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To whom it may concern:

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Notice Regarding formulation the Medium-term Management Plan 2023-2025 “Create the Next Generation”

TOHO HOLDINGS CO., LTD. hereby announces that it has formulated the Medium-term Management Plan 2023-2025 “Create the Next Generation” (hereinafter “Medium-term Management Plan 2023-2025”) for the three-year period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2026 as follows.

1. Purpose of Formulating the Medium-term Management Plan

Under the corporate slogan, "Total commitment to good health," and the Mission Statement, "We shall live in harmony with society and our customers; together, we shall create new values through the provision of original service; and we shall contribute to the medical care and well-being of people around the world," the Group always puts people who wish to be healthy first. In a bid to enhance such people’s satisfaction, the Group strives to establish business models based on value-added proposals and create customer value, thereby aiming to boost its corporate value and establish its corporate brand over the medium to long term through sustainable growth.

Looking ahead to social issues such as the declining birthrate, aging population, and shrinking workforce, known as the "2025 problem" or "2030 problem," the market environment surrounding us is expected to change at an ever-increasing pace, including the construction of a "community comprehensive healthcare system" and the promotion of measures to cut medical expenses to make the social security system sustainable, the expansion of markets for specialty products such as biomedical products and regenerative medical products, and the promotion of medical DX.

Amid these rapid changes in the environment of the healthcare and pharmaceutical industries, the Group has formulated the Medium-term Management Plan 2023-2025 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 men and women in Japan and to establishing and maintaining sustainable social security systems.

By implementing the Medium-term Management Plan 2023-2025 aimed at creating a foundation for the “next generation,” we will overcome the harsh market environment and achieve sustainable growth, while endeavoring to become a corporate group that is needed and continuously supported by all stakeholders.

2. Basic policy and specific measures of the Medium-term Management Plan 2023-2025

We will put our following basic policies into practice: (1) Business transformation, (2) Investment for growth and improvement of profitability, (3) Sustainability management, and (4) Improvement of capital efficiency and enhancement of shareholder returns.

The specific measures of each basic policy are as follows.

(1) Business transformation

① Transformation of Pharmaceutical wholesaling business

Aiming to promote distribution improvement, which is one of the major challenges in the pharmaceutical industry, we will move away from traditional business practices and press ahead toward the realization of the "next generation" with: restructuring the organization (unification of pharmaceuticals and reagents, integration of offices, etc.); clarifying roles and functions outside the framework of MS (marketing specialist) and EMS (ENIF marketing supporter); developing new roles, jobs and work styles; and strengthening the utilization and development of human resources, thereby improving the productivity of the wholesaling business.

② Transformation of Dispensing pharmacy business

In order to promote organizational and functional transformation to respond to digitalization and contribute to home healthcare, we will: strengthen our functions by concentrating the administrative functions of our 32 operating companies and integrating their systems; open new pharmacies while closing some existing ones with an emphasis on profitability; expand non-insurance revenues; utilize and train human resources; and raise employee awareness.

③ Regional development - Regional healthcare design -

We will restructure into an organization that enables activities based on the concept area (secondary medical area), assess the actual situation and problems in the area, and unify the logistics system from wide to narrow areas with the medical DX centered on the customer support systems to plan, design, and implement the best solutions to problems, and strive to support the medical care delivery system and improve the quality of life (QOL) of people who wish to be healthy.

④ Cooperative Research Lab with AIST, MAXIS2021

By combining the advanced development capabilities of the National Institute of Advanced Industrial Science and Technology (AIST) based on its cutting-edge technologies with the Group's industry knowledge and know-how, we will work to solve medical access problems and implement new technologies, systems and services in society.

We will also promote an internal reform project "MAXIS2021" to ensure sustainable growth and remain a company that is needed by society. Along with human resources of R&D thinking that will be cultivated through the research laboratory in collaboration with AIST, we will develop human resources who will be in charge of the next generation.

(2) Investment for growth and improvement of profitability

① Specialty products, Full service

In order to increase the sale of specialty products the market of which is expected to expand, we will establish a full service that can meet the diverse needs of pharmaceutical companies and bio-ventures through an active alliance with our centralized management system.

② Evolution of customer support business

In addition to leveraging the Company's strengths in the customer support business that we have built up for nearly 30 years (extensive lineup, operating companies responsible for development within the Group, ability to make proposals that meet needs and follow-up systems, and track record of doing business across Japan) as seen in Information terminal for pharmaceutical ordering "ENIF", Web-portal site for finding hospitals "Byouin-Navi", "Initial Examination Reservation Service" and Online Medical Examination/ Dosing Guidance

System "KAITOS" , we aim to further evolve by incorporating cutting-edge technologies such as AI through the alliance.

③ Building new businesses

We will build new businesses by proactively investing in areas and products related to medical care that are expected to grow and maximizing the group synergies that only the Kyoso Mirai Group doing wholesaling, dispensing pharmacy, and pharmaceutical manufacturing and sales businesses can achieve.

(3) Sustainability management

① Sustainability management of our company

Based on the Mission Statement, we, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, work to solve social issues and contribute to the realization of a sustainable society through our businesses. As for environmental activities, we will promote decarbonization through the use of solar panels, storage batteries, and electric vehicles, and improve delivery efficiency through planned delivery and joint delivery.

② Maximizing the value of human capital

We will continue to cherish the Company's corporate culture that has been achieved by human resources and our mind to respect free thinking. We will also do our best to maximize the value of human capital by nurturing the human resources needed by the Kyoso Mirai Group, developing personnel systems, and facilitating work style reforms.

③ Compliance • Risk Management

“Compliance with relevant laws and regulations” and “compliance and risk management” are top priorities for all executives and employees.

(4) Improvement of Capital Efficiency and Enhancement of Shareholder Returns

① What the “next generation” should be like

- Price Book-value Ratio (PBR) : 1.0 times or higher (0.65 times in FY 2023)
- Return On Equity (ROE) : More than 8% (5.6% in FY 2023)
- Dividend on Equity Ratio (DOE) : More than 2% (0.9% in FY 2023)

② Specific measures under the Medium-term Management Plan 2023-2025

- Investment Plan : 38 billion yen
 - Investment in growth fields : 20 billion yen
 - Investment in infrastructure : 12 billion yen
 - Investment in human capital : 6 billion yen
- Purchase of treasury shares : More than 30 billion yen
 - We will purchase treasury shares flexibly taking capital efficiency into consideration.
- Dividends :
 - We will increase dividends stably with a target of a DOE (dividend on equity) of 2%.
- Cross-shareholdings :
 - We will unwind cross-shareholdings in a phased manner through sufficient dialogue with the partner companies.