compliance Risk Management Committee



Compliance

Internal reporting system

We have established a consultation desk regarding activities such as legal violations for our employees (full-time employees, career staff, contract employees, part-time workers, temporary workers, and retired employees) and employees of our business partners, and have established an appropriate and effective system for whistleblowing. In the operation of these systems, treating reporters disadvantageously because of their reports is prohibited. In FY2023, we received 28 whistleblowing reports, all of which we promptly investigated and took appropriate action for. There were no serious violations in the reports.

Internal contact

The Toho Hotline has been set up to allow employees to report directly via the internal intranet, thereby enhancing the confidentiality of whistleblowers and the ease with which they can inform.

External contact

A lawyer's office has been established as a contact point to ensure fairness and anonymity for whistleblowers.

Mandatory compliance training for all employees

In order to conduct sound business operations, it is important that all executives and employees have correct knowledge and a high awareness of compliance. The Group requires all executives and employees to receive compliance training on important laws and regulations to be understood in conducting business activities.

In addition to compliance training, we also provide timely specialized training. Specifically, external lecturers are invited to give lectures on the Antimonopoly Act, anti-bribery and purchase-related laws, and videos are streamed to all executives and employees.

Employee education through Kawaraban

We issue a bi-weekly e-mail magazine, Compla Kawaraban, with the aim of improving compliance knowledge and awareness. This magazine covers familiar topics related to compliance to help people see compliance as their own business.



Internal control

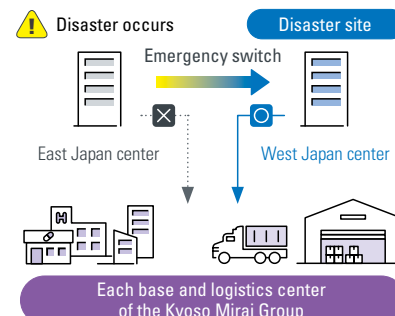
The Group has established basic policies for systems to ensure that the execution of duties by Directors complies with laws, regulations, and the Articles of Incorporation, as well as the internal control system necessary to ensure the appropriateness of operations. These policies have been resolved by the Board of Directors. The current internal control system is regularly checked, and efforts are being made to establish an internal control system that meets the requirements of the time, such as changes in social conditions and the environment.

Risk Management

Stable supply of pharmaceuticals and BCP

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. In addition, we have been steadily advancing our business continuity plan (BCP) by enabling remote computer support at our sales offices and logistics centers. Furthermore, we have a system in place to ensure a stable supply of pharmaceuticals even in the event of a disaster through redundant warehouse management systems, coordination between call centers, installation of uninterruptible power supply equipment, periodic disaster drills, etc.

In addition, even in the event of natural disasters or epidemics of infectious diseases, we must ensure the smooth delivery of pharmaceuticals and other products. For this reason, the Group has prepared BCPs for various situations.



Initiatives

- Redundant host computer and warehouse management system
- Formulation of the Kyoso Mirai Group Disaster Countermeasures Manual
- Establishment of the Kyoso Mirai Group Disaster Countermeasures Committee and holding of meetings regularly
- Installation of in-house power generation facilities
- Deployment of emergency bikes
- Installation of disaster priority phones, satellite phones, etc.
- Use of advance notification system for emergency vehicles, etc.
- Introduction of safety confirmation system



In-house power generation facilities



Emergency bikes

Efforts to prevent dispensing errors at dispensing pharmacies

If any error occurs in dispensing operations due to the characteristics of prescription pharmaceuticals, this may damage human bodies. Therefore, the Group pharmacies are working to improve safety through employee education and the introduction of equipment to prevent dispensing errors.

Quality control at KYOSOMIRAI PHARMA

We strive to ensure manufacturing control, quality assurance, and safety in the process from procurement of raw materials and other materials to each production process and shipment in accordance with the GMP Ordinance, the QQP Ordinance, and other relevant laws and regulations. The Group is also working to minimize the impact of disasters and epidemic diseases by formulating a business continuity plan (BCP).

GMP Ordinance (the "Ministerial Ordinances on Standards for Manufacturing Control and Quality Control for Drugs and Quasi-drugs")

QQP Ordinance (the "Ministerial Ordinance on Standards for Quality Assurance for Drugs, Quasi-drugs, Cosmetics and Medical Devices"), the GVP Ordinance (the "Ministerial Ordinance on Standards for Post-Marketing Safety Control of Drugs, Quasi-drugs, Cosmetics, Medical Devices, and Regenerative Medicine Products")



Please refer to "Risk Information" for other risks and responses
<https://ir.tohohd.co.jp/en/riskfactor.html>



Establishment of a Transparent Governance System

Corporate Governance

▣ Directors (as of November 8, 2024)

■ Directors



Hiromi Edahiro

Representative Director, CEO and CFO



Akira Umada

Senior Executive Managing Director, COO



Takeo Matsutani

Director



Masami Tada

Director, General Manager of
Pharmaceutical Affairs Headquarters



Kentaro Murakawa

Director, in charge of Pharmaceutical
Manufacturing and Sales Business

■ Outside Directors



Yoshiaki Kamoya

Outside Director
(Audit and Supervisory Committee Member)



Hidehito Kotani

Outside Director
(Audit and Supervisory Committee Member)



Chie Goto

Outside Director
(Audit and Supervisory Committee Member)



Career of directors

<https://data.swcms.net/file/tohohd/dam/jcr:ad7dc211-e102-4fb5-a24c-02cf6e81d28e/S100TX0G.pdf#page=55> (Japanese only)

Corporate Governance

Changes in Governance Enhancement

	2000	2010	2020		
Enhancement of supervisory functions			2016 <ul style="list-style-type: none"> Shift to a company with Audit and Supervisory Committee Start of evaluation of the effectiveness of the Board of Directors Appointment of outside Audit and Supervisory Committee members 		
Ratio of outside directors			FY2014 20.0% FY2023 33.3%		
Ratio of female directors			FY2015 7.7% 2024 22.2% 2024 <ul style="list-style-type: none"> Appointment of female outside director 		
Enhancement of management transparency and soundness	1997 <ul style="list-style-type: none"> Establishment of the Group Management Committee P.46	2007 <ul style="list-style-type: none"> Establishment of the Group Compliance Risk Management Committee 	2011 <ul style="list-style-type: none"> Establishment of the Group Disaster Countermeasure Committee 	2021 <ul style="list-style-type: none"> Establishment of the Nomination and Compensation Committee P.45 2023 <ul style="list-style-type: none"> Establishment of the Sustainability Promotion Committee Establishment of the Information Security Committee Establishment of the Investment Committee P.45	2024 <ul style="list-style-type: none"> Establishment of the Management Strategy Committee Establishment of the Governance Enhancement Special Committee P.45

Composition, Expertise, and Experience of Directors (as of November 8, 2024)

Name	Position	Gender	Attendance at Board of Directors and Audit and Supervisory Committee meetings in FY2023 (Number of times attended/ Number of times held)		Expertise and Experience				
			Board of Directors meetings	Audit and Supervisory Committee meetings	Corporate management	Sales	Finance/Accounting	Legal/Risk management	Industry knowledge
Hiroimi Edahiro	Representative Director, CEO and CFO	Male	13/13 (100%)	—	●		●		●
Akira Umada	Senior Executive Managing Director, COO	Male	13/13 (100%)	—	●	●			●
Takeo Matsutani	Director	Male	13/13 (100%)	—	●	●			●
Masami Tada	Director	Female	13/13 (100%)	—				●	●
Kentaro Murakawa	Director	Male	13/13 (100%)	—	●	●			●
Yoshiaki Kamoya	Outside Director of Audit and Supervisory Committee Member	Male	13/13 (100%)	8/8 (100%)	●	●		●	●
Hidehito Kotani	Outside Director of Audit and Supervisory Committee Member	Male	13/13 (100%)	8/8 (100%)	●	●	●		●
Chie Goto	Outside Director of Audit and Supervisory Committee Member	Female	—*	—*			●	●	

* Not yet appointed in FY2023

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.

Details of deliberations by the Board of Directors

In FY2023, it was decided that the Company will formulate the Medium-Term Management Plan 2023-2025 "Create the Next Generation," and the following matters were deliberated and decided.

Share buyback

The Company conducted two share buybacks (12 billion yen) to achieve the goal of "improvement of capital efficiency and enhancement of shareholder returns" set forth in the Medium-Term Management Plan.

Establishment of various committees

It was decided that the Company would establish the Investment Committee and the Management Strategy Committee as advisory bodies to the Board of Directors.

Evaluation of the effectiveness of the Board of Directors

To analyze and evaluate the effectiveness of the Board of Directors as a whole, we conducted a questionnaire survey of all directors with regard to the composition of the Board of Directors, the status of its operations, discussion, and the status of dialogue with investors and shareholders. The analysis and evaluation results were reported to the Board of Directors meeting in June 2024.

01 Evaluation method

Process

- Target: 6 internal directors and 3 independent outside directors
- Evaluation method: questionnaire survey for the target persons
- Question content

1. Composition of the Board of Directors	4. Status of dialogue with investors and shareholders
2. Operation of the Board of Directors	5. Evaluation of issues raised in the previous evaluation
3. Discussion at the Board of Directors	6. Other (about the Board of Directors in general)

In addition to evaluating each item, we have also set up a free comment section to collect diverse opinions.

02 Evaluation results

Process

The evaluation results mentioned above confirmed that the Company's Board of Directors was effective in terms of its roles and arrangements.

In FY2023, the following initiatives were implemented to create an environment promoting active discussion at the Board of Directors.

- ▶ Review attendance at the Board of Directors meetings and limit attendance of those other than directors in principle.

In addition to the above, the Board of Directors has been highly evaluated for its free and vigorous discussions, such as the frequency of meetings of the Board of Directors, the length of deliberations, and the environment for constructive discussions.

03 Future initiatives

Process

The Company holds regular meetings with the outside directors who are Audit and Supervisory Committee members to exchange information and deepen mutual understanding. It also works to reinforce information-sharing arrangements by allowing the members of the Audit and Supervisory Committee to participate in, as observers, the meetings of the Group Management Committee and of the Board of Directors of subsidiaries.

In view of the effectiveness of the evaluation results, we will appropriately address the items on which advice or comments were put forward. The aim is to make the Board of Directors more effective and to further improve our corporate governance.

Corporate Governance

■ 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.

■ 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 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.

▶ Activities

In FY2023, the Committee, which consisted of five members, three independent outside directors and two internal directors, deliberated on the following matters:

- Matters concerning the appointment of the chairperson
- Matters concerning the appointment of directors
- Matters concerning compensation, etc., of directors

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 Representative Director, CFO.

▶ Activities

In FY2023, the Committee had three meetings and 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



P29

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.

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 will consist of members who have specialty in legal, finance, corporate management, etc., independent of the Company to verify the internal control organization and provide advice and recommendations on governance from an objective and professional standpoint. The Group intends to further strengthen its governance structure based on the advice and recommendations of the Committee.

Members of the Committee

Internal directors	Hiromi Edahiro, 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.

Members of the Committee

Committee chairperson	Yasuyuki Takai
Member	Hidehito Kotani
Member	Chie Goto
Secretariat	Legal Department and Corporate Planning Department, Corporate Strategy Division

Governance Enhancement Special Committee

Message from the chairperson

I am pleased to announce my appointment as Chairperson of the Governance Enhancement Special Committee. In the TOHO HOLDINGS Group, there have been cases that raise questions about its compliance and governance systems, such as violations of the Antimonopoly Act related to bids for prescription pharmaceuticals. In light of this, and because the Group wants to strengthen governance so that such an incident will never occur again in the future, I have decided to assume the chairpersonship of this Committee. When I was a prosecutor, I investigated the Recruit scandal. At that time, I instructed the talented young prosecutors to always express negative or opposing opinions about the direction of the discussion at the investigation meeting, regardless of their own original opinions. This was to prevent the investigation from becoming self-righteous and going in the wrong direction. I would like to operate this Committee in the same way as I did at that time, so that free and vigorous discussions can take place.

Four meetings of the Committee have already been held, and each time, the two members and I have engaged in frank discussions based on the careful preparation of the Secretariat. I believe that really useful opinions come from places like this. Whenever scandals occur, there is always a cause. Through active discussions in this Committee, we hope to create a system and structure that will enable us to find and eliminate such causes at an early stage.

Your cooperation would be greatly appreciated.



Yasuyuki Takai, Chairperson
Governance Enhancement
Special Committee

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.

Activities

Through attendance at meetings of the Board of Directors and other important meetings and regular meetings with the Representative Director, the Audit and Supervisory Committee exchanges opinions on issues to be addressed by the Company, the status of audits by the Committee, important auditing issues, etc. In addition, the Committee receives regular reports from the accounting auditor on the plans, methods, and results of accounting audits, and exchanges information with them to conduct efficient audits.

Group Management Committee

The Group Management Committee meets monthly in principle to discuss and deliberate on the Group's management and business strategies, important business execution matters, progress reports on initiatives in each business, measures to address issues, and important matters to be submitted to the Board of Directors. Independent outside directors also participate in this Committee, and free and vigorous discussions are held from various perspectives.

Activities

In FY2023, the Committee had 15 meetings, mainly for preliminary deliberation of proposals to be submitted to the Board of Directors, discussion and deliberation of important matters to be considered, and reports from each department.

Corporate Governance

■ Remuneration for Directors

■ Basic policy on remuneration for directors

Remuneration at the Company is determined based on a remuneration structure and level that reflect the individual responsibilities and roles in the Board of Directors, taking into consideration the Company's business performance, stock price, and other factors, in order to encourage the execution of operations consistent with the Company's mission statement and management strategies and to strengthen the function of supervising business execution, with a view to achieving the sustainable growth of the Company and enhancing corporate value over the medium to long term.

■ Remuneration structure for directors

The remuneration structure for the Company's directors (excluding those who are Audit and Supervisory Committee members) consists of monthly remuneration, stock-based compensation (stock options and restricted stock compensation), and bonuses for directors.

The remuneration structure for directors who are Audit and Supervisory Committee members consists of monthly remuneration made up of base remuneration and remuneration for directors based on performance, stock price, and other factors, as well as bonuses for directors.

Base remuneration	<ul style="list-style-type: none"> Fixed remuneration based on the position and role of each director in consideration of the business environment surrounding the Company, etc., and paid as monthly remuneration.
Remuneration for directors, taking into consideration business performance, stock price, and other factors	<ul style="list-style-type: none"> Remuneration for directors, taking into consideration business performance, stock price, and other factors, is allocated based on the previous fiscal year's business performance, etc. Directors who assumed office as of the end of the previous fiscal year are eligible for remuneration, which is paid as monthly remuneration.
Stock-based compensation	<p>Stock options</p> <ul style="list-style-type: none"> The purpose is to make them share the benefits and risks of stock price fluctuations with shareholders and motivate them to contribute to higher stock prices and corporate value. The Company's stock options are stock-based compensation type of stock options with an exercise price of 1 yen per share to be delivered upon the exercise of stock acquisition rights. The stock options are determined after comprehensive consideration of various factors such as the degree of contribution of directors to the Company. It was resolved at the 69th Annual General Meeting of Shareholders held on June 29, 2017 that the Company's existing stock-based compensation stock options would be abolished and the following restricted stock compensation plan would be introduced. <p>Restricted stock compensation plan</p> <ul style="list-style-type: none"> The Company has introduced a restricted stock compensation plan in place of its existing stock-based compensation stock options with the aim of giving an even greater incentive for directors of the Company to undertake sustainable enhancement of the Company's corporate value and to further promote value-sharing with shareholders.
Bonuses for directors	<ul style="list-style-type: none"> Determined according to the degree of contribution to corporate performance, etc.

■ Method of determining remuneration, etc.

It was resolved at the 68th Annual General Meeting of Shareholders held on June 29, 2016 that with respect to remuneration for directors, a distinction should be made between directors (excluding those who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members, and that the total amount of remuneration for directors (excluding those who are Audit and Supervisory Committee members) should not exceed 700 million yen per year (of which the amount for outside directors should not exceed 50 million yen per year) and that for directors who are Audit and Supervisory Committee members should not exceed 50 million yen per year.

• Remuneration for directors (excluding those who are Audit and Supervisory Committee members)

It is determined by resolution of the Board of Directors within the limit of the remuneration amount resolved at the General Meeting of Shareholders. The remuneration for directors (excluding those who are Audit and Supervisory Committee members) for the FY ended March 31, 2024 was resolved at the Board of Directors meeting held on June 29, 2023.

• Remuneration for directors who are Audit and Supervisory Committee members

It is determined through discussion among directors who are Audit and Supervisory Committee members within the limit of the remuneration amount resolved at the General Meeting of Shareholders. The remuneration for directors who are Audit and Supervisory Committee members for the FY ended March 31, 2024 was resolved at the Audit and Supervisory Committee meeting held on July 21, 2023.

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 per remuneration, etc., category (millions of yen)				Number of eligible directors
		Monthly remuneration	Bonuses for directors	Stock options	Restricted stock compensation	
Directors (excluding outside directors)	326	283	19	—	23	6
Directors (Audit and Supervisory Committee members) (excluding outside directors)	—	—	—	—	—	—
Outside directors	45	42	2	—	—	3

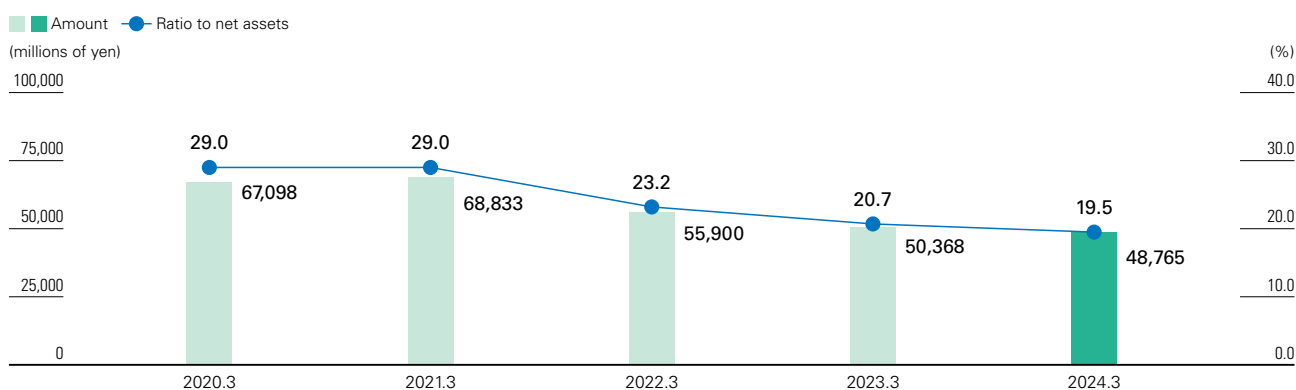
□ Cross-shareholdings

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.

With regard to cross-shareholdings, we are continuously reducing them after sufficient dialogue with the companies of our business partners, and aim to reduce our holdings to less than 15% of net assets as of the FY ending March 2026 and to less than 10% as of the FY ending March 2029.

The Company exercises its voting rights after comprehensively judging various viewpoints including impacts on the Group, while taking into account whether exercising such voting rights will lead to the enhancement of the corporate value of the invested companies over the medium to long term and conducting dialogues with counterparties in cases where it is deemed that there is sluggish business performance or serious compliance violation, etc.

Status of cross-shareholdings



(Note 1) The above amounts include unlisted shares.

(Note 2) The Company does not have any shares deemed to be held.

Changes in number and amounts of cross-shareholdings sold

Year	Number of issues sold	Amounts of shares sold (millions of yen)
2020.3	52	2,298
2021.3	16	7,391
2022.3	15	5,195
2023.3	12	5,808
2024.3	12	13,188

(Note) Including a partial sale.

□ 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/Corporate Planning Department. Also, the representative director and outside directors respond as often as possible to some demands 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 FY2023

- Financial results briefing for institutional investors and analysts: 2 times
- Overseas roadshow: 1 time (6 companies)
- Individual interviews with institutional investors and analysts: 85 times

Corporate Governance

Message from Outside Directors



Yoshiaki Kamoya

Outside Director (Audit and Supervisory Committee Member)

I was appointed to my current position in 2020 and it has already been over four years. My first impression when I took office was that it was strange that the Company somehow managed to operate with management strategies not being communicated in a concrete way to employees on the front line and without a specific HR strategy. I presented this finding to former CEO Atsushi Udoh as the consensus of the Audit and Supervisory Committee. We then found that the former CEO had the same sense of crisis, and we had a series of discussions on how to communicate the top management's ideas to all employees in an easy-to-understand manner and how to make all employees proud and fulfilled in their work. As a result, we established the Nomination and Compensation Committee, the Investment Committee, the Sustainability Promotion Committee, the Management Strategy Committee, and the Governance Enhancement Special Committee and formulated the Medium-Term Management Plan 2023-2025 "Create the Next Generation," which I believe are major achievements of the past four years.

Also, the atmosphere of the Board of Directors has changed dramatically over the past four years. All directors now seriously consider the impact of each proposal on management and whether or not it is the best course of action, and serious discussions are held. This was a significant change from the atmosphere when I first took office. While there are still many issues that need to be addressed, we will continue to make every effort to realize the Board of Directors that allows free and vigorous discussion and is transparent.

Over the past four years, we have visited branches and sales offices together with auditors of TOHO PHARMACEUTICAL and exchanged opinions with many branch managers and sales office managers. What came to light was that all employees were keenly aware of fulfilling their social mission of providing a stable supply of pharmaceuticals under the Group's slogan "Total commitment to good health." They are aware that their activities are responsible for the health of people, and their actions based on this awareness are the very foundation of the Group and the key to the Group's development, as I myself strongly felt.

The environment surrounding the Group is changing at a rapid pace. Depending on whether we view this change as a risk or an opportunity, the outcome will vary greatly. As an outside director who is an Audit and Supervisory Committee member, I see this change as an opportunity and would like to do my best to help each and every employee of the Group practice "Total commitment to good health" and enable us to continue to be a corporate group relied on by society in the next generation as well.



Hidehito Kotani

Outside Director (Audit and Supervisory Committee Member)

The Group launched in May 2023 the Medium-Term Management Plan 2023-2025 "Create the Next Generation." This Medium-Term Management Plan was developed through repeated discussions at meetings of the Board of Directors and on other occasions. Thereafter, in addition to periodic progress checks by the Board of Directors, we continue to hold ongoing discussions in the Management Strategy Committee, while being aware of recent social changes, trends, etc. I am determined to fulfill my role as an outside director and make every effort to contribute to the management of the Group so that the Group can achieve further growth and sustainable development.

It will not be easy for us to maintain growth that meets the expectations of our shareholders, fulfill our role in the healthcare infrastructure in Japanese society as a pharmaceutical wholesaler, and launch new business that can respond to ever-changing international medical trends. To achieve this goal, the Company needs to proactively reach out for new business opportunities, including external investments, rather than focusing on doing everything in-house. For this purpose, I advise at the Investment Committee on the strategic direction, evaluation, selection, post-merger integration*, and alliance management of investment projects, drawing on my past experience.

The Governance Enhancement Special Committee, an advisory body to the Board of Directors, was established in August 2024 to strengthen governance. As a member of this Committee, I will maintain a speedy management structure in order not to miss opportunities for the Company's growth, while striving to create a management structure that ensures an appropriate level of governance that meets the needs of the times.

The role of the Nomination and Compensation Committee is also becoming increasingly important in terms of the effectiveness of the Board of Directors. We recognize that efforts have been made in recent years to improve the effectiveness of the Board of Directors, such as optimizing the number of directors, appointing female outside directors with financial, accounting, or legal insight, supervising the Board of Directors, and establishing various committees. We will hold meetings of the Audit and Supervisory Committee on a continual basis and, in particular, hold interviews with the managers of each department to gain an understanding of the Company's current situation and ensure that the results of these interviews are reflected in management.

Recognizing that the responsibilities of outside directors will continue to grow, we will fulfill our roles and responsibilities to appropriately protect shareholder interests by engaging in appropriate dialogue with capital markets, thereby enhancing the corporate value of the Company and the Group and contributing to society.

* Post-Merger Integration: Post-M&A management integration process



Chie Goto

Outside Director (Audit and Supervisory Committee Member)

The Group has developed through the concerted efforts of its management team and employees to contribute to medical care and healthcare, with the Group slogan “Total commitment to good health” and a sense of mission that drug shortages should never occur. With its long history, the corporate group is now undergoing a period of change in its business structure, governance, human capital strategy, corporate culture, etc. I am pleased to serve as an outside director who is an Audit and Supervisory Committee member during this period of great change and would like to contribute to the enhancement of the Group's corporate value, including its social reputation.

Audit and Supervisory Committee members are granted voting rights at the Board of Directors meetings and the right to state opinions on the appointment, compensation, etc., of directors who are not Audit and Supervisory Committee members. While participating in management decision-making as directors, Audit and Supervisory Committee members bear the heavy responsibility of auditing and supervising the execution of duties by management.

In addition, it is the responsibility of outside directors to utilize their knowledge and appropriately reflect the views of minority shareholders and other stakeholders in the Board of Directors from a standpoint independent of management and controlling shareholders. As an attorney and certified public accountant, I understand important legal concepts such as the principle of business judgment, internal control, directors' monitoring obligations, and the principle of trust. I would like to express my frank opinions to management from a neutral and third-party standpoint. Specifically, if there are unreasonable or unnatural points in the management and deliberation process of the Board of Directors, I will frankly raise questions, hold discussions, and make proposals. A company with a long history has its own corporate culture and internal practices. Of course, the company needs to change in response to changes in the external and internal environments while maintaining its good points and strengths. It is useful to take an outside perspective on what and how to change.

I am currently a member of the Governance Enhancement Special Committee and the Nomination and Compensation Committee, and an observer member of the Group Management Committee. The Governance Enhancement Special Committee is energetically working on issues such as the establishment of a framework for the prevention and early detection of misconduct as well as a group governance system. Other outside directors are also striving to contribute to the enhancement of corporate value by leveraging their respective strengths. I hope that you will all look forward to the Group weathering the current period of change and becoming a company that truly “creates the next generation” (Medium-Term Management Plan 2023-2025).

Financial Summary

	2013.3	2014.3	2015.3	2016.3
Operating Results				
Net sales	1,140,364	1,189,627	1,162,148	1,308,474
Cost of sales	1,038,358	1,084,520	1,055,793	1,182,429
Gross profit	101,998	105,103	106,320	125,928
Selling, general and administrative expenses	86,120	92,774	96,303	97,309
Operating profit	15,877	12,328	10,017	28,618
Ordinary profit	19,585	18,303	15,902	34,493
Profit attributable to owners of parent	11,526	10,407	13,535	21,771

Financial Position

Total assets	562,668	580,137	598,976	641,877
Net assets	134,272	147,190	157,371	174,656

Cash Flows

Cash flows from operating activities	24,558	-18,636	29,347	2,381
Cash flows from investing activities	-10,453	-7,957	3,457	-4,942
Cash flows from financing activities	-15,997	2,966	-7,258	-10,134
Free cash flow	14,104	-20,594	32,804	-2,561
Cash and cash equivalents at end of period	37,368	14,257	40,550	27,854

Capital Investment/Depreciation

Capital investment	13,871	13,895	4,857	6,959
Depreciation	2,913	3,709	4,729	4,721

Major Indicators

Gross profit margin (%)	8.94	8.83	9.15	9.62
Operating margin (%)	1.39	1.04	0.86	2.19
Return on equity (ROE) (%)	9.01	7.40	8.89	13.12
Ratio of ordinary profit to total assets (ROA) (%)	3.56	3.20	2.70	5.55
Equity-to-asset ratio (%)	23.86	25.37	26.27	27.20
Price book-value ratio (PBR) (%)	1.14	1.12	0.90	0.95
Earnings per share (EPS) (yen)	159.21	139.58	181.83	316.51
Net assets per share (yen)	1,902.43	1,952.04	2,246.54	2,544.58
Annual dividend per share (yen)	16.00	20.00	24.00	28.00

Shareholder Returns

Dividend payout ratio (%)	10.05	14.33	13.20	8.85
Total return ratio (%)	53.30	17.76	83.70	23.81
Dividend on equity ratio (%)	0.90	1.04	1.14	1.17

(Millions of yen)

2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3	2024.3
1,231,046	1,213,342	1,222,199	1,263,708	1,210,274	1,266,171	1,392,117	1,476,712
1,121,182	1,099,149	1,110,152	1,148,354	1,110,961	1,157,484	1,277,750	1,357,564
109,993	114,172	112,042	115,415	99,372	108,687	114,366	119,148
95,749	95,155	96,258	97,825	95,069	96,159	98,000	99,817
14,244	19,016	15,783	17,590	4,303	12,527	16,365	19,331
19,844	25,045	21,452	23,732	10,289	18,182	19,176	21,787
14,225	14,384	13,863	16,230	4,989	13,379	13,630	20,657
598,155	645,799	663,727	670,827	683,181	702,376	715,288	773,427
188,271	207,772	213,848	231,009	237,405	241,281	242,916	249,437
16,062	51,978	13,428	10,815	8,768	16,341	-9	59,934
-6,294	-12,448	-7,649	-15,664	680	-11,032	4,315	9,091
-9,900	-3,754	5,329	9,479	-680	-4,473	-13,060	-22,195
9,767	39,529	5,779	-4,849	9,448	5,308	4,306	69,025
27,721	63,671	75,382	80,013	88,882	90,014	81,839	128,673
9,326	9,406	4,053	14,604	6,000	4,480	3,309	4,162
4,483	4,498	4,869	5,198	6,424	6,634	6,119	6,244
8.93	9.41	9.17	9.13	8.21	8.58	8.22	8.07
1.16	1.57	1.29	1.39	0.36	0.99	1.18	1.31
7.84	7.27	6.58	7.30	2.13	5.60	5.64	8.40
3.20	4.03	3.28	3.56	1.52	2.61	2.71	2.93
31.45	32.15	32.19	34.41	34.73	34.30	33.93	32.22
0.85	0.83	0.88	0.69	0.60	0.54	0.65	0.92
207.12	209.84	207.71	233.34	70.77	189.70	196.70	320.14
2,736.30	3,030.58	3,135.45	3,273.86	3,364.65	3,415.50	3,623.81	3,969.20
30.00	30.00	30.00	40.00	30.00	30.00	32.00	40.00
14.48	14.30	14.44	17.14	42.39	15.81	16.27	12.49
14.49	18.63	86.72	34.73	42.41	15.82	70.35	70.41
1.14	1.04	0.97	1.25	0.90	0.88	0.91	1.05

*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

	2022.3	2023.3	2024.3	Target
HR-related data				
Number of all employees	10,227	10,036	10,039	
male	5,536	5,361	5,263	
female	4,691	4,675	4,776	Consolidated
Ratio of female employees (%)	45.9	46.6	47.6	
Ratio of female managers (%)	20.3	21.5	20.9	
Ratio of female managers (%)	11.4	16.5	16.0	TOHO HOLDINGS
Number of new employees	73	80	77	
male	29	33	36	
female	44	47	41	Consolidated
Ratio of new hires who are females (%)	60.3	58.8	53.2	
Average length of service (year)	18.9	19.4	19.5	
male	21.7	22.3	22.6	TOHO HOLDINGS TOHO PHARMACEUTICAL
female	12.3	12.8	12.9	
Average annual salary (yen)	6,049,697	6,010,459	6,143,484	TOHO HOLDINGS
Average overtime hours per month (hours)	12:38	11:50	11:04	
Number of paid vacation days (days)	10.7	11.9	10.7	TOHO HOLDINGS TOHO PHARMACEUTICAL
Ratio of paid vacation days (%)	45.2	50.2	45.4	
Ratio of males taking childcare leave (%)*	—	—	42.6	
Number of users of the short-time attendance system for childcare	163	166	179	
male	2	1	1	Consolidated
female	161	165	178	
Number of users of nursing care leave system	12	12	12	
Ratio of persons with disabilities (%)	2.77	3.63	3.16	TOHO HOLDINGS
Ratio of persons with disabilities (%)	2.30	2.30	2.40	TOHO PHARMACEUTICAL
*The ratio of male employees taking childcare leave has been calculated since FY2023.				
Data related to the environment				
Greenhouse gas emissions (Scope 1) (t-CO ₂ e)	15,887	15,105	13,915	
Greenhouse gas emissions (Scope 2) Market-based (t-CO ₂ e)	16,885	14,943	14,825	
Greenhouse gas emissions (Scope 2) Location-based (t-CO ₂ e)	15,791	15,947	16,001	
Greenhouse gas emissions (Scope 3) (t-CO ₂ e)	2,195,033	2,360,680	2,105,528	
category 1 (Purchased goods and services)	2,174,178	2,344,474	2,086,402	
category 2 (Capital goods)	12,355	7,494	10,803	TOHO HOLDINGS TOHO PHARMACEUTICAL
category 3 (Fuel and energy-related activities not included in Scope 1 and 2)	4,812	4,716	4,538	SAYWELL KOYO Kyushu Toho TOHO SYSTEMS SERVICE
category 4 (Upstream transportation and distribution)	534	640	354	
category 5 (Waste generated in operations)	32	20	18	
category 6 (Business travel)	197	316	495	
category 7 (Employee commuting)	2,862	2,912	2,771	
category 13 (Downstream leased assets)	62	109	146	
Greenhouse gas emission reduction rate in Scope 1 and 2 (Compared to FY2019) (%)	19.8	26.5	29.7	
	2022.7	2023.7	2024.11	
Governance data				
Ratio of outside directors (%)	33.3	33.3	37.5	TOHO HOLDINGS
Ratio of female directors (%)	11.1	11.1	25.0	

Corporate Information/Executives/Stock Information

Corporate Information (as of September 30, 2024)

Company Name	TOHO HOLDINGS CO., LTD.
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	7,770 (Consolidated) (Securities report basis)

Group Company

TOHO PHARMACEUTICAL CO., LTD.	Pharmaceutical wholesaling business
PharmaCluster 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
ALF.Inc	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
Toho Real Estate Co., Ltd.	Management of our real estate
Alpharia Co., Ltd.	Cashless payment and factoring business
enTouch K.K.	Remote detailing business

Executives (as of November 8, 2024)

Representative Director, CEO and CFO	Hiromi Edahiro
Senior Executive Managing Director, COO	Akira Umada
Directors	Takeo Matsutani Masami Tada Kentaro Murakawa
Outside Director of Audit and Supervisory Committee Members	Yoshiaki Kamoya* Hidehito Kotani* Chie Goto* Tsuguo Nakagomi Makoto Kawamura Kengo Ogawa Jun Ueno Kazuyuki Watanabe
Corporate Officers	Satoshi Ikeda Kazuki Shimizu Aya Komai Aiko Noshiro Shigeki Nakata Shuzo Kono

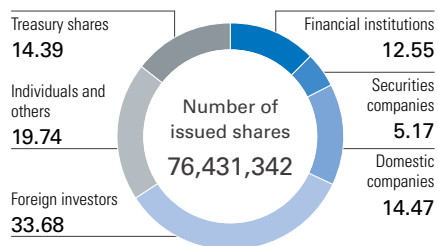
* Outside Director

Stock Information (as of September 30, 2024)

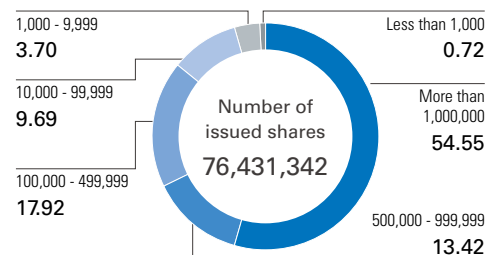
Stock Information

Number of shares authorized	192,000,000
Number of issued shares	76,431,342
Number of shareholders	4,128

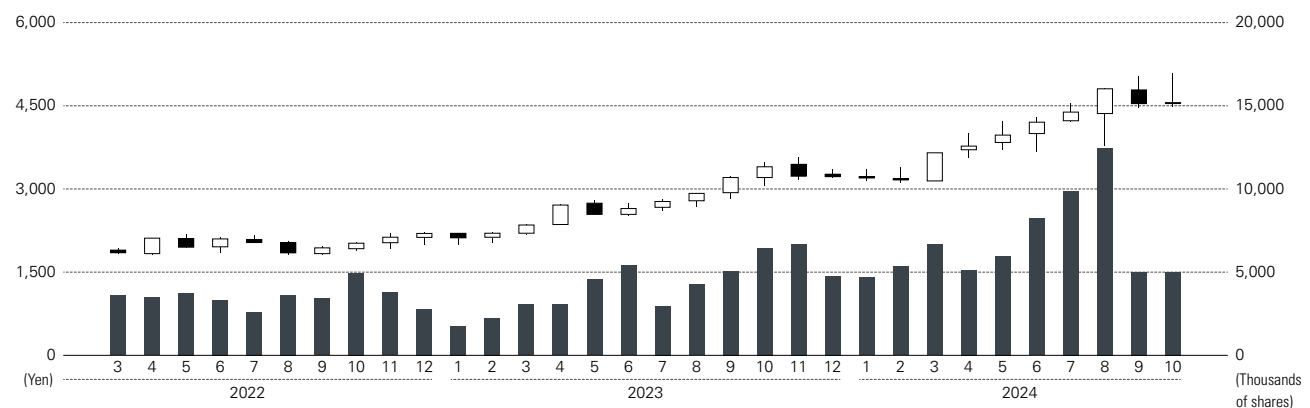
Share Distribution by Type of Shareholder (%)



Shareholding by Number of Shares Held (%)



Share Prices/Trading Volume (monthly chart)





Tokyo Midtown Yaesu, Yaesu Central Tower 9F
2-2-1, Yaesu, Chuo-ku, Tokyo 104-0028, Japan
<https://www.tohohd.co.jp/en>

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