

## Medium-term Management Plan 2026-2028

# 「Soaring into the Next Generation」

～Transformation into a Comprehensive Healthcare Solutions Provider～



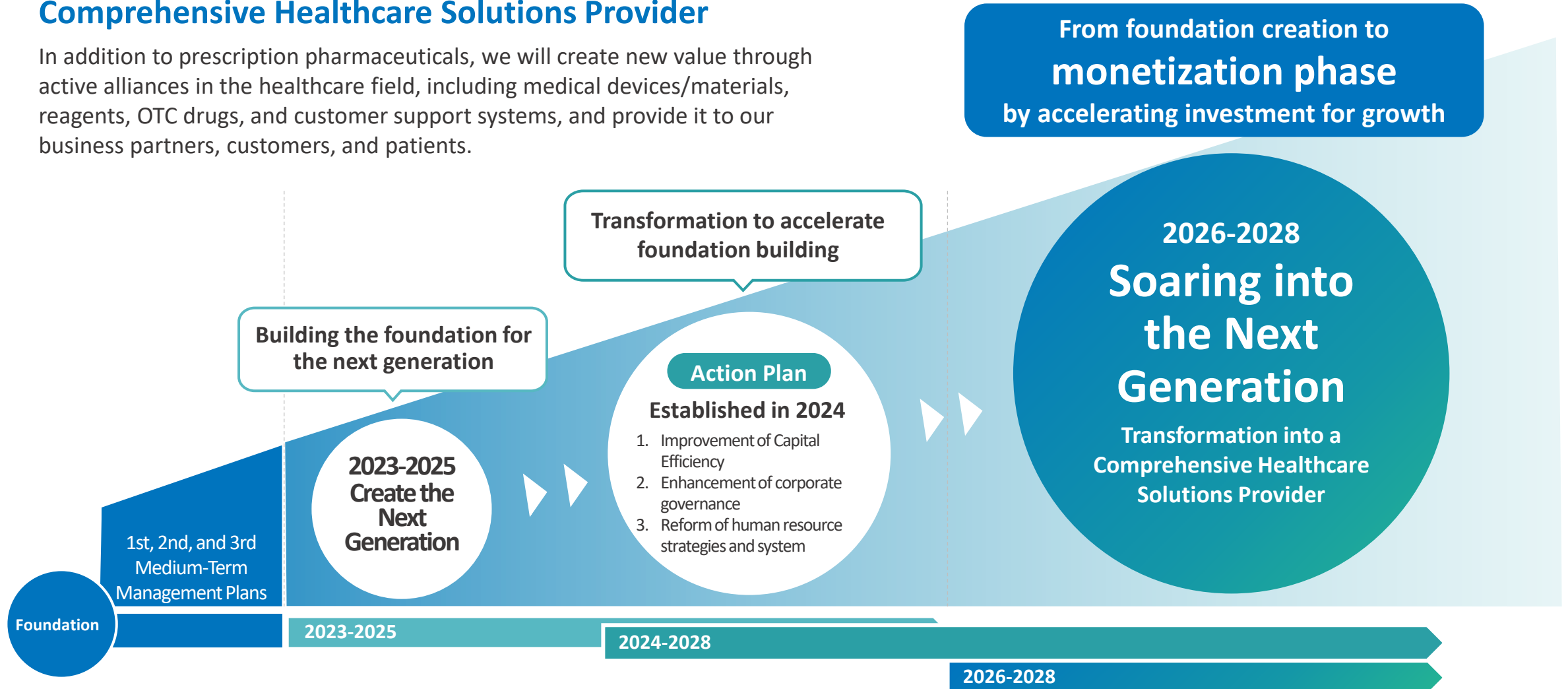
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# Positioning of the Medium-term Management Plan 2026-2028 "Soaring into the Next Generation"



## Comprehensive Healthcare Solutions Provider

In addition to prescription pharmaceuticals, we will create new value through active alliances in the healthcare field, including medical devices/materials, reagents, OTC drugs, and customer support systems, and provide it to our business partners, customers, and patients.



# Review of Medium-term Management Plan 2023-2025 “Create the Next Generation”

Certain goals **achieved** in “building the foundation for the next generation”

Aim to address the remaining challenges, such as the development of new businesses, within the period of the current Medium-term Management Plan

## Business transformation

- **Strengthening human resources and improving productivity in the pharmaceutical wholesaling business**
  - Organizational restructuring based on secondary medical area
  - Improving productivity by clarifying the roles of sales and delivery teams and introducing digital tools to support them
  - Promoting consolidation of sales offices in line with local conditions
- **Reorganization of operating companies and Digital Transformation (DX) in the dispensing pharmacy business**

## Sustainability management

- **Strengthen the governance structure**
  - Increase the proportion of outside directors to a majority
  - Establish the Governance Enhancement Special Committee and implement its 12 recommendations
  - Appoint a CGO (Chief Governance Officer)
  - Establish the Group Governance Department and the Compliance Promotion Department
  - Introduction of performance-linked compensation
- **Efforts toward decarbonization**
  - Introduction of EVs and solar panels
  - Adoption of ZEB for new business sites
- **Maximize the value of human capital**
  - Introduction of a new HR system
  - Implementation of initiatives to enhance employee engagement



## Investment for growth and improvement of profitability

- **Establish specialty product, full-line service**
  - Strengthen and expand supply chain functions to meet the needs of pharmaceutical companies (Opening of Haneda Packaging Center)
  - Construction of a regenerative medicine ecosystem (TEIJIN REGENET CO., LTD. and ITOCHU Corporation)
- **Improvement of customer support business**
  - Strengthen existing customer support systems
  - Develop and roll out new customer support systems through alliances (PHARUMO, Inc., GMO)
- **Establishment of CVC Fund “TOHO Ventures”**

## Improvement of capital efficiency and enhancement of shareholder returns

- **Enhancement of shareholder returns**
  - Share buybacks: 37.0 billion yen (Target: 30.0 billion yen)
  - DOE (Dividend on Equity ratio) of 4.1% (projected)
  - Annual Dividend FY2023 : 40yen, FY2024 : 65yen, FY2025 : 165yen (forecast)
- **Reduction of cross-shareholdings**
  - Ratio to consolidated net assets expected to fall below 15% (by the end of FY2025)



## Diversification of modalities (product lineup)

- Advancement of logistics infrastructure, such as cold chains
- Progress in tailor-made medicine for specialty pharmaceuticals



## Ongoing reforms of the Drug Pricing System, Medical Service Fees, and Dispensing Fees

- Continuous decline in drug prices
- Limited market growth



## Continuation of global inflationary trends

- Rising prices
- Increasing personnel expenses



## Uncertainties

- Rising geopolitical risks
- Paradigm shift driven by the discontinuous evolution of AI and other technologies



## Declining birth rate and aging population over the medium to long term

- Decline in the working-age population
- Increase in the elderly population

**Strengthen profitability in the pharmaceutical wholesaling business and rapidly expand new businesses by leveraging the Company's strengths**

Transformation into a **Comprehensive Healthcare Solutions Provider**

# Medium-term Management Plan 2026-2028 “Soaring into the Next Generation”

## – Overall architecture –



ROE

8% or more

Operating profit margin

1.5% or more

Operating profit

30bn yen or more

Investment in growth fields

50bn yen or more

### Growth Strategies

#### Pharmaceutical wholesaling business

Pharmaceutical wholesaling

- Expanding the number of specialty pharmaceuticals acquired
- Strengthening the sales and delivery system and improving productivity by promoting Digital Transformation (utilizing BI and AI)
- Strengthening the development functions of customer support systems

#### New business

New business

- Creating new businesses through proactive alliances and M&A with companies in fields such as prescription pharmaceuticals, medical devices/materials, reagents, OTC drug, medical IT, and logistics
- Accelerating the expansion of the Medical Digital Transformation business

Pharmaceutical manufacturing and sales business

#### Pharmaceutical manufacturing and sales business

- Expanding CDMO business for new modalities

#### Dispensing pharmacy business

Dispensing pharmacy business

- Strengthening of governance
- Improve efficiency and profitability by promoting Digital Transformation

### Efficiency Strategy

#### Cost structure reform

Restructuring of unprofitable divisions, improving productivity in sales, logistics, and delivery, reduction of indirect material costs and business process reform

#### Strengthening the Management Foundation

- Sophistication of governance
- Contribution to the environment
- Promotion of Digital Transformation
- Human capital management (system and culture reforms, DE&I, and health and productivity management)

#### Capital Policy

- Total payout ratio of 100% or more
- DOE 4% or more
- Stable dividend increases and flexible share buybacks (shareholder returns 50 billion yen or more)



## FY2028 Targets (Consolidated)

**ROE** **8% or more**

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

\*Recognized as approximately 6-7%

**Operating profit margin** **1.5% or more**

**Operating profit** **30bn yen or more**

**Investment in growth fields** **50bn yen or more**

## Shareholder returns, cross-shareholdings

**DOE** **4% or more**

(During the medium-term management plan period)

**Total payout ratio** **100% or more**

(During the medium-term management plan period)

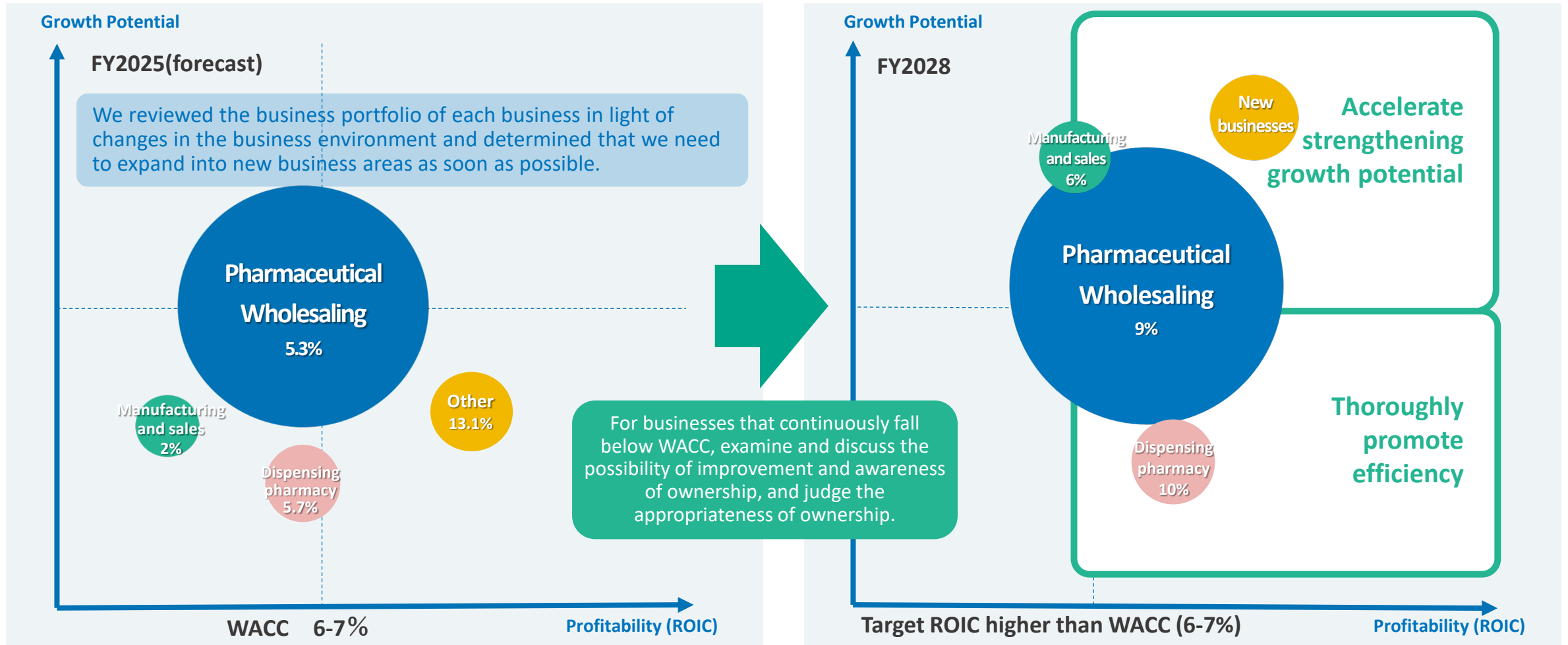
**Cross-shareholdings** **less than 10%**

\*Ratio to consolidated net assets (March 31, 2029)

# Realize business portfolio transformation by accelerating promotion of growth and efficiency strategies



Enhance corporate value by allocating management resources to "strengthening the pharmaceutical wholesaling business," "creating new businesses," and "expanding CDMO business for new modalities," with a view to achieving ROE of 8% or more, an operating margin of 1.5% or more, and operating profit of 30.0 billion yen or more.



\*Circle size represents business scale (operating profit) as an image, figures within circles indicate ROIC.

# Growth and Efficiency Strategies



Shifting gears in growth and efficiency strategies

Promotion of cost structure reform

Pharmaceutical wholesaling business

Dispensing pharmacy business

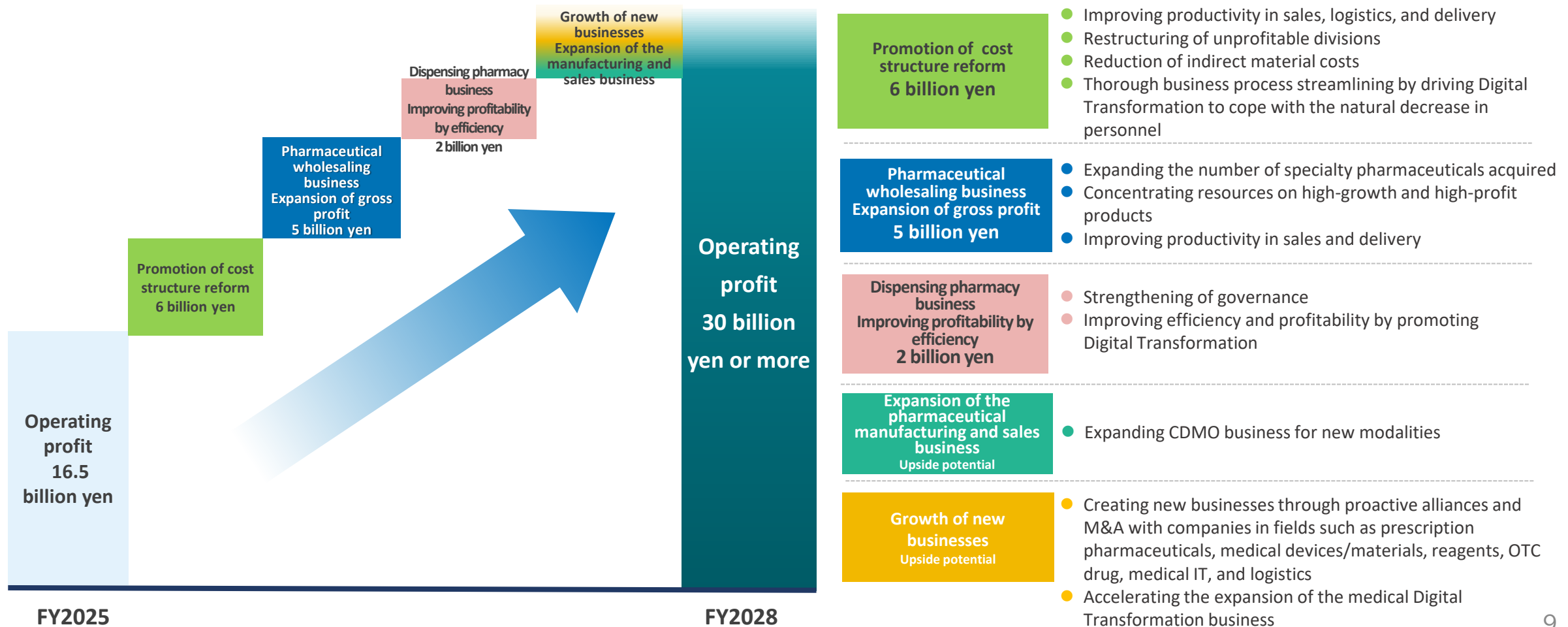
Pharmaceutical manufacturing and sales business

New businesses

# Shifting gears in growth and efficiency strategies



Aim to achieve operating profit of over 30 billion yen by promoting four growth strategies and cost structure reforms



# Promotion of cost structure reform



Aim to achieve an SG&A ratio of 5.5% or less by promoting four measures





**Aim to increase gross profits by 5 billion yen based on four core strategies for medium- to long-term growth**

## **Main Measures**

### **Becoming the partner of choice in specialty pharmaceuticals**

Further strengthening of high-quality logistics capabilities, including temperature control (such as cold chains) and vibration control compatible with various modalities

### **Contributing to market penetration of growth driver products and fostering growth domains**

Category strategies by product and area and qualitative improvement of sales

### **Strengthening customer support system development capabilities through integration of system subsidiaries**

Developing new systems tailored to customer needs  
Integrating AI into existing systems (MIZAR, ENIFvoice, etc.)

### **Building a data-driven sales and delivery system by promoting Digital Transformation and utilizing AI**

Leveraging BI tools and AI to improve productivity in sales and logistics



Establish a new pharmacy model that is chosen by patients and local residents by strengthening governance and promoting Digital Transformation to improve management efficiency, and by improving interpersonal services and utilizing data

## Main Measures

### Strengthening store operations

Strengthening store operations by promoting operational efficiency and standardization through enhanced governance

### Expansion of new store formats

Strengthening online pharmacy and other services to meet diversifying patient needs

### Boosting the productivity of pharmacists

Boosting the productivity of pharmacists by actively outsourcing prescription dispensing and promoting Digital Transformation to streamline their administrative tasks and set aside time for them for patient-facing work

### Optimizing the CDP (Customer Data Platform)

Using data and AI to promote personalized communication with each patient



Expand CDMO business to accommodate new modalities, thereby expanding into high-value-added areas and improving profitability

## Main Measures

Developing, manufacturing, and marketing new products by leveraging the regenerative medicine ecosystem

Providing one-stop essential functions from development to launch, and building a supply chain spanning clinical trial and wholesale logistics

Enhancement of CDMO functions centered on the Haneda Packaging Center

Expanding GMP-compliant, packaging, and storage capabilities in a bid to accept contracts from foreign-funded companies and bio-tech ventures

**By integrating high-performance / high-quality logistics with CDMO and supply chains, and providing support from the development stage to foreign pharmaceutical manufacturers and bio-tech ventures that do not have infrastructure in Japan, we will expand profit opportunities from manufacturing to distribution**



## Promote transformation into a Comprehensive Healthcare Solutions Provider by promoting diversification of business domains and medical Digital Transformation

### Main Measures

#### Creating new businesses through proactive alliances and M&A

Going beyond the scope of the existing pharmaceutical wholesaling business, we will actively promote alliances and M&A with business companies and venture companies in peripheral areas such as CDMO, medical devices/materials, reagents, OTC drugs, medical IT, and logistics, aiming to create new value and build a solid profit base

#### Accelerating the expansion of the medical Digital Transformation business

Expanding into related areas using the pharmaceutical wholesaling business as a springboard to promptly provide added value and new services to our business partners, customers, and patients

#### Seeking new business alliances

Appointing external experts to conduct a comprehensive review of the potential of creating synergies through M&A and alliances with businesses in the same industry and those in other industries

In the light of the conclusion that sufficient added value cannot be created by simply continuing along the existing path, pursuing avenues that contribute to the creation of new value beyond the existing framework

\*We are currently discussing a number of alliances and M&A projects with the aim of contributing to achieving an operating profit of 30 billion yen for the fiscal year ending March 31, 2029

# Capital Strategies

Shareholder return policy

Capital allocation

Thorough investment discipline

6,000

5,000

4,000

3,000

2,000

48,550

26,417

68,102

44,800

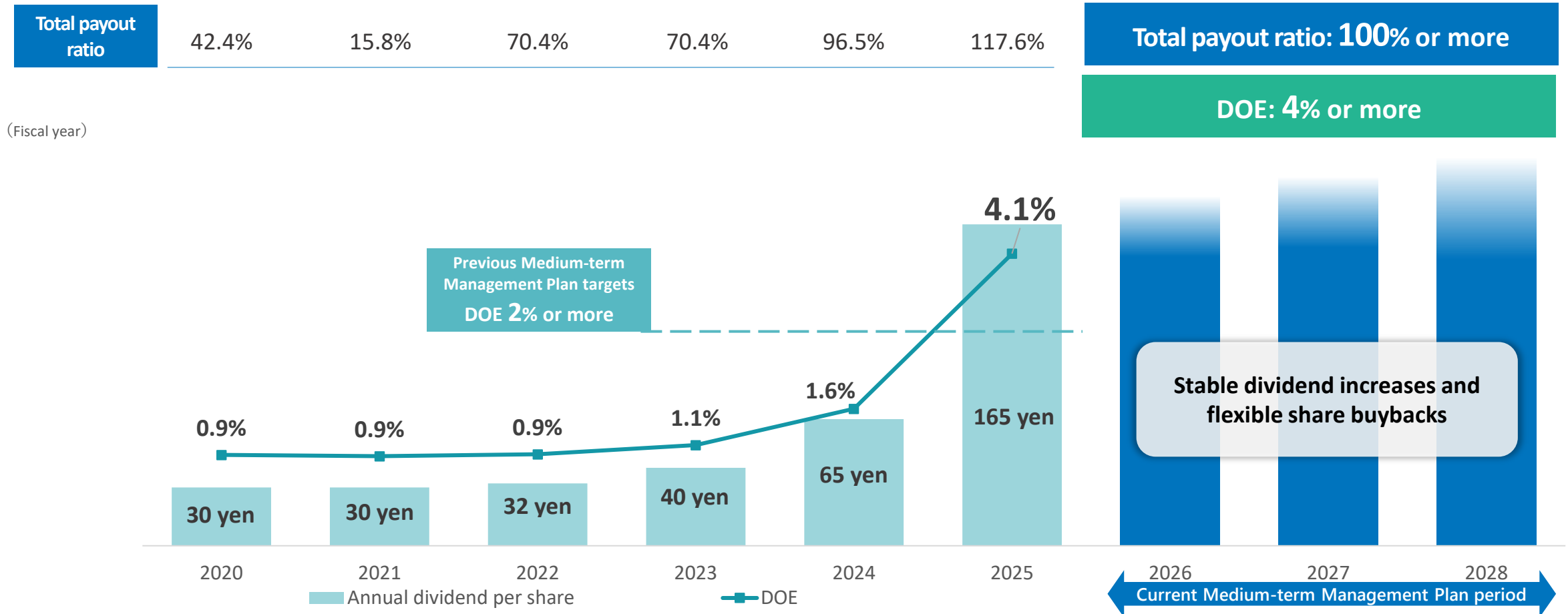
69,928

45,295

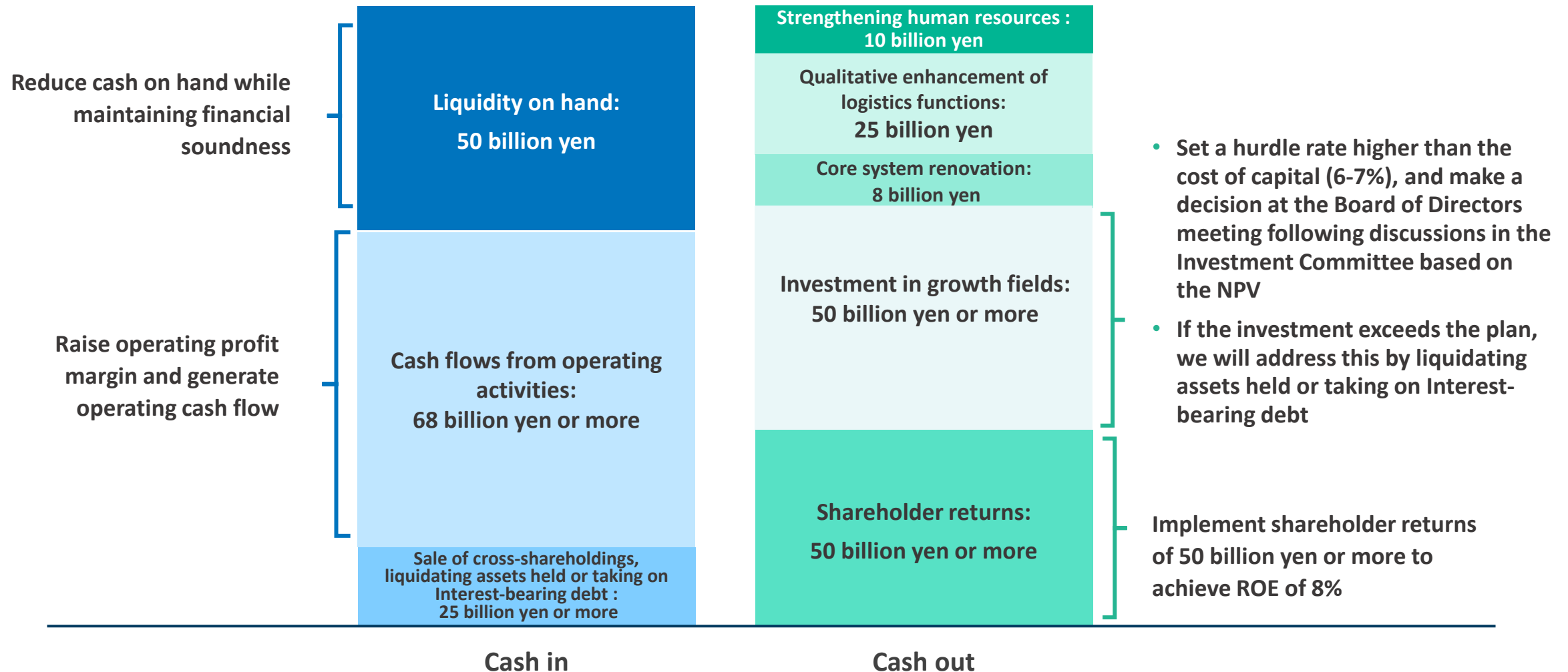
# Shareholder return policy



- Aim for a total payout ratio of 100% or more
- Implement shareholder returns of 500 billion yen or more during the period of the Medium-term Management Plan
- Stable increase in dividends and flexible share buybacks based on the policy of achieving DOE of 4% or more during the period of the Medium-term Management Plan



# Capital allocation

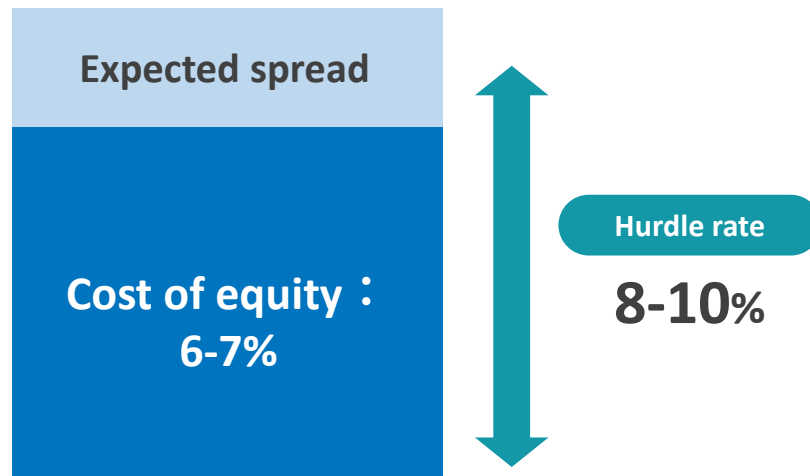




# Thorough investment discipline

The Management Strategy Committee determined that it is possible to create new added value through collaboration and business expansion into related areas. Focusing on areas that contribute to expanding our business base, enhancing corporate value, and achieving Medium-term Management Plan targets, we will consider projects based on investment discipline.

## Strict investment discipline



## Objective and transparent review process



- Quantitative analysis: NPV (net present value), investment period
- Verifying contribution to Medium-Term Management Plan targets

- ✓ The Investment Committee periodically reviews the status of achievement of initial objectives and measures to improve economic profits
- ✓ We aim to contribute to achieving ROE of 8% or more, operating profit margin of 1.5% or more and an operating profit of 30 billion yen or more for the fiscal year ending March 31, 2029

# Strengthening the Management Foundation

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Sophistication of governance

Medium-term human resources strategy

Contribution to the environment

Medium-term Management Plan 2026-2028  
“Soaring into the Next Generation” – Roadmap –



## Review: 2023-2025 "Creating the Next Generation"

## 2026-2028 "Soaring into the Next Generation"

### Strengthening the effectiveness of the board of directors

- Identify a skills matrix aligned with the strategy
- Majority of the board composed of outside directors
- Establishment of the Management Strategy Committee and Governance Enhancement Special Committee

### Establishment of CGO and development of promotion system

- Appoint a CGO as the officer in charge of promoting governance
- Group Governance Department supports promotion

### Governance Enhancement Special Committee

- Formulate and implement specific policies aimed at fundamental and effective reform of the governance structure, based on the 12 recommendations included in the final report

#### Major policies for responding to recommendations in the final report

- Establishing independence standards for outside directors
- Creating opportunities for information exchange and shared understanding among outside directors
- Establishing a compliance promotion department to strengthen and enhance the whistleblowing system

Continue and strengthen initiatives from the previous Medium-term Management Plan and strongly promote a shift from a defensive to an **offensive approach to governance**

### Further improve the effectiveness of the Board of Directors and enhance discussions

Maintaining a highly effective structure of the Board of Directors

### Further promote the establishment of an effective governance framework under the leadership of the CGO

Ensuring compliance

Strengthening the governance system for subsidiaries

Sophisticating the risk management system

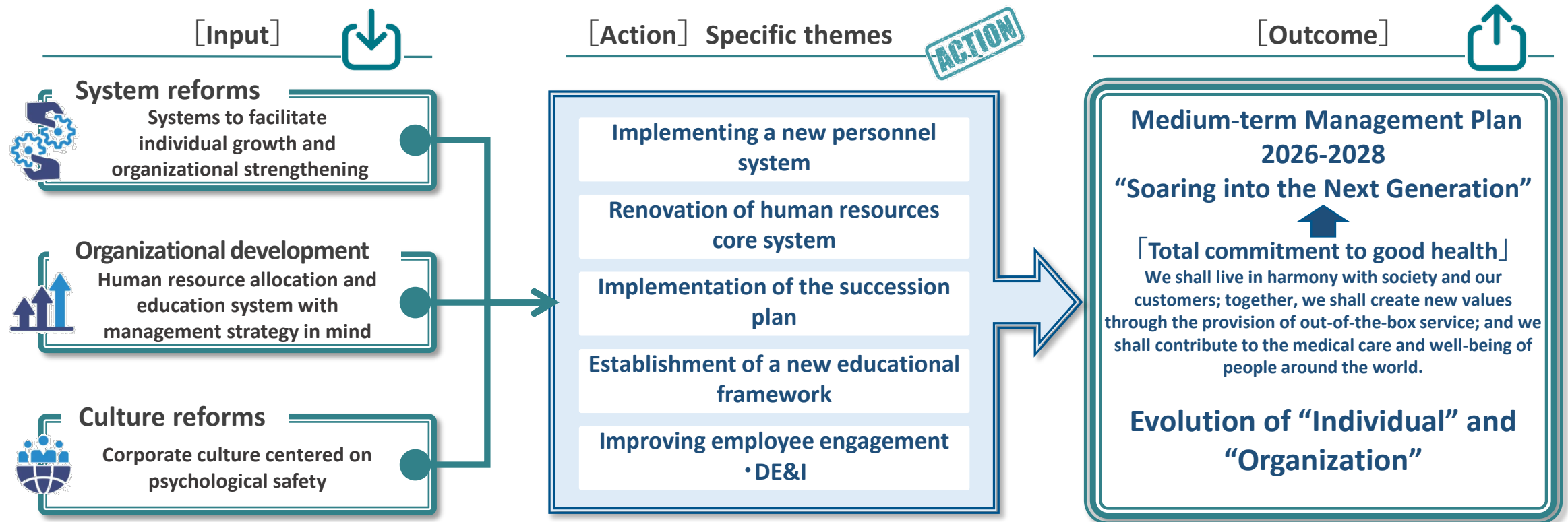


## Business Strategy and Human Resources Strategy

Growth of the Individual and the Organization, which drives the completion of Transformation

**Individuals unafraid to take on challenges shape the future**

-- Transitioning to self-directed talent and evolving into a value-creating organization --





## Balancing stable supply with reduced environmental impact

Reduction of mileage by improving delivery efficiency



Gradually transitioning from gasoline-powered vehicles to EVs and other eco-friendly vehicles

Reduction of environmental impact throughout the supply chain through collaboration with other companies

Installing solar panels at business sites  
Adopting ZEB standards for buildings



### ■ Efforts in line with TCFD and appropriate disclosure of information resulted in steady improvement in external evaluations

CDP questionnaire : 「C」→「B-」  
MSCI ESG Rating : 「A」→「AA」

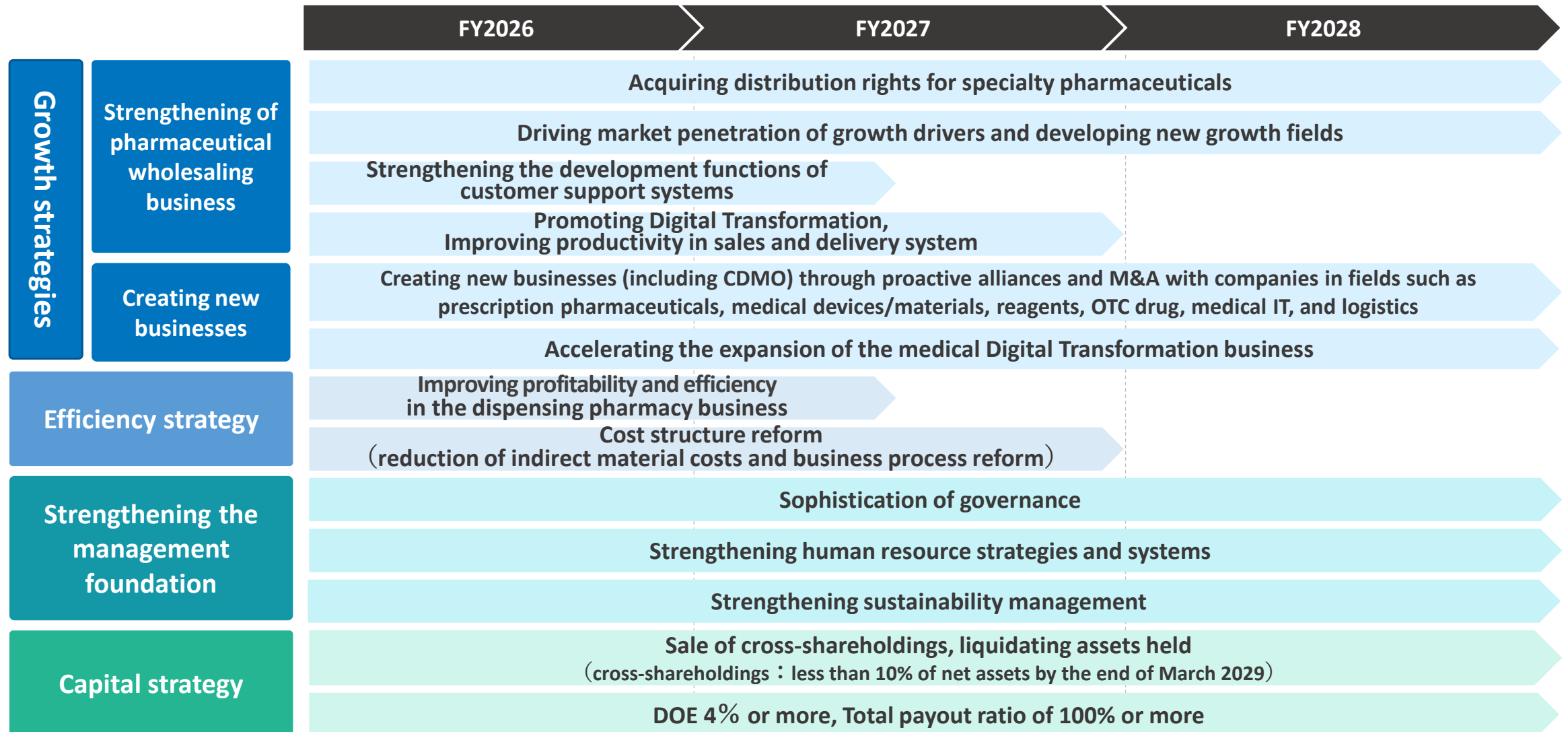


### Steadily prepare for the SSBJ standards

- Reduction of greenhouse gas emissions (Target FY2030: 60% reduction Vs. FY2019)
- Renewable electricity usage rate (Target FY2030: 80%)
- Promotion of delivery efficiency (Target FY2030: Reduction of the mileage of sales vehicles by 30% Vs. FY2024)
- Promotion of 3Rs (Reduce, Reuse, Recycle) including waste reduction
- Implementation of environmental training

# Medium-term Management Plan 2026-2028 “Soaring into the Next Generation”

## – Roadmap –



# **Notice Regarding the Results of the Board of Directors' Evaluation of the Large-Scale Purchase Actions, Etc. and the Submission of a Proposal to Confirm Shareholders' Intent Concerning the Implementation of Countermeasures**



- **Following the submission of the “Explanatory Statement on Large-Scale Purchase Actions, Etc.” by 3D Investment Partners Pte. Ltd. (hereinafter “3D”), the Company’s Board of Directors has thoroughly evaluated and reviewed the propriety of the large-scale purchase actions, etc. by 3D, in accordance with the Company’s “Policy Against Large-Scale Purchases of Share Certificates, Etc.”**
- **Upon receiving a report today from the Independent Committee (Chairperson: Hidehito Kotani, Independent Outside Director) and giving the utmost respect to its contents, the Company’s Board of Directors has determined that countermeasures should be implemented in the event that 3D proceeds with the large-scale purchase actions, etc.**
- **Based on this determination, the Board of Directors has resolved to submit a proposal to the Annual General Meeting of Shareholders to be held in June to confirm the shareholders’ intent regarding the implementation of countermeasures.**



# Summary of Results of the Board of Directors' Evaluation

**The Board of Directors evaluates that the purpose of 3D's large-scale purchase actions, etc., is to increase its influence over the Company's management, thereby forcing the Company to make decisions according to 3D's own intentions and seeking to realize short-term profits. Therefore, the Board strongly opposes such actions, as it risks damaging the Company's medium- to long-term corporate value and the common interests of shareholders.**

## Reasons for opposing 3D's large-scale purchase actions, etc.

### 3D's objective

3D's true objective is not to enhance corporate value through pure investment or governance improvements, but to increase its influence over the Company's management, thereby forcing the Company to make decisions according to 3D's own intentions and seeking to realize short-term profits.

### Impact on corporate value

Despite gaining significant influence over the Company's management through additional acquisition, 3D has exposed its own lack of understanding of the Company's business. 3D's pursuit of short-term profits poses a risk of losing the trust of our business partners and leading to the loss of revenue opportunities for the Company. In addition, it may result in the Company being unable to fulfill its vital mission as social infrastructure.

### Impact on the common interests of shareholders

If a conflict of interest arises between 3D and general shareholders, resulting from an increase in its influence, there is a possibility that the interests of minority shareholders may be prejudiced. The large-scale purchase actions, etc., is being conducted through market purchases without providing adequate information and is predicated on maintaining the Company's listing; as such, it possesses a coercive nature toward general shareholders.

# Future Timeline for Policy Against Large-Scale Purchases of Share Certificates, Etc.

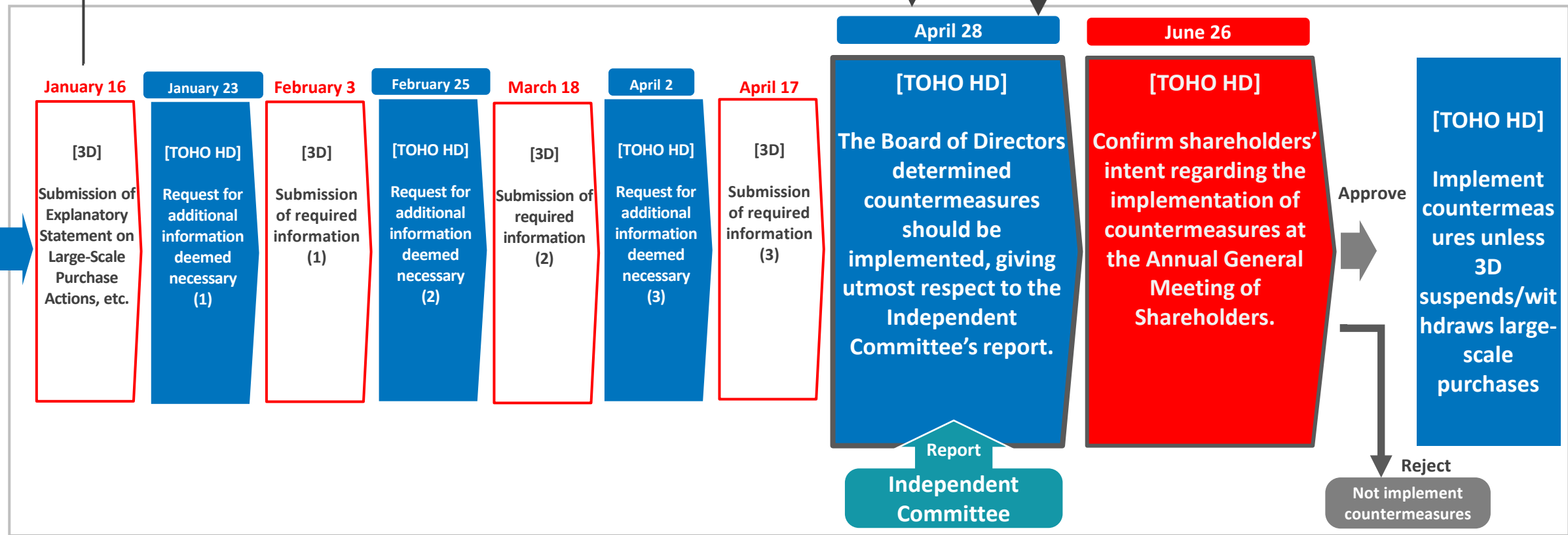


The Board has resolved to submit a proposal to the Annual General Meeting of Shareholders to be held in June to confirm the shareholders' intent regarding the implementation of countermeasures. If this proposal is approved and 3D proceeds with the large-scale purchase actions, etc., the Board will resolve to conduct a gratuitous allotment of stock acquisition rights as a countermeasure based on this policy.

Evaluation period for Board of Directors\*1

<<Current>>

Introduction of policy



\*1 Within 60 business days from receiving the Explanatory Statement on Large-Scale Purchase Actions, Etc. (until April 14). Extended to April 28 based on the Independent Committee's recommendation (10-business-day extension).

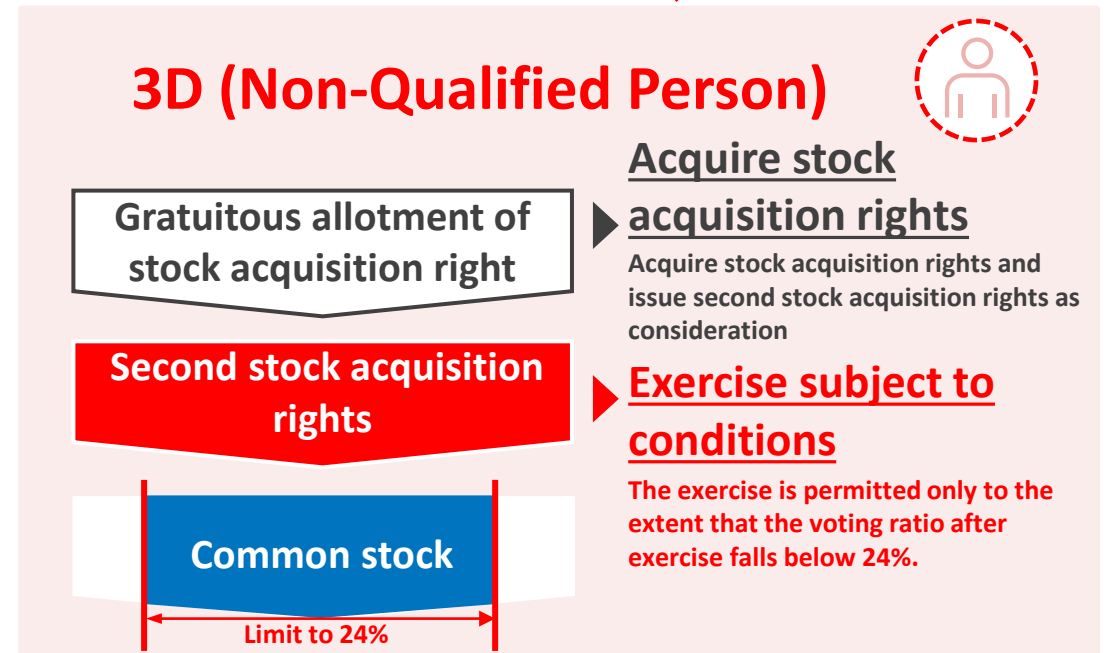
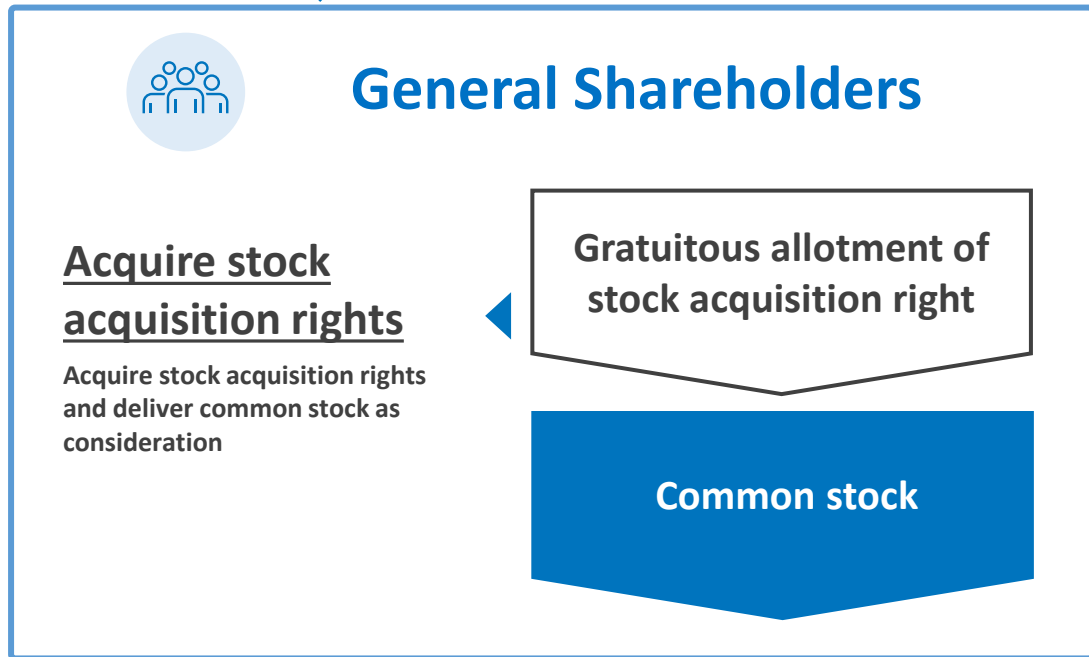


# Overview of Countermeasures

- If the proposal for implementation is approved at the shareholders' intent confirmation meeting and the large-scale purchase actions, etc., is not withdrawn, countermeasures will be triggered.
- The Company will, by resolution of the Board of Directors, conduct a gratuitous allotment of stock acquisition rights to general shareholders and 3D, with differing exercise conditions and acquisition terms.
- The aggregate value of Company shares held by general shareholders will not be diluted.

## TOHO HOLDINGS

Granting of stock acquisition rights to all shareholders proportional to their shareholdings





## Total commitment to good health



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

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