



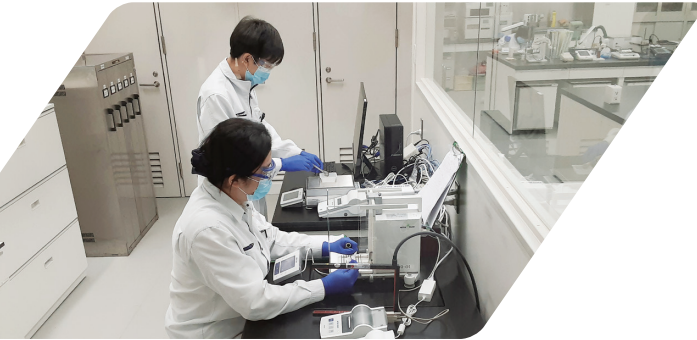
Kyoso Mirai

TOHO HOLDINGS CO.,LTD.

# Integrated Report 2023



Tokyo Midtown Yaesu, Yaesu Central Tower 9F  
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<https://www.tohohd.co.jp/en/>



Total commitment to  
good health



## 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 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 original service; and we shall contribute to the medical care and well-being of people around the world.**



### Trust & Sympathy with People who wish good health

We put people who wish 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 Employees

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

### 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 Shareholders

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



## CONTENTS

### About TOHO HOLDINGS

- 01 Vision Statement
- 03 The 75-year Trajectory of TOHO HOLDINGS
- 05 Business Field
- 07 Our Business
  - 07 Pharmaceutical wholesaling business
  - 11 Dispensing pharmacy business
  - 13 Pharmaceutical manufacturing and sales business
  - 14 Other peripheral businesses

### Growth Strategy

- 15 Value Creation Story
- 17 CEO Message
- 21 Medium-term Management Plan 2023-2025 “Create the Next Generation”
- 23 CFO Message
- 25 COO Message

### Value Creation Foundation to Support Growth

- 27 Sustainability
- 29 Environment
- 32 Social
- 37 Corporate Governance

### Corporate Data

- 45 Financial Summary (11 years)
- 47 Non-financial Summary
- 48 Corporate Information/Stock Information

#### 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. In the fiscal year ended March 2023, we published an integrated report with the aim of ensuring that all stakeholders, including shareholders and investors, understand our group’s initiatives.

#### Covered Organization

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

#### Covered Period

April 1, 2022 - March 31, 2023. \*Some information after April 1, 2023 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 Dialogues for Collaborative Value Creation
- Global Reporting Initiative Standards etc.

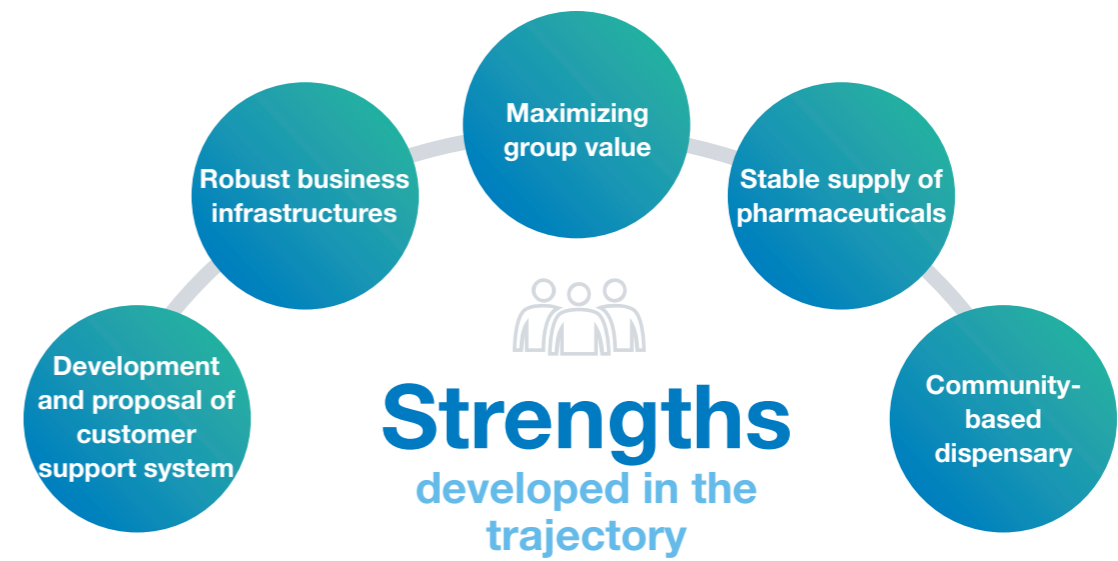
#### Caution Concerning Performance Forecasts Statements

Statements contained in this presentation that are not past facts are forward-looking statements that reflect TOHO HOLDING’s group plans, expectations, strategies and assumptions, and involve known and unknown risks and uncertainties. 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.

# The 75-year Trajectory of TOHO HOLDINGS

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

TOHO HOLDINGS TOHO PHARMACEUTICAL PharmaCluster ★ Customer Support System/Service



**1948**  
Yoshinori Matsutani established TOHO PHARMACEUTICAL CO.,LTD. (currently TOHO HOLDINGS CO.,LTD.) in Kitazawa, Setagaya-ku and started pharmaceutical wholesaling company (capital: 300,000 yen).

**1968**  
Construction of a new headquarters building in Daizawa, Setagaya-ku.

**1980**  
TOHO PHARMACEUTICAL listed on the OTC (over-the-counter) market.

**1986**  
★ Release of inventory management system, the first customer support system.

**1988**  
Tokyo Block Distribution Center (later TBC Heiwajima) established.

**1995**  
★ Release of automated medical care appointment system "LXMATE".



**1997**  
★ Release of information terminal for pharmaceutical ordering "ENIF".  
★ Release of inventory control system for large hospitals "ENIFwin".

**1999**  
Kyoso Mirai group established.

**2000**  
• Opened a call center  
★ Release of "LXMATE HeLios".

**2002**  
TOHO PHARMACEUTICAL listed on the Second Section of Tokyo Stock Exchange.

**2004**  
TOHO PHARMACEUTICAL listed on the First Section of Tokyo Stock Exchange.

**2005**  
HOKUYAKU Inc., VITAL-NET, INC., Nabelin Co.,Ltd., NAKAKITA Co.,Ltd, KSK CO., LTD., ASTEM, Inc., IWABUCHI YAKUHIN Inc., OMWELL, Inc. and TOHO PHARMACEUTICAL decide to set up a joint management company, HEREON Inc.

**2006**  
Tokai Toho is merged with TOHO PHARMACEUTICAL.

**2007**  
• YAKUSHIN is merged with Tsuruhara Yoshii to establish Kyushu Toho Co., Ltd.  
• Enters into business alliance with OHKI Co., Ltd. and KOKUBU.  
• TOHO PHARMACEUTICAL invested in Jointown Pharmaceutical Group Co., Ltd.

**2008**  
• Honma Toho Co., Ltd. and KOYO Co., Ltd. becomes wholly owned subsidiaries.  
• Yamaguchi Toho Co., Ltd. and Ogawa Toho Co., Ltd. becomes wholly owned subsidiaries.  
• Sue Pharmaceutical Co., Ltd. and Ethos inc. becomes wholly owned subsidiaries.

**2009**  
• Nagaoka Pharmaceutical Co., Ltd. becomes a wholly owned subsidiary.  
• Shift to a pure holding company structure and change of the company name to TOHO HOLDINGS CO.,LTD.  
• OMWELL becomes a wholly owned subsidiary.  
★ Release of voice-recognition electronic medication history recording support system "ENIFvoice".

**2010**  
■ SANUS is merged with OMWELL to establish SAYWELL Inc.  
■ TOHO HOLDINGS has established Hubei Kyoso Pharmaceutical Co., Ltd.(Joint venture company) with Jointown Pharmaceutical Group.  
■ Okinawa Toho Co., Ltd. becomes a wholly owned subsidiary.  
■ ASUCOME CO., LTD., is merged with TOHO PHARMACEUTICAL.  
★ Release of website creation service "Byouin-Navi Homepage Service".

**2011**  
★ Opening of web site "eKenkoshop".

**2012**  
■ SHOUJUI CO., LTD., is merged with TOHO PHARMACEUTICAL.  
★ Release of "Initial Examination Reservation Service".  
★ Launched wholesale of medical materials in small lots "ENIFme".

**2013**  
■ Honma Toho, Yamaguchi Toho, Ogawa Toho and Sue Pharmaceutical are merged with TOHO PHARMACEUTICAL.  
■ The Reorganization of Dispensing Pharmacy Business Companies (Japan Pharmacy, Yotsuba, Mirai, Pharma Square, Jus-Pharma and Nest are merged with PHARMA MIRAI INC.).  
★ Release of centralized administration system of pharmacy operations "ENIF-Honbu" (currently "Mizar").

**2015**  
■ Shift to an operating holding company structure.

**2016**  
■ Shift to a Company with Audit and Supervisory Committee.  
■ Change of the company name from Yell Pharmaceutical Co., Ltd. to KYOSOMIRAI PHARMA CO., LTD.

**2017**  
■ Godo Toho Co., Ltd. is merged with TOHO PHARMACEUTICAL.

**2018**  
■ Hokuriku Toho Co., Ltd. (former KYOUJUI DRUG WHOLESALERS CO., LTD. ) becomes a wholly owned subsidiary.

**2019**  
★ Release of "Future ENIF".

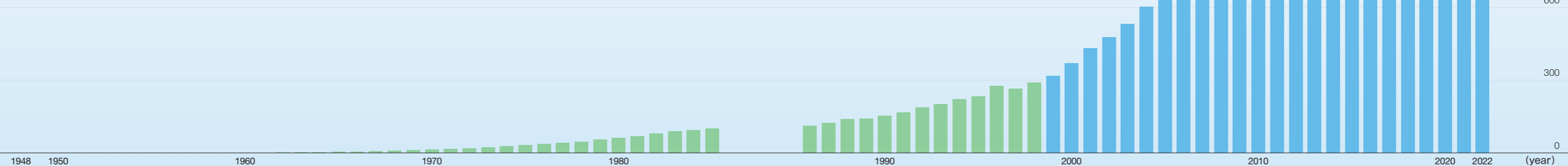


**2021**  
★ Release of online medical examination/dosing guidance system "KAITOS".

**2022**  
■ TOHO HOLDINGS listed to the Prime Market in Tokyo Stock Exchange.

## TOHO HOLDINGS net sales

Consolidated Non-consolidated



1950~  
Postwar reconstruction period

1960~  
High economic growth period

1970~  
First oil crisis

1980~  
Bubble economy period

1990~  
Burst of economic bubble

2000~  
Accelerating IT adoption

2010~  
Arrival of a declining population

2020~  
COVID-19 outbreak



# Our Business

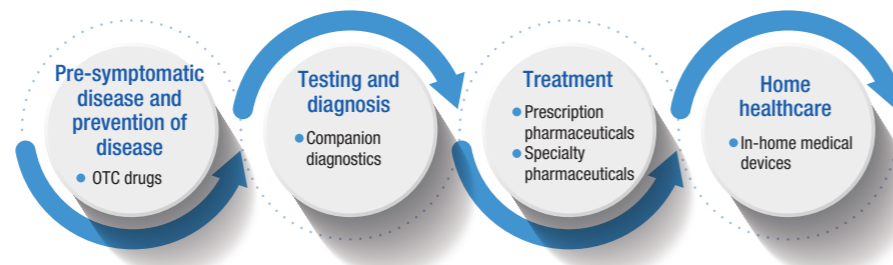
## Pharmaceutical wholesaling business

Segment composition ratio

92.47%

### Business outline

We purchase more than 200,000 types of products from about 1,100 manufacturers, and 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.



### Major group companies

- TOHO PHARMACEUTICAL CO.,LTD. • SAYWELL inc.
- KOYO Co., Ltd. • Kyushu Toho Co., Ltd.
- Hokuriku Toho Co., Ltd. • Okinawa Toho Co., Ltd.
- SAKAI MEDICINES CO., LTD. • Taisyodo co.ltd.
- SKYMEDICAL KYUSHU

Number of employees  
(As of September 30, 2023)

**4,656**

Number of business sites  
(As of December 31, 2023)

**215**

Number of distribution centers

**10**

Number of business customers

**110,000**

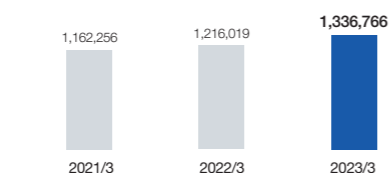
Number of trading manufacturers

**1,100**

### Overview of the fiscal year ended March 2023

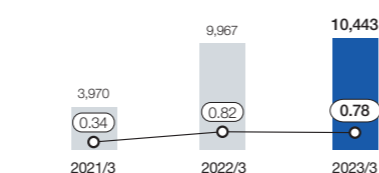
- Sales and profit increased supported mainly by increases in sales of COVID-19-related products such as therapeutic drugs and testing kits due to the seventh and eighth waves of infections, and cancer drugs and specialty pharmaceuticals.
- The Company's net sales of limited-handling products for selected wholesalers were 167.8 billion yen (16.5% increase from the previous period).  
\*Excluding COVID-19-related products
- Customer support systems profit: 3.75 billion yen

#### Net sales



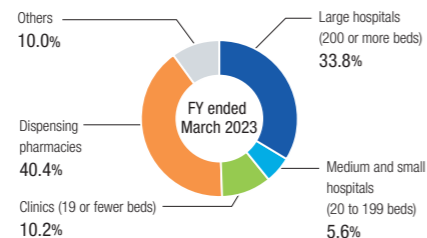
Net sales ■ (Millions of yen)

#### Operating profit/Operating margin

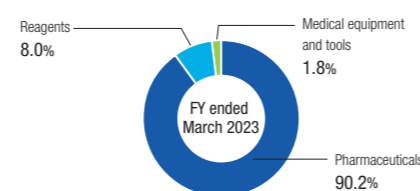


Operating profit ■ (Millions of yen) Operating margin ○ (%)

#### Ratio of net sales by customers



#### Ratio of net sales by products



### Strengths of the business ~Logistics~

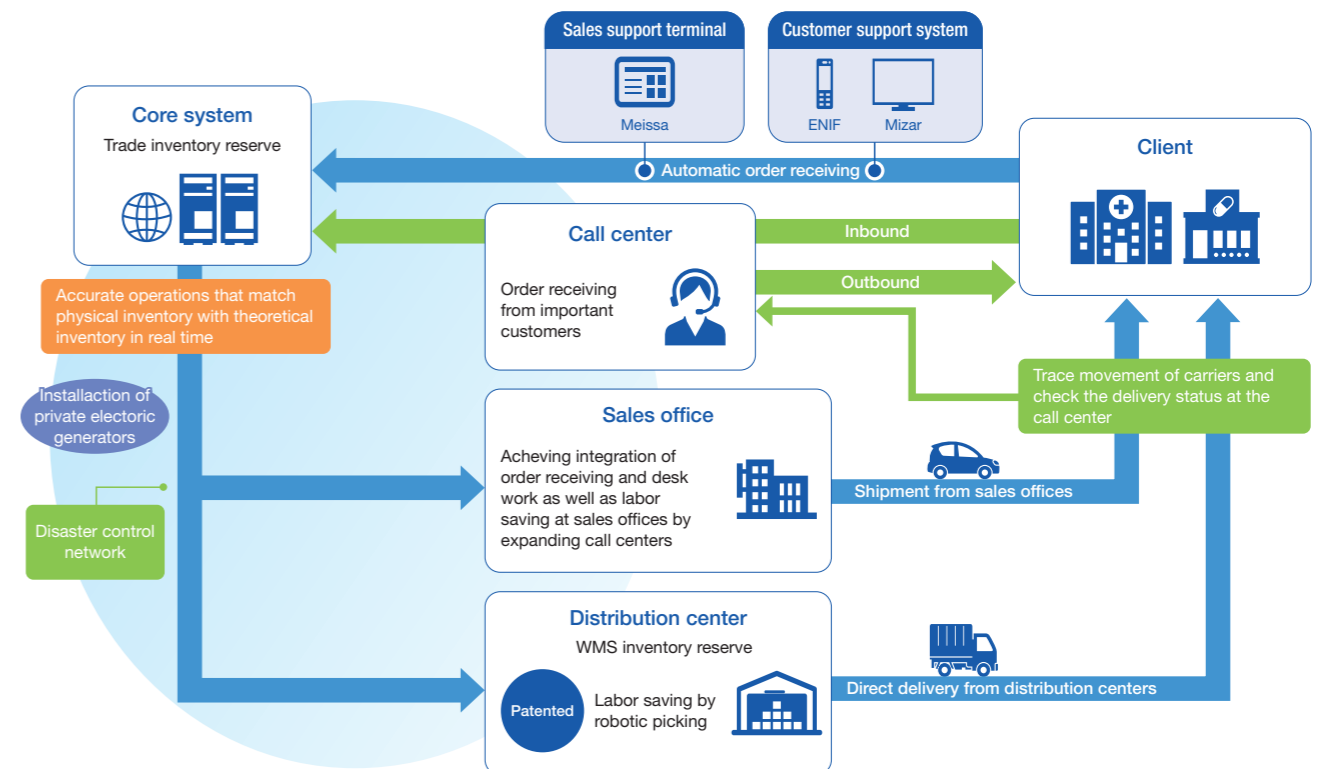
Achieve the highest level of quality and safety in the industry as well as efficient logistics

Quality Safety Efficiency

For fulfilling our mission to distribute secure and safe pharmaceuticals, we achieve the highest level of quality (thorough quality control), safety (traceability) and efficiency (establishment of the efficient logistics environment) by introducing cutting-edge technologies. Robotic technology is used for product picking and loading to achieve efficiency and labor savings. We have achieved a shipping accuracy of 99.99999% ("seven nines"). In addition, based on this high shipping accuracy, we are promoting a no-inspection system, which contributes to the improvement of operational efficiency of our customers by omitting inspection at the time of delivery. Furthermore, we are working to reduce the time it takes for products to arrive at medical by operating a direct center delivery service, in which products are delivered directly from the distribution center to medical institutions without going through a sales office.

### Build a robust business infrastructure

The Group's business infrastructure is the system processes incoming and outgoing shipments in real time to ensure that the inventory data always matches the actual inventory on the shelves. This enables sales offices, distribution centers, and call centers to be linked with each other and to provide customers with real-time information on inventory status and delivery dates. Also, we have established a system that enables centralized management of necessary information on any order issued, regardless of which sales office or distribution center the products are shipped from across the country, from Hokkaido to Okinawa. Because it is easy to transfer products between centers, we have a system that is mutually complementary in the event of an emergency.



### Thorough quality control

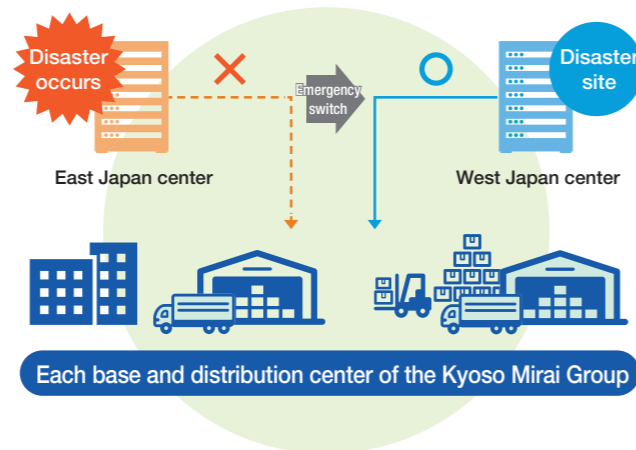
The Company has acquired ISO 9001:2015 (international standard for quality management systems for products and services) certification and conducts quality control to fulfill. In addition, we have introduced state-of-the-art equipment such as a dock shelter to prevent contamination by foreign matter by reducing the influence of outside air, and a temperature control system to monitor temperature round-the-clock and immediately report any deviation, thus ensuring thorough quality control in accordance with Good Distribution Practice (GDP) Guidelines.

### Initiatives for specialty pharmaceuticals

In the specialty pharmaceutical 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.

### Business continuity plan (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 BCP by enabling remote computer support at our sales offices and distribution 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.



## TOPIC

### TBC DynaBASE

TBC DynaBASE is a logistics center with cutting-edge technologies for prescription pharmaceuticals built in the "Keihin Truck Terminal," an area designated by the Tokyo Metropolitan Government as a wide-area transportation base in the event of a disaster. TBC DynaBASE was the first in Japan to be licensed by the Tokyo Metropolitan Government as a joint distribution and delivery center for pharmaceutical wholesalers to share storage space for pharmaceutical products, by completely managing the storage location of pharmaceuticals by computer based on a highly functional system. In addition, we are taking on the challenge of innovation in pharmaceutical distribution, including thorough automation through the active introduction of state-of-the-art robots and dramatic improvements in logistics efficiency.

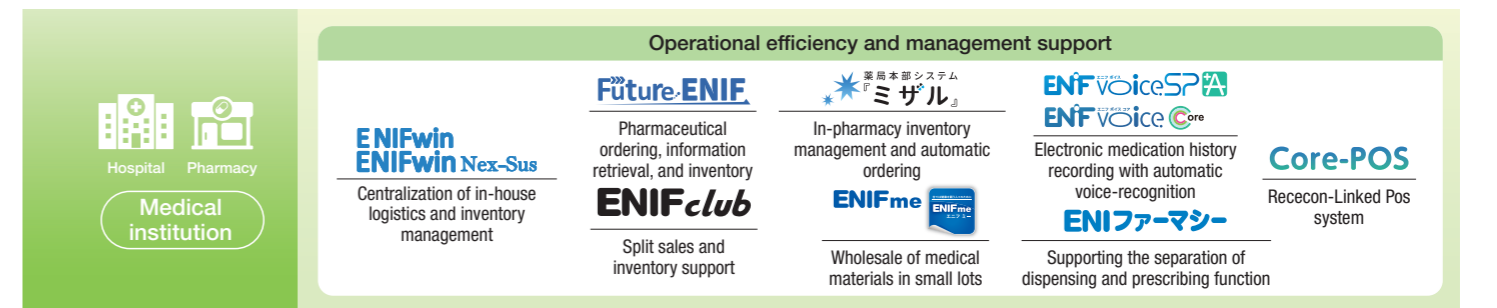
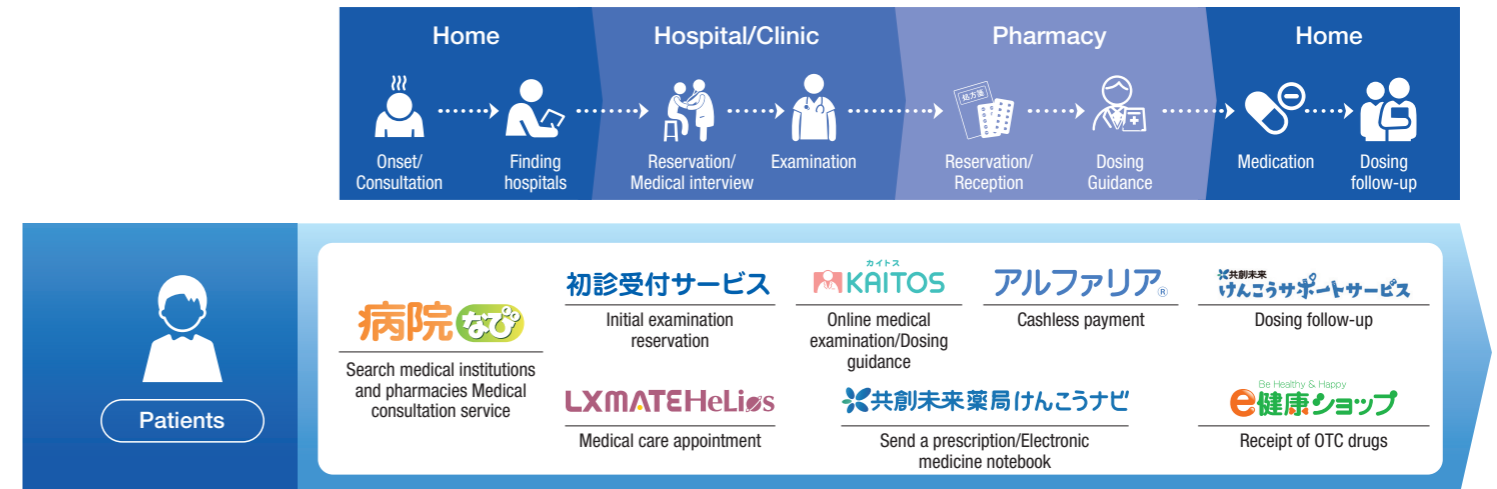
#### Disaster response in the Tokyo metropolitan area

Being located inside the Loop Road No. 7 and near "Ariake-no-Oka," the main wide-area disaster management base facility, it's capable of providing pharmaceuticals promptly and smoothly in the event of a disaster such as the Tokyo Inland Earthquake.

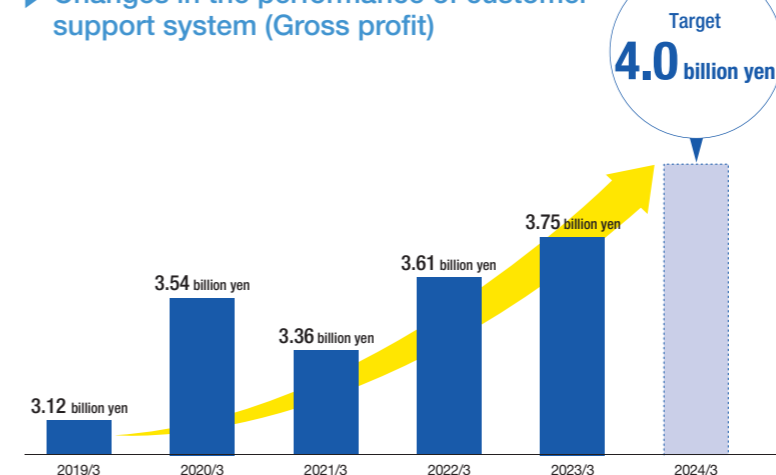


### Strengths of the business ~Customer support systems~

We have developed in-house customer support systems that contribute to solving problems faced by patients and medical institutions and improving profitability. We offer a variety of proposals tailored to the changing environment. In the future, we will develop our existing customer support systems, introduce cutting-edge technologies such as AI through active alliances, and integrate our voice recognition technologies with those we have cultivated in our company, in order to further enhance our customer support business.



### Changes in the performance of customer support system (Gross profit)



## TOPIC

### ENIF

It is a multifunctional terminal that can easily place orders for medicines by simply scanning the bar code on the terminal, and can retrieve information such as inventory, package inserts, and medication instructions. Approximately 30,000 units have been installed.





## Dispensing pharmacy business

Segment composition ratio

6.39%

### Business outline

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.

#### Major group companies

- PharmaCluster Co.,Ltd
- PHARMA DAIWA
- PHARMA MIRAI INC.
- AOBADO
- Cure co., Ltd.
- KOSEI
- VEGA PHARMA
- SEIKO MEDICAL BRAIN
- J.MIRAIMEDICAL
- Shimizu Pharmacy

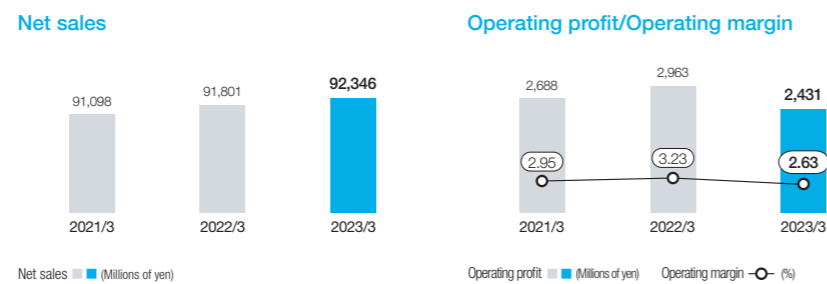
Number of employees **2,563**

Number of stores **759**

\*Including non-consolidated subsidiaries and affiliates

### Overview of the fiscal year ended March 2023

- The dispensing pharmacy business increased revenues, supported by a trend of recovery in the number of prescriptions demands despite the negative impact of revisions both to the medical fee schedule and to NHI drug prices.
- We made changes to our store network to boost profitability, closing 15 unprofitable stores but opening new ones to increase the total number of stores by 10.



### Kyoso Mirai Group in Pharmacy

Kyoso Mirai Group in Pharmacy is a group of individual pharmacy owners, wishing to run their business with independences and self-initiative in their local community. We address various issues and problems that are difficult to solve by individual pharmacies. With PharmaCluster serving as a secretariat, we focus on enhancing the functionality of pharmacies, reinforcing our management base, and improving our management efficiency.

#### Main support

- Holding of various seminars and training:** We offer lectures and online seminars on topics of high interest to our members, such as the health care system, prescription compensation reform, formularies, home health care, and labor issues, as well as various training programs such as health support pharmacy training and community collaboration pharmacist training.
- Provision of electronic money settlement system:** We provide credit card and electronic money payment systems in order to support a variety of payment methods in recent years (Alpharia tie-up).
- Sales promotion support:** The Kyoso Mirai Group in Pharmacy website provides promotional information, such as recommendations for sales and OTC drugs, special campaign information, and recipes introduced by registered dietitians.

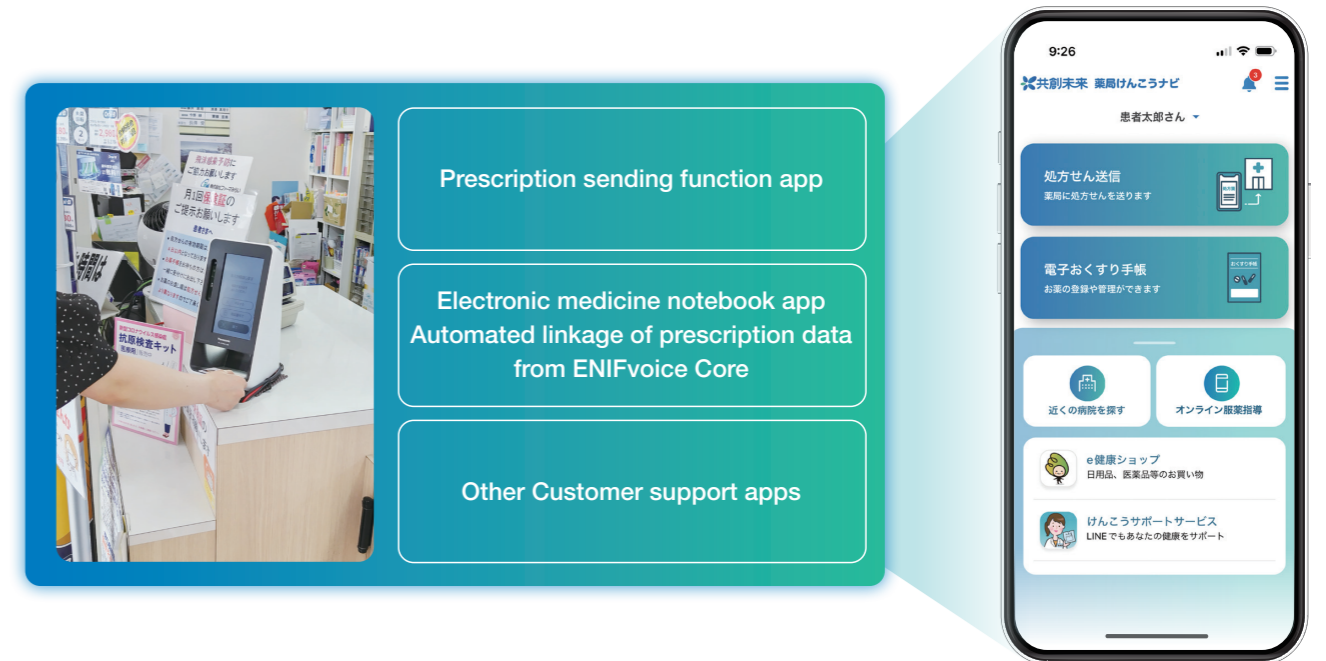
### Strengths of the business

#### Promotion of DX in pharmacy

We are improving the efficiency of pharmacy operations by promoting electronic prescriptions and online medication instructions.

Kyoso Mirai -Akiho Pharmacy (Sakata, Yamagata) participated in an electronic prescription model business led by the Ministry of Health, Labour and Welfare ahead of the full-scale launch of electronic prescriptions. In January 2023, we actually started using electronic prescriptions, and as of December, 46.4% of all prescriptions in our pharmacy are electronic. In our group, we are making use of the know-how we have accumulated at Akiho Pharmacy to expand our business within the Group.

To improve the efficiency of pharmacy operations and the convenience of patients, in October 2023, we released a portal application, "Kyosei Mirai Pharmacy Health Navi," equipped with a prescription sending function and an electronic medicine notebook. By sending prescriptions on a smartphone, waiting time at a pharmacy can be reduced and medicines can be managed.



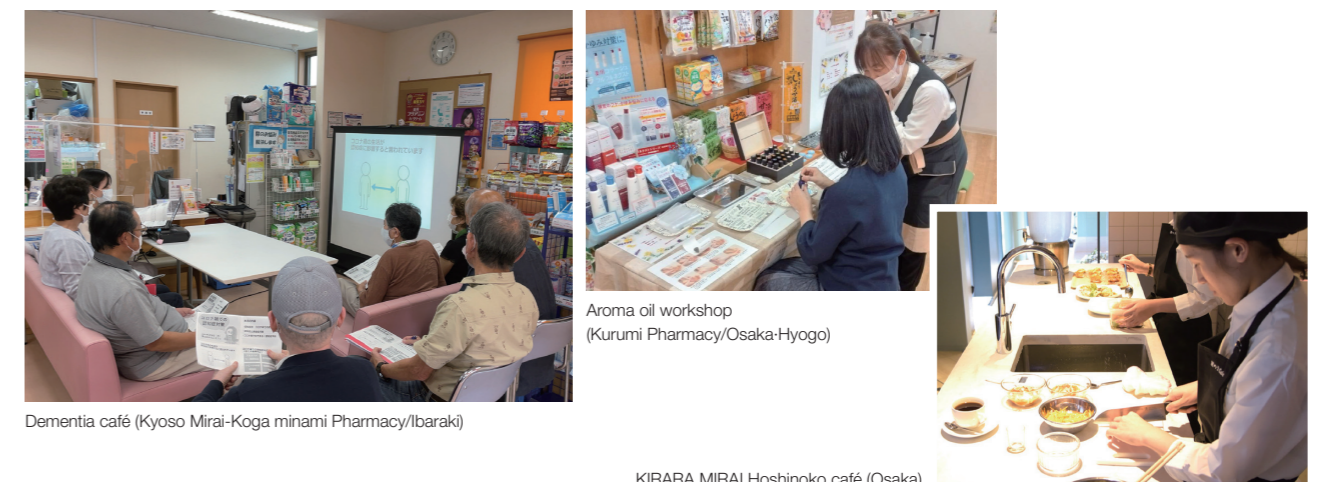
Prescription sending function app

Electronic medicine notebook app  
Automated linkage of prescription data from ENIFvoice Core

Other Customer support apps

#### Creating community-based pharmacies

As a community health support pharmacy, we are working to create a pharmacy where people can visit easily without a prescription. In order to support local people's self-medication, dispensing pharmacies in our company are focusing on selling OTC drugs, health foods, and nursing care products. In addition, they are conducting various activities such as consultations and study groups on medicine, nutrition, and health, and dementia cafes.



Dementia café (Kyoso Mirai-Koga minami Pharmacy/Ibaraki)

Aroma oil workshop (Kurumi Pharmacy/Osaka-Hyogo)

KIRARA MIRAI Hoshinoko café (Osaka)



## Pharmaceutical manufacturing and sales business

Segment composition ratio

0.69%

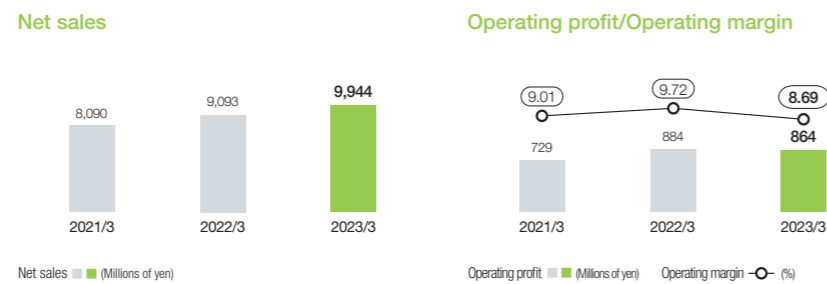
### Business outline

KYOSOMIRAI PHARMA CO., LTD. is involved in manufacturing and sales business of prescription pharmaceuticals centered on generic drugs. While ensuring quality through our unique verification systems such as elution testing, we strive for stable and continual supply of high-quality and high-value-added pharmaceuticals.

Major group company  
 ● KYOSOMIRAI PHARMA CO., LTD. Number of employees  
**100**

### Overview of the fiscal year ended March 2023

- A surge in demand caused by shipment adjustments by manufacturers affected some of the Company's products.
- We continued to expand our product lineup by launching 3 ingredients and 5 products of new generic drugs during the consolidated fiscal year under review.



### Strengths of the business

#### Optimization of the pharmaceutical supply chain

We strive for optimization of the pharmaceutical supply chain from distribution to dispensing, based on accurate prediction of market demands in coordination with pharmaceutical wholesaling and dispensing pharmacy businesses.



#### Release of the “drug substance manufacturing country” and “company name of drug product manufacturers”

In order to provide safe use to healthcare professionals, we are making efforts to provide appropriate information on pharmaceuticals by disclosing information on the “drug substance manufacturing country” and “company name of drug product manufacturers” has been granted on the website for healthcare professionals on the KYOSOMIRAI PHARMA website.



## Other peripheral businesses

Segment composition ratio

0.46%

### Business outline

#### Tokyo Research Center of Clinical Pharmacology Co., Ltd.

- We work with Shinanzoka Clinic and Samoncho Clinic of Medical Corporation Shinanokai, both of which are a site management organization (SMO), to conduct SMO business while putting the safety of trial subjects first.



#### Nextit Research Institute, Inc

- We offer various services for hospitals, clinics, and patients, with a focus on management consulting business and the development and sales of Chozai-kun, a system of processing health insurance claims for dispensing pharmacies.

#### eKenkoshop Corporation

- We operate eKenkoshop, an online one-stop shop that deals in health and nursing care products. This shop features the receipt-at-pharmacy service whereby general consumers send away for OTC drugs and receive them at a pharmacy.



#### K.K.eHealthcare

- Our activities include operating Byouin-Navi, a web-portal site for finding hospitals and clinics, as well as hospital marketing research and consultation services.

#### ALF, Inc

- We develop customer support systems, one of our strengths. We also develop and sell smart devices.



### Overview of the fiscal year ended March 2023



#### Group companies

- Tokyo Research Center of Clinical Pharmacology Co., Ltd.
- Nextit Research Institute, Inc
- K.K.eHealthcare
- eKenkoshop Corporation
- ALF, Inc

Number of employees

188

\*From the fiscal year ended March 2022, we have added 3 companies to our existing “SMO operations” and “information equipment sales operations” as well as our “Other peripheral business”: Nextit Research Institute, Inc, eKenkoshop Corporation, and K.K.eHealthcare.



# Value Creation Story

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, Toho Holdings aims to increase its corporate value and establish its corporate brand over the medium to long term through sustainable growth.

## External Environment

### Social environment

- Declining birthrate, aging population
- Shrinking workforce
- Promotion of work style reform
- Advances in digital technology
- Climate change
- Occurrence of natural disasters
- Occurrence of a pandemic
- Heightened geopolitical risk

### Business environment

- Controlling social security expenditures
- Annual drug price revision
- Establishment of community-based integrated care systems
- Category change in pharmaceuticals
- Diversification of modalities
- Promotion of medical DX
- Promotion of home health care
- Insufficient supply of drugs, mainly generic drugs

## Input



### Human capital

- Maximize the value of human capital  
Number of employees **10,036**



### Financial capital

- Sound financial position  
Net assets **242,916 million yen**



### Logistics and manufacturing capital

- Strong business infrastructure and stable supply of pharmaceuticals  
Number of pharmaceutical wholesale sites **215**  
Number of distribution centers **10**  
Number of dispensing pharmacy stores **759**



### 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 trading manufacturers **1,100**  
Number of business customers **110,000**  
Members of the Kyoso Mirai Group in Pharmacy **companies 7,500 stores 21,000**

## Value-added Business Model

**Pharmaceutical wholesaling business**

- Establishment of more stable supply through highly functional logistics
- Further strengthening of BCP
- Specialty products, Full service

**Dispensing pharmacy business**

**Pharmaceutical manufacturing and sales business**

**Other peripheral businesses**

**New business**  
Health, pre-symptomatic disease, and prevention of disease

- Improvement of customer support business
- Promotion of home health care
- Using DX to improve productivity and create added value
- Maximizing group synergy

## Medium-term Management Plan 2023-2025 "Create the Next Generation"

Business transformation

Improvement of capital efficiency and enhancement of shareholder returns

Investment for growth and improvement of profitability



Sustainability management

### MATERIALITY (Important issues)

- 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

## What We Aim to Be

Business infrastructure for stable supply of pharmaceuticals

Regional healthcare design

Universal medical access

### 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.**

Group Slogan

**Total commitment to good health**

### Our SDGs Marks





**Atsushi Udoh**  
Representative Director, CEO

## We build up human resources and business foundations for the next generation to remain as a company needed by society

### The Group's founding spirit and strengths

The Company has a history of 75 years since it was founded in 1948 as TOHO PHARMACEUTICAL CO.,LTD. Our continued operations could not have been possible

without the support of all our stakeholders in many aspects. I would like to extend my heart-felt gratitude to them.

As a corporate group that contributes in the medical, health and nursing care fields, the TOHO HOLDINGS Group conducts four types of business: pharmaceutical wholesaling, dispensing pharmacy, manufacturing and sales of pharmaceuticals and others, and other peripheral

businesses (including information services, site management organization (SMO) business, and corporate and medical management consulting). In addition, we are engaged in the development and provision of customer support systems. We are also active in the fields of community medical cooperation, and home healthcare and nursing care.

There have been many changes over the years, but 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 – has remained unchanged. We believe that excessive price competition has no future. We put ourselves in the shoes of healthcare institutions and patients and help them solve their problems. We aspire to be a company chosen because of this stance, not because of price competitiveness. This stance has given rise to our unique initiatives. I am convinced that these initiatives have created two of our outstanding strengths. One is *sophisticated distribution infrastructure that ensures the stable supply of pharmaceuticals even in times of emergency*. The other is *customer support systems that offer better convenience for our customers and patients*.

I feel strongly that we are a corporate group that has grown by leveraging our human resources, one of our strengths. When I joined the Company in 1987, it had in place a self-supporting accounting system. Under this system, small groups of employees enjoyed their own autonomy. Group leaders (*hancho*), whose rank corresponds to that of senior manager in the present corporate hierarchy, had discretion to decide their own sales areas and working hours. We worked in a quite liberal corporate culture. In 1991, a new invoice pricing system was introduced. This prompted changes both to the healthcare system and to the roles of pharmaceutical manufacturers and wholesalers. Our organizational setup also changed according to the changes of the times. But our corporate culture, which respects the out-of-the-box idea of individual employees, has remained unchanged since our foundation. I believe that the Group has successfully survived the ongoing reorganization of the whole pharmaceutical wholesaler industry just because ideas put forward by our employees have taken shape and constituted the foundation for the growth of the Group.

In the waves of major reorganization of the industry since 2000, we did not give priority to the idea of enlarging our corporate scale. Instead, we stuck to the idea of forming the Kyoso Mirai Group with like-minded companies and starting by harmonizing core systems while respecting the autonomy of individual member firms. We struggled every time we switched from a familiar system to a new one. But this experience paid off. It gave rise to a mechanism that allows for centralized management of information shared between all of our locations across Japan even after subsequent corporate mergers and moves to make other companies our subsidiaries. We have system engineering firms as

subsidiaries. They make it possible for us to develop and manage these core systems on our own. This sets us apart from our peers. As a result, we can give top priority to system rehabilitation in times of emergency. This means that we have robust distribution infrastructure, which ensures the continuation of our operations.

The Group enjoys yet another asset: customer support systems. Our customer support systems stem from the development of inventory control systems during the 1980s. Now we have nearly 30 customer support systems, including the medical care appointment system LXMATE HeLios and the drug ordering and information terminal ENIF. Since we have developed many of these systems and related services, we can promptly cope with various requests our marketing specialists (MSs) received during their visits to our customers. Now that prices no longer constitute a competition axis, our own customer support systems are a major advantage for us.

To fulfill its social mission of *ensuring a stable supply of pharmaceuticals*, the Group works on the sophistication of distribution centers. We continue our efforts and struggles to reach the acme in three aspects: quality, safety, and efficiency. To cope with an expected labor shortage and prevent human errors, we are proceeding with total automation of physical distribution. This involves the introduction of cutting-edge robot technology. We now enjoy a shipping accuracy of 99.99999% (seven 9s), meaning that we do not tolerate a single error in 10 million shipments. We have ten distribution hubs across Japan. One of them is TBC DynaBASE, located in one of the inter-municipal transport bases that the Tokyo Metropolitan Government designates in its disaster preparedness plan. TBC DynaBASE is the only large distribution center for prescription pharmaceuticals in Tokyo that can coordinate with the Tokyo Metropolitan Government and the Self-Defense Forces in times of emergency. Moreover, we have a fully duplicated backup of two host computers and in-warehouse management systems in eastern and western Japan. Also, we have developed a mutual switching network by linking distribution centers around the country. This allows us to continue our operations in times of disaster. These BCP (business continuity plan) arrangements are highly evaluated by our customers. Among others, this factor prompts them to choose the Group.

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

In May 2023, we announced the Medium-term Management Plan 2023–2025 “Create the Next Generation,” a growth strategy for the Group. I think that “Create the Next Generation” is the most important theme of this plan. In Japan, the government is working to curtail medical expenses on the back of social issues such as the declining birthrate, aging population, and shrinking

workforce. Efforts are being made to promote medical digital transformation (DX) and build a community-based integrated care systems by around 2025. This Medium-term Management Plan has been developed with an eye on the year 2030 and the next generation beyond. Over the three years, we will build the foundation that allows the Group to fulfill its social mission in the next generation. While listening to what young employees – who will play a pivotal role in the next generation – have to say, we will build this foundation so that they can exercise leadership with confidence.

The Medium-term Management Plan has four basic policies: Business Transformation, Investment for Growth and Improvement of Profitability, Sustainability Management, and Improvement of Capital Efficiency and Enhancement of Shareholder Returns. We will implement specific measures under these policies, according to which we also embrace *out-of-the-box alliances* and *the further expansion of DX*.

**Basic policy 1 Business transformation**

Measures to transform Pharmaceutical Wholesaling include reorganizing us into an organization that can cope better with changes in the environment surrounding us, including the government's regional medical care vision and distribution challenges. We will be active in unifying pharmaceutical and reagent-related functions to better meet market needs, consolidating offices, and rethinking the roles of MSs and ENIF marketing supporters (EMSs). In July 2023, we made a major reorganization at TOHO PHARMACEUTICAL, a pharmaceutical wholesaler subsidiary. We have been successively consolidating our offices as well. In Dispensing Pharmacy, we will promptly reorganize our operating companies, which totaled 27 in number as of October 2023. To support home healthcare, Dispensing Pharmacy will work with Pharmaceutical Wholesaling to improve access to healthcare institutions specializing in home healthcare. It will also facilitate digitalization processes as highlighted by electronic prescription and online medication instruction. The idea is to create an environment that allows pharmacists to concentrate on in-person operations, their primary role. Through the business transformation of Pharmaceutical Wholesaling and Dispensing Pharmacy, we will design healthcare arrangements that fit the characteristics of individual regions in Japan, thereby contributing to regional revitalization.

Moreover, we have launched the Cooperative Research Lab in collaboration with the National Institute of Advanced Industrial Science and Technology (AIST), one of the best centers of technological excellence in Japan. At this lab, eight employees on loan and 16 inhouse researchers are now working on joint research. The goal of this project is to achieve universal medical access, allowing all patients to receive quality medical services wherever they live and regardless of the skill levels of their healthcare and nursing care providers. In contrast to AIST's manufacturing technology, the strength of the Group, which supports the distribution aspect, lies in its

firm grip on the needs of customers and patients. While considering how we can use the synergy between these strengths of both parties to create new value, we will continue to pursue new business pillars with out-of-the-box thinking.

We have also launched MAXIS2021, an internal reform project largely led by junior employees. In this project, junior employees from distribution, sales, administration, customer support, and other functions spend a great deal of time discussing reforms. My hope is that their activities will not only prompt internal reforms but also help to cultivate and develop human resources for the next generation.

**Basic policy2 Investment for growth and improvement of profitability**

One of the measures for *investment for growth and improvement of profitability* involves establishing a full service that meets the diverse needs of pharmaceutical manufacturers and others. Today, the mainstream of drug development around the globe is the development of specialty products, most notably pharmaceuticals for rare diseases. In fact, the Group is posting growing net sales of cancer drugs and specialty pharmaceuticals. Under these circumstances, Japanese and foreign venture firms that lead such development are increasingly asking the Group to develop and manufacture products under contract to them, suggesting a growing need for business process outsourcing (BPO). The Group' business infrastructure is highly evaluated. Cases in point include the high-performance distribution center TBC DynaBASE, as well as the SALM Solution System, which optimizes the domestic distribution of specialty pharmaceuticals with the capacity to control the temperature within the range of -25°C to +37°C. Going forward, we will continue to deepen collaboration with pharmaceutical manufacturers at home and abroad while enhancing the functionality of the *full service* in order to accumulate relevant know-how.

Another issue is how to further upgrade our customer support systems. To date, the Company has accumulated various lineups that use voice recognition technology and other features it has developed. They have been used by many customers. Going forward, the Company will make better use of the strengths we have developed over the years and fuse cutting-edge technologies through business alliances to launch new customer support business. As the first step in that direction, the Company forged a capital and business alliance in September 2023 with MICIN Inc., a provider of online medical examination services. The two companies have already launched a joint project.

We will make active investments in other growth sectors as well. These include health, pre-symptomatic management, disease prevention and other healthcare areas, in addition to the global market.

**Basic policy3 Sustainability management**

For sustainability management, we identify environmental, social, and governance issues and conduct operations designed to address them as part of our efforts to solve social issues through business activities. We regard compliance with relevant laws and regulations and compliance and risk management as top priorities for all executives and employees. We continue to require them to receive monthly training on these two priorities. This training is designed to drive home the norms that every employee must observe. These norms concern the Act on Pharmaceuticals and Medical Devices, and the Antimonopoly Act, and other related laws and regulations of importance. Training participants are strictly taught to prevent harassment and bribery and to observe traffic regulations as well. Going forward, we will continue to work on compliance and to create a corporate culture where employees feel free to give warnings to their co-workers.

With the belief that our employees are an integral part of our assets, that is, our precious human resources, we implement employee-participatory projects, such as MAXIS mentioned above. We also utilize human resources regardless of gender, age, or nationality. I have explained our customer support systems as an asset to the Group. Still, no matter how good our systems and services may be, success in business depends primarily on the performance of employees who interact with our customers. The Group's biggest asset is none other than our employees. For the growth of the Group and individual employees working there, we make steady investments in human capital.

The Group is also engaged in health management. The idea behind this engagement is that our goal to support people in promoting their health and leading a comfortable life cannot possibly be achieved unless our employees are healthy. In March 2023, TOHO HOLDINGS, TOHO



PHARMACEUTICAL, J.MIRAIMEDICAL, and Nextit Research Institute, were each certified as an Excellent Health Management Corporation 2023. Going forward, we will encourage individual employees to raise their health management awareness through such means as training designed to make them feel that health management really concerns them. We will also build a workplace environment where employees can work in good health both physically and mentally and with a sense that they are doing a worthwhile job.

**Basic policy4 Improvement of capital efficiency and enhancement of shareholder returns**

During the period of the current Medium-term Management Plan, we will continue to steadily implement measures aimed at boosting productivity through business transformation and at improving through investment for growth. Sustainable growth thus achieved will improve our corporate value over the medium to long term, which in turn will allow us to enhance shareholder returns. As part of such efforts, we have laid down three management targets concerning what the Company should look like in the next generation. These targets are: (1) a price book-value ratio (PBR) of 1.0 times or higher, (2) a return on equity (ROE) of 8% or more, and (3) a dividend on equity ratio (DOE) of 2% or more. During the three-year period, we plan to invest 38 billion yen in growth sectors, infrastructure, and human capital. To achieve the three management targets mentioned above, we will also work to improve capital efficiency. This will involve purchasing treasury shares in a timely and flexible manner, increasing dividends, and unwinding cross-shareholdings in a phased manner.

**To our stakeholders**

I always think that a company that is not needed by society has no value to society and that management must continue to ask themselves whether their company is really necessary in society. As I have been saying all along, the Group has committed itself, since its foundation, to addressing issues facing our customers as its fundamental business principle. I feel the responsibility to surely inherit many management resources that have been accumulated thanks to the efforts of our predecessors and pass them onto the next generation. To fulfill this responsibility, we will steadily implement measures laid down in the Medium-term Management Plan to achieve growth. We will also develop human resources that will pass our ideals onto the next generation. Through these efforts, I want to lead the Company so that it will continue to be appreciated by our shareholders. I want to see them feel glad to be our shareholders. I hope that the Company will continue to be such that its employees feel so proud to work for it that they will want their children to join it. I also want the Company to be always needed by society. I would appreciate your continued understanding and support.

# Medium-term Management Plan 2023-2025, “Creating the Next Generation”

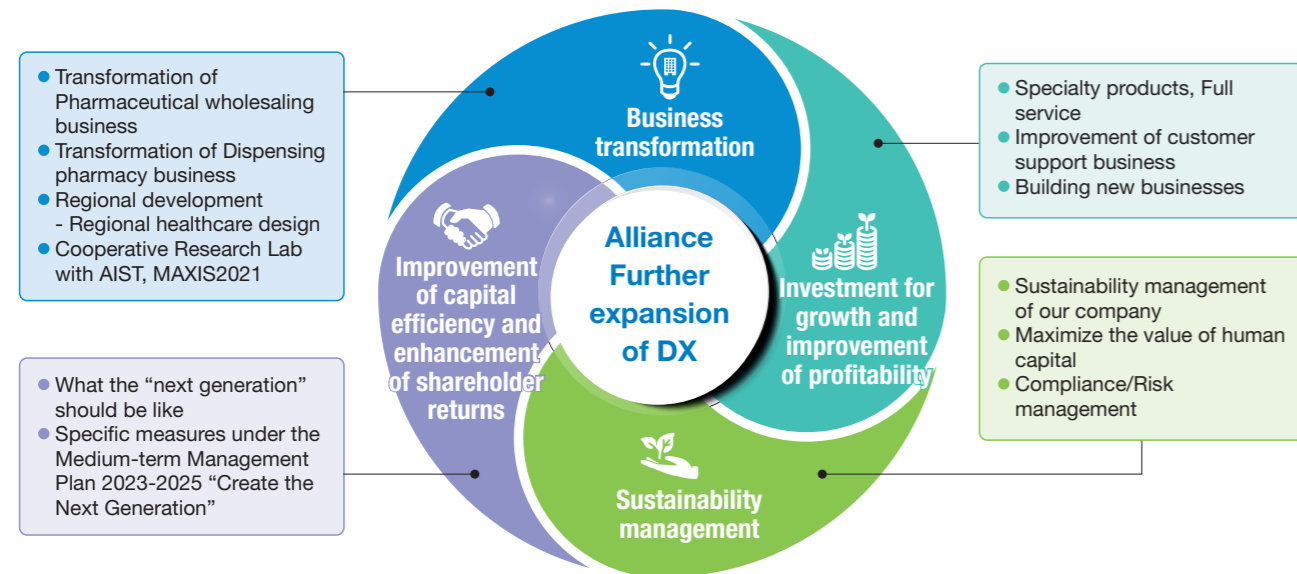
In May 2023, the Group formulated the Medium-Term Management Plan 2023-2025, “Creating the Next Generation.” By implementing the Medium-Term Management Plan, which is to create a foundation for the “Next Generation,” we aim to achieve sustainable growth despite the difficult market environment and to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

## Purpose of Formulating the Medium-term Management Plan

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 this Medium-term Management Plan 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.

### Basic policy and specific measures of the Medium-term Management Plan 2023-2025 “Create the Next Generation”



## Business transformation

### 1 Transformation of Pharmaceutical wholesaling business

In order 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 with organizational restructuring toward realizing the next generation. Specifically, we will go ahead with the consolidation of sales bases. We will also clarify each of the roles of sales and delivery. At the same time, we will improve the productivity of wholesaling by, for example, exploring new job types and work styles that fit the times and making better use of human resources.

### 3 Regional revitalization —Regional Healthcare Design—

We will transform ourselves into an organization capable of conducting activities based on the concept area (secondary medical care area) to implement initiatives that meticulously reflect local realities and problems. We will integrate the logistics systems that cover large and small 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 want to stay healthy.

### 2 Transformation of Dispensing pharmacy business

We will promote organizational and functional transformation to respond to digitalization and contribute to home healthcare. To this end, we will concentrate the administrative functions of dispensing pharmacy companies and integrate their systems for better functionality. Additionally, we will open new pharmacies and close existing ones as necessary with an emphasis on profitability. We will also expand non-insurance revenues. Moreover, we will promote digital transformation (DX) involving electronic prescriptions and online medication instructions.

### 4 Cooperative Research Lab with AIST, MAXIS2021

By combining the advanced development capabilities of cutting-edge technologies of the National Institute of Advanced Industrial Science and Technology (AIST) 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. The goal is to realize universal medical access. We will also promote the internal reform project MAXIS2021 to develop human resources who will lead the next generation.

## Investment for growth and improvement of profitability

### 1 Specialty products, Full service

In order to increase trade in specialty products whose market is expected to expand, we will establish a full service that can meet the diverse needs of pharmaceutical companies and bio-ventures by capitalizing on our centralized management system and active business alliances.

### 3 Building new businesses

We will build new businesses by proactively investing in healthcare domains and products that have growth potential. To this end, we will maximize the group synergies that only the Kyoso Mirai Group – which covers everything from wholesaling and dispensing pharmacy to pharmaceutical manufacturing and sales businesses – can achieve.

### 2 Evolution of customer support business

We aim to further evolve by incorporating cutting-edge technologies such as AI through active business alliances. To this end, we will leverage our strengths in the customer support business that we have built up over nearly 30 years. These strengths are represented by, for example, the drug ordering and information terminal ENIF, the medical care appointment system LXMATE HeLios, the Initial Examination Reservation Service, and the online medical examination / dosing guidance system KAITOS.



## 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, which has grown based on our human resources and respected free thinking of our employees. We will also work to maximize the value of our human capital by nurturing human resources needed by the Kyoso Mirai Group, improving our personnel system, and promoting work-style reforms.

### 3 Compliance/Risk Management

Compliance with relevant laws and regulations, such as the Act on Pharmaceuticals and Medical Devices, and compliance and risk management are top priorities for all executives and employees.

## Improvement of capital efficiency and enhancement of shareholder returns

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)

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

#### 1 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

#### 2 Purchase of treasury shares: More than 30 billion yen

- We will purchase treasury shares flexibly taking capital efficiency into consideration.

#### 3 Dividends:

- We will increase dividends stably with a target of a DOE of 2%.

#### 4 Cross-shareholdings:

- We will unwind cross-shareholdings in a phased manner through sufficient dialogue with the partner companies.



**To fulfill our responsibility as a social infrastructure company, we are committed to our growth strategy and capital efficiency improvement while primarily maintaining stable business management**

**Hiromi Eda**  
Representative Director, CFO

**Reforms needed to secure profit**

The Group is engaged in pharmaceutical wholesaling as its core business. Its social mission is to deliver pharmaceuticals and medical equipment and supplies, in a timely manner, to medical institutions, dispensing pharmacies, and patients that need them. As a company that supports social infrastructure, the Group is required to ensure stable business management above anything else. To maintain stable management, three requirements need to be met: a stable financial standing, a better profit performance, and efficient use of capital.

Amid continued downward trends in drug prices in annual NHI drug price revisions, distribution costs are increasing, affected by such factors as increased deliveries due to the COVID-19 pandemic, the issue of adjustment of pharmaceuticals shipments, and soaring energy prices. In addition, invoice prices from pharmaceutical manufacturers are on the rise. All these factors point to the need for better profit management than ever. What matters more now is how to rein in selling, general and administrative (SG&A) expenses, not to mention appropriate management control. It is crucial to improve distribution efficiency by, for example, rethinking the current delivery frequency using the centralized administration system for pharmacy operations Mizar, as well as promoting planned delivery in coordination with distribution centers. We must continue with more reforms to maintain stable business management. These include consolidating sales offices and promoting labor savings and streamlined operations through digitalization with IoT and other technologies.

**Disclosing what the next generation should be like**

The Medium-term Management Plan 2023–2025 shows what the next generation following the current Medium-term Management Plan should be like. Specifically, it identifies three management targets: (1) a price book-value ratio (PBR) of 1.0 times or higher, (2) a return on equity (ROE) of 8% more than, and (3) a dividend on equity ratio (DOE) of 2% more than.

The current business environment involves uncertainties surrounding a number of factors, including (1) developments in institutional reforms such as revisions to the medical fee schedule, (2) what the Community-based Integrated Care System will look like in 2025, and (3) the change in mainstream new drugs from primary products to specialty products. It is quite unclear how these uncertainties will affect our revenues going forward. Thus, no specific time has been set for achieving the three management targets as of reporting. Yet we are committed to achieving these targets as soon as possible to aim for greater heights. To this end, we will take various measures by the end of the period of the Medium-term Management Plan 2023–25.

**Building a foundation with investment for growth**

As a specific measure, we plan to invest 38 billion yen during the three-year period of the Medium-term Management Plan 2023–25. Of the total investment, 20

billion yen will go to new businesses and tie-ups in potential growth sectors and to growth sectors such as the development of customer support systems, one of our strengths; 12 billion yen to infrastructure needed to continue providing safe and secure medical supplies for medical institutions and safe and medical care for patients; and 6 billion yen to human capital that supports all these activities.

Given that new drugs are expected to center on specialty products, our investment in growth sectors will continue to focus on strengthening our alliance with businesses that have cutting-edge technology. We will invest heavily on bio start-ups and build up the functionality of our Full Service. In fact, we have already established an alliance with MICIN, Inc., a leading company in the field of online medical examination. We have also been working on joint research with the National Institute of Advanced Industrial Science and Technology (AIST). Our investment in infrastructure will cover the cost of enhancing the functionality of our distribution centers and core systems that have cutting-edge automation technology in place. It will also cover the cost of building and rebuilding sales bases in connection with the consolidation of sales offices. Our investment in human capital is designed to implement work-style reforms and enhance job satisfaction for employees. To these ends, we will address a number of objectives, including achieving a more competitive pay system with pay raises and other means, further improving our work environment, encouraging employees to acquire qualifications and certifications, and offering more training opportunities, which involves the reskilling of sales representatives.

We are committed to disciplined investment with the establishment of the Investment Committee in November 2023. This committee deliberates investment proposals before selecting them in light of a number of criteria, including financial relevance, as well as profitability, growth potential, and risks from the perspective of a business strategy.

**Aiming for better capital efficiency and stable shareholder returns**

As a measure to improve capital efficiency, we will purchase company stock worth more than 30 billion yen during the three-year period of the Medium-term Management Plan 2023–25. We will make such purchase in a timely and flexible manner depending on the operating environment. We have already announced the share buyback totaling 12 billion yen, with 6 billion yen announced in May 31, 2023, and the remaining 6 billion yen in September 15, 2023. As for the share buyback announced in September, we are in the process of buying back the 6-billion-yen worth of such stocks announced in September, with a plan to cancel all the shares acquired.

Also, we have been steadily unwinding cross-shareholdings every year, with the immediate target of reducing our holdings to less than 20% of consolidated net assets. To date, we have almost completed the sale of holdings in companies other than pharmaceutical manufacturers. We will unwind the remaining cross-shareholdings – a majority of which are holdings in pharmaceutical manufacturers – in a phased manner through sufficient dialogue with the partner companies concerned.

As for shareholder returns, we have set a target of achieving a DOE of 2% or more to continue increasing dividends stably without being affected by the annual performance. The annual dividend for the fiscal year ended on March 31, 2023, was 32 yen. For the fiscal year ending March 31, 2024, we plan to pay an annual dividend of 36 yen, up 4 yen from the previous year. Going forward, we will continue aiming to improve our corporate value over the medium to long term. We will also make continued efforts to enhance shareholder returns.

The Company has been taking a number of actions to deal with its real estate holdings in the Daizawa area of Setagaya-ku, Tokyo, where the Company was founded. These actions in what is known as the Daizawa Project include continued use, rebuilding, sale, and conversion into profitable real estate. In December 2023, the Company concentrated its headquarters functions – which had been separated into two locations: Daizawa and Marunouchi – in Tokyo Midtown Yaesu. The idea will be to enhance management efficiency, expedite the decision-making process, and reduce total costs by curtailing rents and other means.

To fulfill its mission as a social infrastructure company, the Group will continue to work on its growth strategy and a range of measures designed to improve capital efficiency, while primarily maintaining stable business management, so as to win the appreciation of our stakeholders.

**Financial Highlights**

	(Millions of yen)			
	2022/3 Results	2023/3 Results	2023/3 Reference*	2024/3 Initial plan
<b>Net sales</b>	1,266,171	1,388,565	1,392,117	1,325,000
<b>Gross profit</b>	108,687	110,814	114,366	113,400
<b>Selling, general and administrative expenses</b>	96,159	98,000	98,000	101,900
<b>Operating profit</b>	12,527	12,813	16,365	11,500
<b>Ordinary profit</b>	18,182	19,176	19,176	13,800
<b>Profit attributable to owners of parent</b>	13,379	13,630	13,630	12,300

\*We have decided to include revenues from information service fees, etc. in net sales from the fiscal year ending March 31, 2024. Previously, such revenues were recorded as commission income for non-operating income. They are important revenues earned from pharmaceutical manufacturers and other customers as part of the Group's sales activities and are expected to become more important going forward. The projected figures for the fiscal year ending March 31, 2024, shown above, reflect this change to the presentation method. The actual figures for the fiscal year ended March 31, 2023 do not reflect the change, whereas the reference figures for the same fiscal year do.



**With the collective effort of our employees, we take on challenges in the age of change to build up growth foundation for the next generation**

**Akira Umada**  
Senior Executive Managing Director, COO  
President and Representative Director

**The pharmaceutical wholesaling sector in a new age of change**

The pharmaceutical industry is undergoing major changes. One such change is occurring in the category of pharmaceuticals provided by pharmaceutical manufacturers as new drugs. For a long time, the mainstream of prescription pharmaceuticals has been primary products for what is known as lifestyle-related diseases such as high blood pressure. But now, the mainstream of new drugs has shifted to specialty pharmaceuticals, such as anticancer agents and *orphan drugs* (pharmaceuticals for rare diseases). Some predict that specialty pharmaceuticals will account for about a half of new drugs to be marketed in the future. These drugs are limited in terms of the numbers of doctors who prescribe them and patients who can receive them. They are also characterized by general high prices and the need for infrastructure for rigorous quality and distribution control. In response to increasingly diversified modalities, we need to constantly pursue supply stability and quality control to contribute to healthcare delivery systems. To this end, we should strive to build a more resilient and efficient distribution system and to negotiate unit prices for individual products based on the value of each product.

The Group has a corporate culture of opting to becoming the company of choice by providing added value that cannot be measured by price, instead of blindly pursuing sales or scales as the top priority. This sets us apart from our competition. This corporate culture proves to be a major advantage in this age of change. Toward

safe and secure pharmaceutical distribution, we have upgraded spearhead distribution centers ahead of our industry peers. In organizing the Group, we have integrated core systems to build a mechanism for centrally managing information as needed and leveraged, as a common advantage of the Group, our proprietary customer support systems and services which have been contributing to solving issues facing patients and healthcare institutions and increasing the revenue for the latter. I believe that these efforts have allowed us to continue and develop our business as a national wholesaler in the age of radical change.

**Driving business transformation under the Medium-term Management Plan 2023-2025 “Create the Next Generation”**

May 2023 signified the start of the three-year period of the Medium-term Management Plan 2023-2025 “Create the Next Generation.” We embarked on organizational reforms in Pharmaceutical Wholesaling. Specifically, in July 2023, we integrated the Pharmaceutical Sales Division and the Diagnostic Reagents Sales Division into the Sales Division. We also established the Sales Strategy Division to integrate the functions formerly shared among the New Business Promotion Department, the Supply Chain Department, the Business Strategy Department, the Regional Medical Corporation Department, the Medical Human Resource Department, etc. This new division is tasked with administration, digital transformation (DX), and business strategies designed to cope with diverse

changes. In connection with this organizational integration at the headquarters, 17 reagents sales offices (and the like) were integrated with or transferred to the pharmaceutical sales offices and departments.

Two major factors were behind these organizational reforms. One is a growing demand for point-of-care testing in the medical practitioner market. This other is a prediction that demand will continue to grow in the hospital market for sets of pharmaceuticals – which are made up of reagents and therapeutic agents – that help identify optimal therapies such as companion diagnostics.\* To date, we have had one organization for pharmaceuticals and another for reagents. Unifying the two can improve the efficiency of our sales and distribution activities. If our marketing specialists (MSs) develop the capacity to provide integrated support for health care, covering everything from pharmaceuticals and reagents to customer support systems, they will hopefully be able to reach potential customers who would otherwise be unapproachable.

Another objective of the organizational reforms is to promote work-style reforms and secure human resources. Currently, one MS covers some 100 institutions. We will rethink this arrangement and turn ourselves into an organization that can accommodate a healthcare delivery system that revolves around the concept area that the central government envisions (secondary medical area). Moreover, we aim to be more flexible to accommodate more diverse work styles while better clarifying the division of roles and exploring new roles. The intention is to reduce the workload of individual employees and secure better human resources amid a declining labor force.

\*Companion diagnostics: A diagnostic agent used to test in advance whether or not a patient is eligible for the use of a particular drug in order to further improve its efficacy and safety.

**Upgrading customer support systems and services**

I believe that embracing collaboration with other companies holds the key to the future of our customer support systems and services, which constitute one of our strengths. Currently, some 10 million people use Byoin-Navi, our web-portal site for finding hospitals and clinics, per month. Over 13,500 hospitals and clinics have introduced the Initial Examination Reservation Service, the link to which is available on this site. Some 70,000 patients use this service per month. Our online medical examination / dosing guidance system KAITOS is not only capable of providing online medical examination and dosing guidance, the need for which has been on the rise since the outbreak of the COVID-19 pandemic; it is also capable of searching, and making reservations for, medical institutions that provide online examination in coordination with Byoin-Navi. In September 2023, we forged a capital and business alliance with MICIN Inc., a provider of online medical examination services, etc. Going forward, both the two companies will mutually provide their own technologies to help enlarge the online examination market. We will also introduce AI and other cutting-edge technologies in other customer support systems and services through this business alliance.

For more efficient delivery, we also intend to make wider use of the centralized administration system for pharmacy operations Mizar, which is capable of predicting demand

based on past data and automatically placing orders. Now more than 3,200 pharmacies have introduced Mizar. This system allows them to avoid inventory shortage and to reduce delivery frequency. As it makes ordering operations more efficient, the system also enables pharmacists to dedicate more time for in-person operations. Building on the capabilities and experiences we have accumulated through the use of Mizar, we are now considering a new mechanism for hospitals and clinics. Going forward, we will continue to help medical institutions address the challenges they face, such as overstock and dead stock. We will also continue to conduct customer support business for better patient convenience.

**Forging ahead with sustainability management**

Sustainability is a priority issue for us as a company that supports healthcare infrastructure. We have in place the Sustainability Promotion Committee, which is comprised of members from the sales, distribution, pharmaceutical, and administration functions, to identify issues to be addressed and come up with solutions to them. As the chair of this committee, I feel that sustainability is so far-reaching – covering the environmental, social and governance aspects – that our employees may have difficulty taking this issue as their own. The challenge from the perspective of environmental conservation is how to address the apparent trade-off between the delivery of pharmaceuticals and the reduction of CO2 emissions. I believe that our activity to improve delivery efficiency through planned delivery and joint delivery constitutes part of collective efforts to reduce greenhouse gases. We are also proactive in switching to an electricity pricing scheme that leverages renewable energy, in mounting solar panels, and in introducing EVs. We work to raise the awareness of our employees so that they share or empathize with the understanding that our business itself leads to sustainability. Personally, I ask them to think about what they can do in their daily work and life to support sustainability and act on it.















Looking ahead, we should pay attention to a wider range of fields, including medical digital transformation (DX), home healthcare, and even pre-symptomatic management. That is my understanding. It is thus important to train talent well-versed in these fields. In fact, we are enhancing our training programs specific to different job types and positions. We are also beefing up our reskilling program designed for our MSs to upgrade their skills, grow further, and create value. In collaboration with the National Institute of Advanced Industrial Science and Technology (AIST), 24 employees are working on joint research aimed at developing new technologies and putting them to use for the good of society.

I am convinced that company-wide collective efforts to implement the Medium-term Management Plan will allow us to grow further in a challenging management environment. We will invest more in growth sectors, work with a wider range of business partners, and develop management resources we have inherited. We will continue to make our presence felt in places of medical care in the next generation.

## Philosophy of Sustainability

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 original service; 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.

### Materiality

	Important Issues	Social Issues	Target	SDGs
<b>E</b> Environment	<b>Promotion of decarbonization</b>	<ul style="list-style-type: none"> <li>Climate change</li> </ul>	<ul style="list-style-type: none"> <li>FY 2025 target (short-term): 40% reduction in CO<sub>2</sub> emissions compared to FY 2019</li> <li>FY 2030 target (mid-term): 60% reduction in CO<sub>2</sub> emissions compared to FY 2019</li> <li>FY 2050 target (long-term): Carbon negative *Scope1+2</li> </ul>	 
	<b>Consideration of biodiversity</b>	<ul style="list-style-type: none"> <li>Water pollution</li> <li>Impact on the ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Corporate management emphasizing biodiversity conservation and raising employee awareness</li> </ul>	 
	<b>Reduction of waste</b>	<ul style="list-style-type: none"> <li>Increasing environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate disposal of industrial waste</li> <li>Promotion of paperless operations through DX (reduction target in Administration division: 80% compared to 2022)</li> </ul>	
<b>S</b> Social	<b>Stable supply of pharmaceuticals and support for BCP</b>	<ul style="list-style-type: none"> <li>Discontinuation of logistics functions in times of disaster</li> <li>Insufficient supply of drugs, mainly generic drugs</li> <li>Outbreak of a pandemic</li> <li>Termination of pharmacy function due to disaster</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to the establishment of a system to provide safe and secure medical care to patients in need of treatment</li> <li>Stable supply of pharmaceuticals throughout the supply chain</li> </ul>	
	<b>Improvement of quality, safety and efficiency</b>	<ul style="list-style-type: none"> <li>Diversification of drug modalities and changes in categories</li> <li>Expansion of specialty products</li> <li>Medical safety and quality control in pharmacies</li> </ul>	<ul style="list-style-type: none"> <li>Establish a specialty products, full service</li> <li>Supply of high-quality generic drugs</li> </ul>	   
	<b>Solve issues related to access to medical care</b>	<ul style="list-style-type: none"> <li>Physician shortages and regional variations</li> </ul>	<ul style="list-style-type: none"> <li>Building Regional Healthcare Design</li> <li>Realization of Universal Medical Access</li> <li>Promotion of medical DX through the use of customer support systems</li> </ul>	 
	<b>Maximize the value of human capital</b>	<ul style="list-style-type: none"> <li>Shrinking workforce</li> <li>Diversity &amp; Inclusion</li> <li>Work-style reforms</li> </ul>	<ul style="list-style-type: none"> <li>Increase in the ratio of female managers (TOHO HOLDINGS's target by early 2030: 30%、TOHO PHARMACEUTICAL's targets by 2026: 4%)</li> <li>Creating a pleasant working environment</li> </ul>	 
	<b>Human rights</b>	<ul style="list-style-type: none"> <li>Human rights risks such as labor, gender and privacy</li> </ul>	<ul style="list-style-type: none"> <li>Respect for the fundamental human rights that all people are born with</li> </ul>	
	<b>Coexistence with society</b>	<ul style="list-style-type: none"> <li>Establishment of Community-based integrated care systems</li> </ul>	<ul style="list-style-type: none"> <li>Contributing to a society where everyone can live with peace of mind</li> </ul>	
	<b>Strengthening risk management</b>	<ul style="list-style-type: none"> <li>Occurrence of legal and compliance violations</li> </ul>	<ul style="list-style-type: none"> <li>Thorough compliance</li> </ul>	
<b>G</b> Governance	<b>Establishment of a transparent governance system</b>	<ul style="list-style-type: none"> <li>Weak governance structure</li> </ul>	<ul style="list-style-type: none"> <li>Building a stronger corporate governance system</li> <li>Further improving the effectiveness of the Board of Directors</li> </ul>	

## 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 personnel 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, and administration functions. It identifies materialities (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), and digital transformation (DX). The results are reported to the Board of Directors.

Chaired by the Senior Executive Managing Director and COO, the Sustainability Promotion 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 deliberates on target attainment performance and reports the results to the Board of Directors, which oversees it.

### 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 and 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

Our group engages in business activities while striving to preserve the environment.

## Responding to Climate Change (Disclosures Based on TCFD Recommendations)

The Company has positioned efforts to address climate change as one of our key issues, and the Sustainability Promotion Committee is playing a central role in identifying climate change-related risks and opportunities, assessing their impact on the Company, and considering specific measures to deal with them. The necessary data are being collected and analyzed, and the content thereof are being disclosed in accordance with the information disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD)\*.

\*TCFD: Task Force on Climate-related Financial Disclosures; The Group expressed its endorsement of the TCFD recommendations on June 6, 2023.

### Governance

We recognize climate-related 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.

Governance...P28

### Risk management

The process of identifying, assessing, and managing risks related to climate change involves the following steps:

#### 1 Risk identification

We identify climate-related risks in accordance with climate-related strategies. We identify the impacts of climate change on our business as well as the risks of natural disasters that may be caused by climate change and the risks of social and other problems. Information on climate-related risks thus identified is shared with the Group Compliance and Risk Management Committee and the Group Disaster Countermeasures Committee.

#### 2 Risk assessment

We assess the potential impact of the identified risks and consider what measures to take according to their order of importance. Specifically, we consider measures to avert the risks according to their incidence and the extent of their impact. We also appraise the effectiveness of such measures and estimate the costs involved.

#### 3 Development of climate-related measures

We design climate-related measures.

#### 4 Target setting

Based on the risk assessment, we set targets to cope with climate risks.

#### 5 Reporting and monitoring

The Sustainability Promotion Committee regularly reports on performance in relation to the climate targets to the Board of Directors. The Board of Directors supervises the measures to cope with the risks as well as the set targets. It also monitors progress.

#### 6 Risk review

We continuously review climate risk management plans, the risks to be addressed in times of emergency, and the set targets according to the progress and performance in attaining the targets for the purposes of improvement.

Risk management...P28

### 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. 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.

Scenario analysis

<https://www.tohohd.co.jp/en/csr/activity/climatechanges>



Classification		Assessment/Item	Risks and Opportunities	Impact*1	Time frames*2	
Category	Major category					
Risks	Transition (1.5°C scenario)	Policy/Legal	Carbon tax	Increases in procurement and operational costs due to the introduction of carbon taxes	Medium	Mid- to long term
		Market	Electricity price	The prices of services and products and operational costs go up owing to higher electricity prices associated with wider renewables deployment	Medium to Large	Mid- to long term
				Operations are suspended owing to a power supply shortage associated with wider renewables deployment	Medium	Mid- to long term
			Oil price	Higher costs due to higher prices of fossil fuel	Medium	Mid- to long term
		Technology	Higher costs due to measures taken to reduce emissions	Medium	Mid- to long term	
	Reputation	Evaluation by stakeholders	Negative evaluation by suppliers and society at large, as well as stakeholders	Medium	Short to mid-term	
	Physical (4°C scenario)	Acute	Extreme weather events such as cyclones and floods	Higher operational costs associated with lower sales due to the increased frequency and intensity of storms and floods	Medium to Large	Short to mid-term
			Increased intensity and frequency of extreme weather events	Impact on the procurement and operations due to the increased frequency and intensity of storms and floods	Medium	Mid- to long term
		Chronic	Average temperature increase	Higher operational costs due to rising mean temperatures	Large	Mid- to long term
		Opportunities	Market	More efficient use of resources	Demand for more efficient delivery through planned delivery and measures to reduce misdeliveries	Medium
Products/Service			Average temperature increase	Demand for distribution infrastructure that allows for stable supply (for BCP and other purposes) in the face of rising mean temperatures	Medium	Short to mid-term
	Demand for new products in the face of rising mean temperatures	Medium		Short to mid-term		

\*1 Consequence is qualitatively assessed in terms of probability and severity of impacts.  
\*2 Time frame: short term (up to 2025), mid-term (up to 2030), long term (up to 2050)



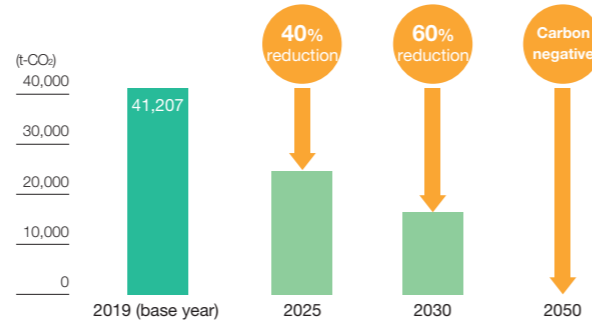
► Metrics and Targets

As part of its efforts to reduce its environmental footprint, the Group uses greenhouse gas emissions (Scope 1, 2, 3) 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 mid- to long-term targets for reduction as far as Scope 1 and 2 emissions, which we directly 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 toward the goal of carbon negative. Going forward, we will work more closely with our suppliers and customers to advance efforts to reduce greenhouse gas emissions.

CO<sub>2</sub> emissions...P47

Setting short- to medium- to long-term targets: Reduction of CO<sub>2</sub> emissions (Scope1+2)

- Short-term target: 40% reduction in CO<sub>2</sub> emissions compared to 2019
- Mid-term target: 60% reduction in CO<sub>2</sub> emissions compared to 2019
- Long-term target: Carbon negative



Measures to Achieve Goals

- 1 Procuring renewable energy: Switching the existing electricity plan to a renewable energy plan
- 2 Creating energy: Installation of own solar panels
- 3 Introduction of EV vehicles and installation of EV charging spots

Efforts to Reduce Environmental Loads

► Efficient deliveries

About 60% of the stores of PHARMA MIRAI INC. reduced the number of deliveries to less than twice a week. We are also working to reduce the number of sales and delivery vehicles by replacing them with low-emission vehicles, such as hybrid vehicles and light vehicles, and by using direct delivery services from distribution centers to customers without going through sales offices. In some regions, MS is conducting demonstration experiments using public transportation and bicycle rental.

► Management of energy consumption at logistics centers using BEMS

The Company's mission is to provide a stable supply of pharmaceuticals. To ensure safe and secure delivery of pharmaceuticals at any time, we have established distribution centers throughout Japan. Distribution centers have many air conditioners and a lot of lighting equipment and use large material handling equipment and robots. This results in higher electricity consumption than other business offices. For this reason, we have introduced BEMS\* at our distribution centers to manage the consumption.

In addition, robots at TBC DynaBASE are operated also by utilizing night-time electricity, and the head part, where the robot vacuums products, is a power-saving type that stops vacuuming when a certain amount of power is generated. The automatic warehouse is a regenerative energy type that is charged when the conveyor brakes. The system is also used at TBC Hiroshima and TBC Saitama.

\*Building and Energy Management System



► Procuring renewable energy

As part of our efforts to reduce our environmental impact, our group is procuring renewable energy. Since December 2023, we have been using demand response to replace the electricity used in TBC Hokuriku with renewable energy.



► Acquisition of ISO14001 to continuously improve energy conservation and waste reduction activities

We have acquired ISO 14001 certification and are making continuous improvements. Plant at KYOSOMIRAI PHARMA CO., LTD. has acquired ISO 14001:2015 certification, an international standard for environmental management systems, in order to continuously improve activities of energy conservation and waste reduction.

Maximize the Value of Human Capital

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. The Group has placed no restrictions on the promotion of women, foreign nationals, and mid-career hires to management positions and has been striving to ensure diversity. In the Medium-term Management Plan 2023-2025 "Create the Next Generation", we plan to invest 6 billion yen in human capital.

► Human resources development policy

With the corporate slogan "Total Commitment to Good Health" as a compass, the Group will develop the human resources necessary for the Group by (1) human resources/training, (2) development of the personnel system, and (3) work-style reforms.

- The human resources that the Group considers necessary are as follows.
- A person who has a high sense of ethics and always takes basic actions
  - 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
  - A person who can make high-quality proposals and communicate well with others
  - A person who can collaborate with business partners (customers, municipalities, etc.) and other departments in the company
  - A person who can work globally

► In-house environment improvement policy

Human resources/Training	<ul style="list-style-type: none"> <li>• Enhanced training by rank and job classification</li> <li>• Providing opportunities to take on challenges such as participating in projects or being seconded outside the company</li> <li>• Reskilling and assistance in obtaining personal qualifications</li> <li>• Development of professionals</li> </ul>
Development of the personnel system	<ul style="list-style-type: none"> <li>• Diversity &amp; Inclusion</li> <li>• Utilization of seniors, Mid-career recruitment of excellent human resources</li> <li>• Strengthen career development</li> <li>• Staffing with the right people in the right places</li> </ul>
Work-style reforms	<ul style="list-style-type: none"> <li>• Going paperless through DX promotion</li> <li>• Outsourcing of routine work</li> <li>• Enhancement of work styles and systems to accommodate employees' life events</li> <li>• Further improvement of the workplace environment</li> </ul>

► Human resources/Training

Internal project "MAXIS2021"

"MAXIS 2021," a project team led by young employees, is promoting internal reforms, and the customer support, sales, logistics, internal operation work, and others teams are discussing solutions. As of the end of March 2023, 63 employees participated in the project.

Joint research with AIST

We established a joint research laboratory with the National Institute of Advanced Industrial Science and Technology (AIST) in April this year, and eight researchers on loan from the Group and 16 in-house researchers are conducting joint research to solve issues related to medical access and to implement new technologies, systems, and services in society.

- Major Initiatives in the Current Fiscal Year
- Monthly compliance training for all employees: **attendance rate 100%**
  - Monthly training the Antimonopoly Act for sales representative: **attendance rate 100%**
  - TOHO PHARMACEUTICAL CO.,LTD. Reskilling training for MS: **trainee 751 persons**
  - Training for new managers and new sales managers: **trainee 85 persons**
  - Training for sales director: **trainee 134 persons**

► Diversity & Inclusion

Foster a diversified business culture by utilizing a wide variety of human resources regardless of people's gender, nationality, etc.

The Group has improved the program to develop human resources who are capable of creating customer value. With broad utilization of human resources regardless of gender, nationality, age, etc. and respecting individualities, capabilities and teamwork of employees, we nurture a free-spirited corporate culture and work on human resources development, aiming at mid- and long-term enhancement of corporate value through continuing sustainable growth and establishment of our corporate brand.

In our group, there are fields where women work mainly, such as pharmacists, registered dietitians and call centers. The customer support system developed independently by our company requires various perspectives and reflects the opinions of various human resources in our company, including women. We also believe that by incorporating the opinions of a wide range of human resources regardless of gender, nationality, age, etc., we will create new awareness about the development of existing businesses.

Trends in Number of Female Employees and Ratio of Female Managers

		2021/3	2022/3	2023/3
Consolidated	Number of female employees	4,649	4,691	4,675
	Ratio of female managers (%)	19.3	20.3	21.5
Pharmaceutical Wholesaling	Number of female employees	1,905	1,859	1,861
	Ratio of female managers (%)	3.5	3.5	4.0
Dispensing Pharmacy	Number of female employees	2,553	2,592	2,587
	Ratio of female managers (%)	44.3	44.9	47.5
TOHO HOLDINGS CO.,LTD.	Number of female employees	100	102	90
	Ratio of female managers (%)	10.8	11.4	16.5
TOHO PHARMACEUTICAL CO.,LTD.	Number of female employees	719	728	749
	Ratio of female managers (%)	3.8	3.7	4.3

Promoting the employment of persons with disabilities

Statutory employment rate of persons with disabilities has been raised to 2.3% from March 2021. At TOHO HOLDINGS CO.,LTD., the rate was 3.63% as of the end of March 2023. Pharmacy for Pharmacies, a pharmacy of PHARMA MIRAI INC., which is our dispensing pharmacy subsidiary, was given a letter of gratitude from the Setagaya Ward and the Setagaya Ward Council for Employment Promotion of Persons with Disabilities for actively working to hire persons with disabilities and contributing to their independence and local welfare. We will continue to strengthen this initiative in future.

► Improvement of the workplace environment

Daizawa project

In December 2023, we consolidated the functions of our head office, which had been divided into two locations, one in the Daizawa area and the other in the Marunouchi area, into the "Tokyo Midtown Yaesu" as the Daizawa Project. In line with this, we are working to revitalize the workplace by improving management efficiency, making prompt decisions, and creating communication. In addition, we have introduced a free address system and are implementing work style reform and health and productivity management by making greater use of telework and other diverse work systems.

Corporate nursery school

As a part of our work-life balance initiatives, we opened the Mirai Nursery at the TBC Sapporo Distribution Center and have operated it since October 2016 to reduce the burden of employees with infants and create a more comfortable working environment. We participate in the Support for Balancing Work and Childcare promoted by the national government, and will continue working to create an environment where employees can work flexibly and actively.



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 face his or her own health. Our group has been certified as a "Good Health Management Corporation 2023."



- Large Enterprise Category: TOHO HOLDINGS and TOHO PHARMACEUTICAL and J.MIRAIMEDICAL
- Small and Medium-Sized Enterprise Category: Nextit Research Institute.

Health and Productivity Management Declaration

We set "Total commitment to good health" as our group's corporate slogan. Protecting employees' health is our top priority, as they are the ones who create customer value to raise patient's satisfaction and contribute to promoting people's health and well-being. Employees' health is not only the cornerstone of their own and their families' happiness, but also the base for the Company's sound growth. Hand in hand with employees, we pursue Health and Productivity Management for health maintenance and promotion and build a work environment that protects their physical and mental health and keeps their morale in work high.

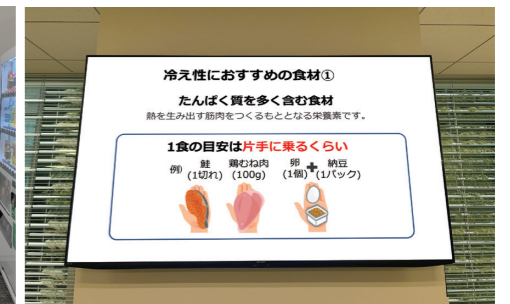
**Atsushi Udoh**  
TOHO HOLDINGS CO.,LTD. Representative Director, CEO



Health Fair for Employees



Stretch signs in the office



Dissemination of health information in the office

Major Initiatives

- Implementation of a health fair
- Implementation of health-related training
- Stretch signs in the office
- Review of vacation days full five day work week/Increase in the number of summer vacation days
- Dissemination of health information in the office

Human Rights

Under the corporate slogan "Total commitment to good health," TOHO HOLDINGS group aims to achieve sustainable growth and increase corporate value by fulfilling its social mission of providing a stable supply of pharmaceuticals. 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.

Human Rights Policy



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

## Initiatives through Business Activities

We are working on quality control and BCP measures to ensure a stable supply of pharmaceuticals.

### ► Quality control

#### Quality control with international standards

The Logistics Division of TOHO PHARMACEUTICAL CO.,LTD. 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 Hanshin, TBC Saitama and TBC Hiroshima). In addition, TBC Saitama, TBC Hiroshima and TBC DynaBASE have established logistics systems that comply with Good Distribution Practice (GDP) Guidelines for pharmaceuticals, and are working to further strengthen them.

#### Establishment of an advanced temperature control system

We have established optimal distribution temperature control systems according to the temperature zones of pharmaceuticals. With regard to specialty pharmaceuticals that require strict temperature control, use of the constant-temperature transportation device SALM allows specialty pharmaceuticals to be stored in hospitals and clinics after delivery from distribution centers with no need for repackaging. Since the temperature in the box is recorded continuously for more than one month, the quality is ensured, and thus the economical use of the pharmaceuticals can be achieved.



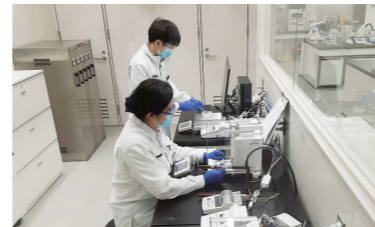
The constant-temperature transportation device "SALM"

#### Promotion of medical safety and quality control at pharmacies

We have established an audit structure using machines, including the introduction of an audit system. In addition, in order to promote drug therapy appropriately and safely, and to bring human errors as close as possible to zero, we report and share our experiences of near misses that very nearly caused an accident. By analyzing these cases and implementing solutions, we are trying to reduce the causes of accidents themselves and improve medical safety. PHARMA MIRAI INC. is conducting more extensive research in collaboration with the University of Tokyo.

#### Supply of high-quality generic drugs

While the use of generic drugs needs to be expanded, there have been frequent recalls for GMP violations, causing confusion and anxiety in the market. KYOSOMIRAI PHARMA CO.,LTD. has introduced highly accurate testing equipment and established its own strict standards to check quality such as elution and purity to ensure the supply of high-quality generic drugs.



### ► Preparation of BCP for natural disasters

Consistent BCP (Business Continuity Plan) is required for drug distribution. Even when there is a natural disaster or an epidemic of infectious disease, we must deliver drugs without delay. For this reason, the Group has developed BCPs based on various scenarios.

- Redundant host computer and warehouse management system
- Formulation of the Kyoso Mirai Group Disaster Countermeasures Manual (revised in 2021)
- 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, etc.



Emergency bikes



In-house power generation facilities

## Coexistence with Society

### ► Observation agreements with local governments, Dementia supporter

We have concluded a community watch agreement with local governments. A total of 301 municipalities\* have introduced our online service Dokoshiru Dengonban. 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 QR 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.

We also organize dementia cafes and health fairs at dispensing pharmacies and provide our employees with workshops for training dementia supporters.

\* as of December 31, 2023



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

#### Official partner of a women's soccer club

Sfida Setagaya F.C. was established in 2001 with a mission to provide an optimal environment for women with a pure passion for soccer. The Company has been supporting the club as an official partner since 2013 out of sympathy with its philosophy and commitment to building an amicable community through the sport.



#### Supporting the program for promoting performing arts

The Company supports the program for promoting performing arts planned by the SETAGAYA PUBLIC THEATER. The SETAGAYA PUBLIC THEATER develops various projects with the aim of familiarizing many people with performing arts.

In the program Creating Future Performers for supporting young people who will lead the next generation, junior high and senior high school drama club members interested in performing are invited to see performances sponsored by the SETAGAYA PUBLIC THEATER for a special fee of 1,000 yen. Our support for the local community also includes assisting the Setagaya Art Town festival, which is held in October every year, and sponsoring Setagaya Shimbun (local newspaper).

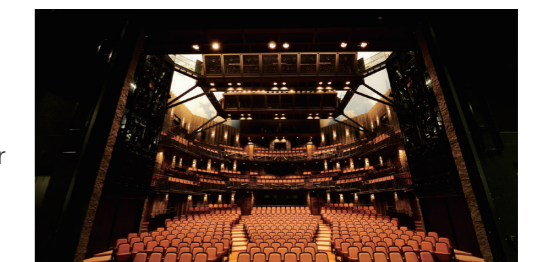
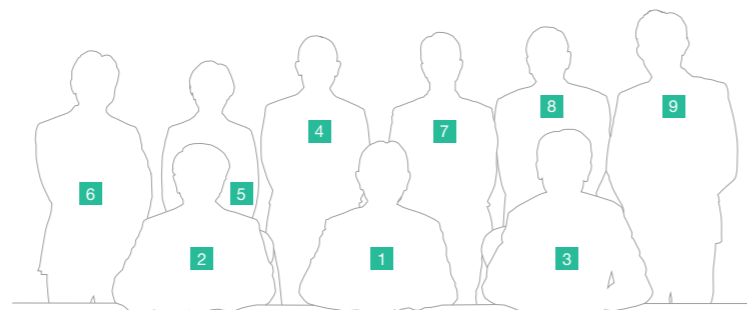


Photo: Shinji Hosono

# Corporate Governance

## Directors



### Director

- 1 Atsushi Udoh**  
Representative Director, CEO
- 2 Hiromi Edahiro**  
Representative Director, CFO
- 3 Akira Umada**  
Senior Executive Managing Director, COO
- 4 Takeo Matsutani**  
Director

- 5 Masami Tada**  
Director, General Manager of Pharmaceutical Affairs Headquarters and Quality Assurance Department
- 6 Kentaro Murakawa**  
Director, in charge of Pharmaceutical Manufacturing and Sales Business

### Outside Director

- 7 Yoshiaki Kamoya**  
Outside Director (Audit and Supervisory Committee Member)
- 8 Shunsuke Watanabe**  
Outside Director (Audit and Supervisory Committee Member)
- 9 Hidehito Kotani**  
Outside Director (Audit and Supervisory Committee Member)

## Directors Skill Matrix

The Company's Skill Matrix classifies the skills required of directors into 9 categories. The skills possessed by directors are listed below.

Name	Position	Experiences and Expertise								
		Corporate management	Sales/ Customer support	IT/Logistics/ Quality management	Pharmaceutical affairs/ Government and public policy	Compliance/ Risk management	Human resources/ Labor management	Finance/ Accounting	Public/ Investor relations	Global
Atsushi Udoh	Representative Director, CEO	●	●			●			●	
Hiromi Edahiro	Representative Director, CFO	●					●	●		
Akira Umada	Senior Executive Managing Director, COO	●	●							
Takeo Matsutani	Director	●	●							
Masami Tada	Director			●	●	●				
Kentaro Murakawa	Director	●	●	●						
Yoshiaki Kamoya	Outside Director of Audit and Supervisory Committee Member	●	●		●	●				
Shunsuke Watanabe	Outside Director of Audit and Supervisory Committee Member				●				●	●
Hidehito Kotani	Outside Director of Audit and Supervisory Committee Member	●	●	●	●		●	●		●

## Transition of the Composition of Directors

	2019/7	2020/7	2021/7	2022/7	2023/7
Number of directors	19	19	14	9	9
Number of outside directors (ratio)	5 (26.3%)	5 (26.3%)	5 (35.7%)	3 (33.3%)	3 (33.3%)
Number of female directors (ratio)	1 (5.3%)	1 (5.3%)	2 (14.3%)	1 (11.1%)	1 (11.1%)

## Corporate Governance Overview

Institutional design	Company with Audit and Supervisory Committee
Director	9 Directors (of which 3 Independent Outside Directors who are Audit and Supervisory Committee Members)
Term of office of Director	1 year (2 years for Directors who are the Audit and Supervisory Committee Members)
Committees	Audit and Supervisory Committee, Group's Management Committee, Nomination and Compensation Committee, Investment Committee, Sustainability Promotion Committee

## Basic Policy and System for Corporate Governance

The Company and the Group are committed to enhancing the corporate governance as one of the most important managerial tasks, because we recognize that it is important to enhance the auditing and supervisory functions concerning corporate management, achieve full compliance, and improve the transparency of management so that we can sincerely fulfill our responsibilities towards various stakeholders, including customers, business partners, shareholders, employees, and government entities, and enhance our corporate value as sustainable companies.

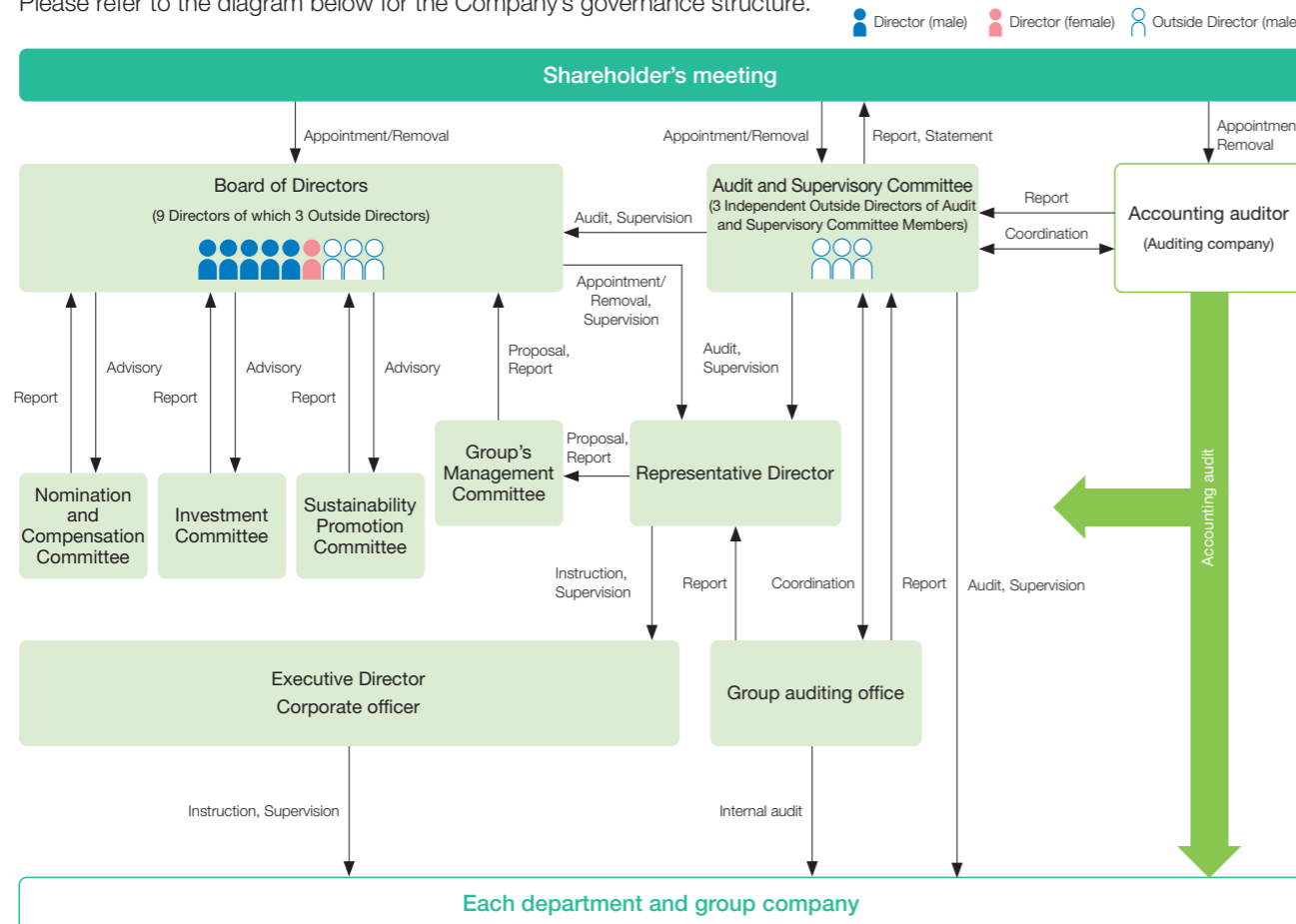
[Please refer to the following web site for the details.](https://ir.tohohd.co.jp/en/management/corporategovernance.html)

<https://ir.tohohd.co.jp/en/management/corporategovernance.html>



## Governance Structure of TOHO HOLDINGS

Please refer to the diagram below for the Company's governance structure.



## Board of Directors

In order to achieve efficient and prompt group operations, the Company appoints Independent outside directors who have diverse viewpoints, experiences, and high-level skills, including business executives.

At the Board of Directors, these members hold discussions based on their individual knowledge, experiences, and abilities, make legal and managerial decisions, and supervise business execution. The Company's Board of Directors consists of 9 persons (of which 3 Outside Directors who are the Audit and Supervisory Committee Members). As a general rule, the Company holds regular meetings of the Board of Directors every month, and by holding special meetings of the Board of Directors as needed, the Company ensures the proper execution of operations and makes swift decisions.

### Attendance of directors (excluding those who are the Audit and Supervisory Committee members)

Name	Attendance at the Board of Directors meetings
Atsushi Udoh	13/13 (100%)
Hiroshi Eda	13/13 (100%)
Akira Umada	13/13 (100%)
Takeo Matsutani	13/13 (100%)
Masami Tada	13/13 (100%)
Kentaro Murakawa	10/10 (100%)*

\*Number of meetings held since the assumption on June 29, 2022

## Audit and Supervisory Committee

The Audit and Supervisory Committee receives reports mainly from directors concerning the execution of operations and checks important decision-making documents. Directors who are Audit and Supervisory Committee Members conduct strict audits by conducting investigations of the status of business and assets in accordance with the audit policy and the division of duties.

### Attendance at the Board of Directors meetings and the Audit and Supervisory Committee meetings by directors who are Audit and Supervisory Committee Members

Name	Attendance at the Board of Directors meetings	Attendance at the Audit and Supervisory Committee meetings
Yoshiaki Kamoya	13/13 (100%)	8/8 (100%)
Shunsuke Watanabe	13/13 (100%)	5/5 (100%)*
Hidehito Kotani	9/10 (90%)*	5/5 (100%)*

\*Number of meetings held since the assumption on June 29, 2022

## Group's Management Committee

In order to realize efficient decision making at meetings of the Board of Directors, the Company has established the Group Management Committee consisting of directors and corporate officers as well as directors and corporate officers of the Group companies, as an organization tasked with deliberating in advance the proposals that are to be submitted to the Board of Directors, and holds regular meetings every month. The Company ensures the proper execution of operations by thoroughly deliberating on relevant issues at this Group Management Committee.

## Nomination and Compensation Committee

In order to strengthen the independence and objectivity, the Company has established the voluntary Nomination and Compensation Committee as advisory committees to the Board of Directors. Committee is chaired by an outside director and the majority members of committee are outside 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 Investment 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.

## Sustainability Promotion Committee

Please refer to page 28 for the Sustainability Promotion Committee.

## 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 (including the directors who are Audit and Supervisory Committee Members) with regard to the composition, operational status, and framework of the Board of Directors as well as agenda deliberations by it. The analysis and evaluation results are reported to the Board of Directors' meeting in June 2023.

### Evaluation method

- Target: 6 internal directors and 3 independent outside directors
- Evaluation method: Questionnaire survey for the target persons
- Question content
  1. Matters related to the composition of the Board of Directors
  2. Matters related to operational status of the Board of Directors
  3. Matters related to agenda deliberations by the Board of Directors

We evaluate each item in these categories. The questionnaire form also includes a box in which the respondent is free to write comments. The idea is to collect diverse opinions.

### Summary of evaluation results

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

In response to the issue of too many observers attending the Board of Directors' meeting, one of the findings of the effectiveness evaluation of the previous fiscal year, we changed the composition of the Board of Directors so that its meetings are attended only by directors as a matter of principle.

In addition, the effectiveness evaluation of 2023 found that the Board of Directors was comprised of an appropriate number of members, that it met with appropriate frequency, that there was an environment conducive to constructive discussions, and that discussions were made in a free and open-minded manner.

### Future initiatives

The Company holds a regular meeting with independent outside directors 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 attend, as observers, the meetings of the Group Management Committee and of the boards of directors of operating companies.

In view of the effectiveness 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.

## Remuneration Structure of Directors

With the aim of achieving sustainable growth of the Company and mid-to-long term corporate growth, the Company's remuneration for directors is determined in consideration of the Company's performance and stock price, etc., in order to promote the execution of operations consistent with the Company's mission statement and management strategy and to strengthen the function of supervising the execution of operations.

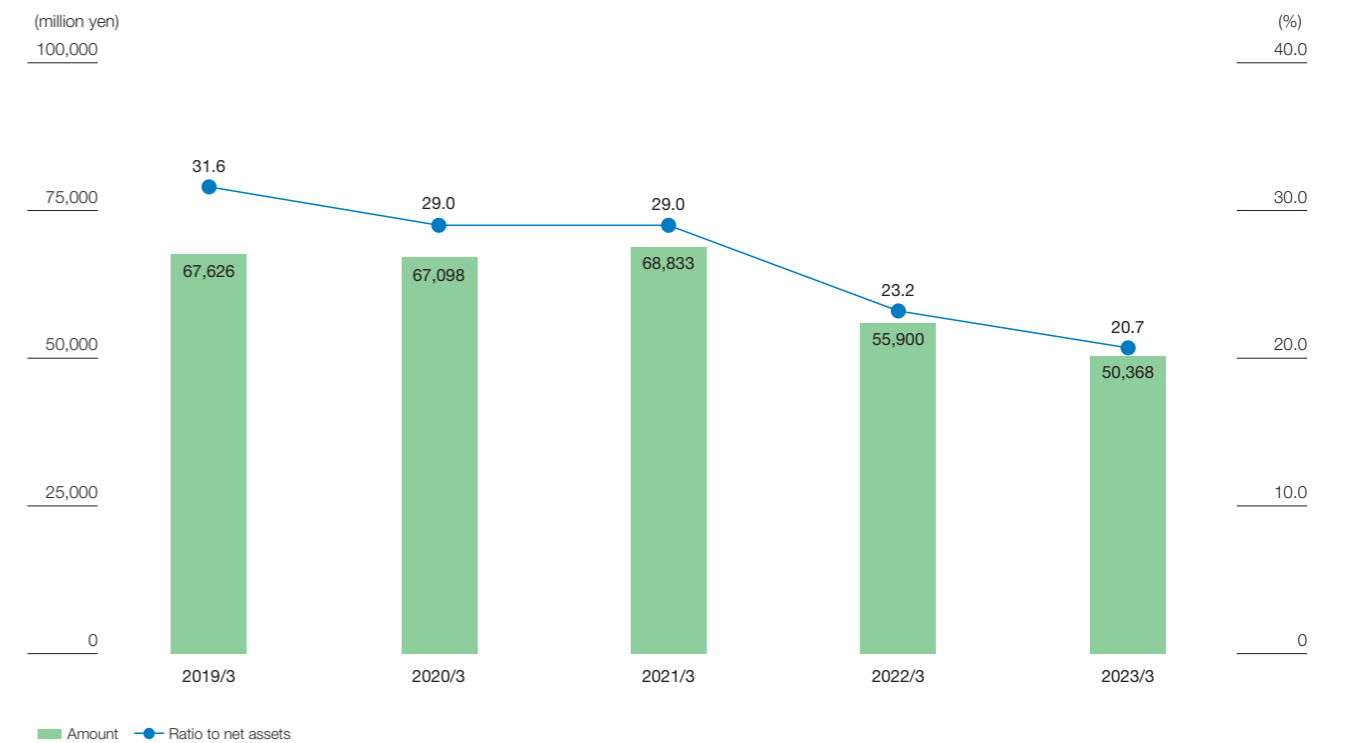
The remuneration structure of the company's directors (Excluding those who are Audit and Supervisory Committee Members) consists of monthly remuneration, stock compensation (stock options and restricted stock compensation system) and directors' bonuses.

The remuneration structure of directors who are Audit and Supervisory Committee members consists of directors' bonuses and monthly remuneration consisting of base remuneration and director's remuneration in consideration of performance and stock prices.

## Cross-shareholdings

Based on comprehensive consideration of management strategy and of establishing, maintaining, and strengthening relationships with business partners, the Company holds stocks which are considered to contribute to the enhancement of the Group's corporate value over the medium to long term. The Company reviews regularly the appropriateness of these stocks by carefully reviewing whether the benefits, etc., associated with holdings are in line with the above policy for each stock held, and taking measures such as selling shares for which the appropriateness of holdings cannot be recognized. With regard to cross-shareholdings, we are continuously reducing them after sufficient dialogue with the companies in our business partners. The Company exercises its voting rights after comprehensively judging various viewpoints including impacts on the Company, 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.

### Investment shares held for purposes other than pure investment



\*The above amounts include unlisted shares. \*The Company does not have any shares deemed to be held.

## Number and Amount of Cross-shareholdings Sold

Fiscal year ended March	Number of issues	Amount (million yen)
2020	52	2,298
2021	16	7,391
2022	15	5,195
2023	12	5,808

\*Including a partial sale.

## Establishment of the Code of Ethics

Building on the Group’s corporate slogan and Mission Statement, the Company has established the “Code of Ethics of the Kyoso Mirai Group”, which lays down action guidelines to be followed by all employees in conducting their business activities.

This code of ethics identifies the Antimonopoly Act and the Act on Pharmaceuticals and Medical Devices as two of the essential laws to be strictly observed. We take advantage of the code of ethics to provide training and mount information campaigns, among other awareness-raising and knowledge-building efforts across the Group.

## Promotion of Compliance

The Company has established the “Basic Rules on Risk Management” in order to cope with any managerial risks as well as situations that may develop into them and forestall such risks. Based on these rules, the “Group Compliance Risk Management Committee” is held twice a year to promote compliance and to avoid risks that could have a material impact on management. The Committee is chaired by the Representative Director, CEO, and collects and evaluates information on our group’s management risks, identifies significant risks, and reviews avoidance and minimization measures. Please see the figure below for the structure of the Company’s Group Compliance Risk Management Committee.

In addition, in accordance with the “Compliance Promotion Regulations” and the “Anti-Bribery and Corrupt Practices Regulations”, we are working to further ensure compliance.

In addition, our group requires compliance training for all employees. All sales staff has to attend training on the Antimonopoly Act, and sales managers and department heads act as instructors to promote compliance.

In the fiscal year ended March 2023, attendance rate of the monthly compliance training for all employees and the monthly training on the Antimonopoly Act for sales staff were 100%.

### Structure of Group Compliance Risk Management Committee



## Internal Control System

The Company is faithfully committed to the Basic Policy on Internal Control System to ensure the legality and efficiency of its business operations and undertake risk management practices. It also revises this policy as appropriate in response to changes in the socioeconomic climate and other aspects of the environment surrounding the Company so as to improve and enhance the policy.

Arrangements for ensuring proper operations of subsidiaries involve the Management Rules of the Affiliated Companies. Under the rules, we assess the business conditions of major subsidiaries and hold prior consultations on important matters as part of our efforts to improve management efficiency and ensure operational propriety as a corporate group.

We make efforts to increase intra-group coordination. For example, we allow directors of subsidiaries to attend the regular meetings of major meeting bodies of the Company and to receive reports on the execution of duties. We also build up information on the managerial status of the Group. Moreover, we share compliance practices in the meetings of the Group Compliance Risk Management Committee.

## Development of Consultation and Reporting Desk

### Establishment of an internal reporting system

The Company has established an appropriate and effective system for internal reporting in order to prevent and detect fraud within the company at an early stage. In the operation of the desks, it is prohibited to treat the whistleblower, etc. disadvantageously on the grounds that they have made a report.

- Internal contact** The Toho Hotline has been set up to allow employees to report directly via the internal intranet.
- External contact** A lawyer’s office has been established as a contact point to ensure fairness and anonymity for whistleblowers.

## Policy on Constructive Dialogues with Shareholders

The Company responds positively to dialogue (or interview) requests from shareholders or investors, which is specifically done by the Corporate Communications Department/the Investor Relations Department. Also, the representative director, a person responsible for information disclosure and outside directors directly engage in dialogue as often as possible to some demands from shareholders or investors in the form of interview.

The Company has adopted the following policies in order to enhance constructive dialogues with shareholders or investors:

- (i) Appoints a corporate officer as a person responsible for information disclosure and establishes the Corporate Communications Department/the Investor Relations Department under the direction of the person as the department in charge of investor relations.
- (ii) Makes efforts to enhance organic coordination under the direction of the person by sharing information more effectively between the Corporate Communications Department/the Investor Relations Department and other related departments.
- (iii) Holds biannual financial results briefings for investors and analysts to offer direct explanations from top management and the person responsible for information disclosure. Furthermore, the Company holds tours of facilities to offer a deeper understanding of the Company’s management strategy. In addition, based on the Company’s shareholder composition and capital policy, the Company engages in dialogue for foreign investors and attend the conference sessions held by securities companies in North America, Europe, and Asian regions.
- (iv) IR activities and opinions from investors are fed back to senior management and the Board of Directors as appropriate, and opinions from shareholders and investors obtained through dialogue are used in the formulation and implementation of management strategies.
- (v) Stringently manages information in accordance with internal regulations concerning those involved in handling insider information in order to prevent selective disclosure of insider information only to some market participants, and in dialogue with investors, tries hard to make into dialogue topics the Company’s sustainable growth and the matters contributing to corporate value enhancement over the medium to long term.

# Financial Summary (11 years)

	(Millions of yen)										
Fiscal year ended March	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Operating Results</b>											
Net sales	1,140,364	1,189,627	1,162,148	1,308,474	1,231,046	1,213,342	1,222,199	1,263,708	1,210,274	1,266,171	1,388,565
Cost of sales	1,038,358	1,084,520	1,055,793	1,182,429	1,121,182	1,099,149	1,110,152	1,148,354	1,110,961	1,157,484	1,277,750
Gross profit	101,998	105,103	106,320	125,928	109,993	114,172	112,042	115,415	99,372	108,687	110,814
Selling, general and administrative expenses	86,120	92,774	96,303	97,309	95,749	95,155	96,258	97,825	95,069	96,159	98,000
Operating profit	15,877	12,328	10,017	28,618	14,244	19,016	15,783	17,590	4,303	12,527	12,813
Ordinary profit	19,585	18,303	15,902	34,493	19,844	25,045	21,452	23,732	10,289	18,182	19,176
Profit attributable to owners of parent	11,526	10,407	13,535	21,771	14,225	14,384	13,863	16,230	4,989	13,379	13,630
<b>Financial Position</b>											
Total assets	562,668	580,137	598,976	641,877	598,155	645,799	663,727	670,827	683,181	702,376	715,288
Net assets	134,272	147,190	157,371	174,656	188,271	207,772	213,848	231,009	237,405	241,281	242,916
<b>Cash Flows</b>											
Cash flows from operating activities	24,558	-18,636	29,347	2,381	16,062	51,978	13,428	10,815	8,768	16,341	-9
Cash flows from investing activities	-10,453	-7,957	3,457	-4,942	-6,294	-12,448	-7,649	-15,664	680	-11,032	4,315
Cash flows from financing activities	-15,997	2,966	-7,258	-10,134	-9,900	-3,754	5,329	9,479	-680	-4,473	-13,060
Free cash flow	14,104	-20,594	32,804	-2,561	9,767	39,529	5,779	-4,849	9,448	5,308	4,306
Cash and cash equivalents at end of period	37,368	14,257	40,550	27,854	27,721	63,671	75,382	80,013	88,882	90,014	81,839
<b>Capital Investment/Depreciation</b>											
Capital investment	13,871	13,895	4,857	6,959	9,326	9,406	4,053	14,604	6,000	4,480	3,309
Depreciation	2,913	3,709	4,729	4,721	4,483	4,498	4,869	5,198	6,424	6,634	6,119
<b>Major Indicators</b>											
Gross profit margin (%)	8.9	8.8	9.1	9.6	8.9	9.4	9.2	9.1	8.2	8.6	8.0
Operating margin (%)	1.4	1.0	0.9	2.2	1.2	1.6	1.3	1.4	0.4	1.0	0.9
Return on equity (ROE) (%)	9.01	7.40	8.89	13.12	7.84	7.27	6.58	7.30	2.13	5.60	5.64
Ratio of ordinary profit to total assets (ROA) (%)	3.56	3.20	2.70	5.55	3.20	4.03	3.28	3.56	1.52	2.61	2.71
Equity-to-asset ratio (%)	23.86	25.37	26.27	27.20	31.45	32.15	32.19	34.41	34.73	34.30	33.93
Price book-value ratio (PBR) (%)	1.14	1.12	0.90	0.95	0.85	0.83	0.88	0.69	0.60	0.54	0.65
Earnings per share (EPS) (yen)	159.21	139.58	181.83	316.51	207.12	209.84	207.71	233.34	70.77	189.70	196.70
Net assets per share (yen)	1,902.43	1,952.04	2,246.54	2,544.58	2,736.30	3,030.58	3,135.45	3,273.86	3,364.65	3,415.50	3,623.81
Annual dividend per share (yen)	16.00	20.00	24.00	28.00	30.00	30.00	30.00	40.00	30.00	30.00	32.00
<b>Shareholder Returns</b>											
Dividend payout ratio (%)	10.05	14.33	13.20	8.85	14.48	14.30	14.44	17.14	42.39	15.81	16.27
Total return ratio (%)	53.30	17.76	83.70	23.81	14.49	18.63	86.72	34.73	42.41	15.82	70.35
Dividend on equity ratio (%)	0.90	1.04	1.14	1.17	1.14	1.04	0.97	1.25	0.90	0.88	0.91



# Non-financial Summary

	2021/3	2022/3	2023/3	target
<b>HR related data</b>				
Number of all employees	10,233	10,227	10,036	Consolidated
male	5,584	5,536	5,361	Consolidated
female	4,649	4,691	4,675	Consolidated
Ratio of female employees (%)	45.4	45.9	46.6	Consolidated
Ratio of female managers (%)	19.3	20.3	21.5	Consolidated
Number of new employees	133	143	149	Consolidated
male	56	48	64	Consolidated
female	77	95	85	Consolidated
Ratio of new hires who are females (%)	57.9	66.4	57.0	Consolidated
Average length of service (year)	18.1	18.9	19.4	TOHO HOLDINGS TOHO PHARMACEUTICAL
male	21.0	21.7	22.3	TOHO HOLDINGS TOHO PHARMACEUTICAL
female	11.4	12.3	12.8	TOHO HOLDINGS TOHO PHARMACEUTICAL
Average annual salary (yen)	5,875,981	6,049,697	6,010,459	TOHO HOLDINGS
Average overtime hours per month (hours)	13:10	12:38	11:50	TOHO HOLDINGS TOHO PHARMACEUTICAL
Number of paid vacation days (days)	9.4	10.7	11.9	TOHO HOLDINGS TOHO PHARMACEUTICAL
Ratio of paid vacation days (%)	39.8	45.2	50.2	TOHO HOLDINGS TOHO PHARMACEUTICAL
Number of users of the short-time attendance system for childcare	146	163	165	Consolidated
male	2	2	1	Consolidated
female	144	161	164	Consolidated
Number of users of nursing care leave system	7	12	13	Consolidated
Ratio of persons with disabilities (%)	2.66	2.77	3.63	TOHO HOLDINGS
Ratio of persons with disabilities (%)	2.18	2.30	2.30	TOHO PHARMACEUTICAL
<b>Data related to the environment</b>				
Greenhouse Gas Emissions (t-CO <sub>2</sub> )				
Scope1	16,368	15,887	15,105	
Scope2* Location-based	16,236	15,790	15,948	
Scope2** Market-based	18,682	16,892	14,944	
Scope3	1,489,164	1,410,195	1,910,528	TOHO HOLDINGS
category1 (Purchased goods and services)	1,467,736	1,389,268	1,893,843	TOHO PHARMACEUTICAL
category2 (Capital goods)	13,087	12,363	7,496	SAYWELL
category3 (Fuel and energy related activities not included in Scope 1 and 2)	4,827	4,816	4,715	KOYO Kyushu Toho
category4 (Upstream transportation and distribution)	54	49	58	TOHO SYSTEMS SERVICE
category5 (Waste generated in operations)	451	477	467	
category6 (Business travel)	96	142	245	
category7 (Employee commuting)	2,913	2,885	3,476	
category13 (Downstream leased assets)	—	195	228	
<b>Governance data</b>				
	2021/7	2022/7	2023/7	
Ratio of outside directors (%)	35.7	33.3	33.3	TOHO HOLDINGS
Ratio of female directors (%)	14.3	11.1	11.1	TOHO HOLDINGS

\* Direct emissions from use of fuels  
\*\* Indirect emissions from use of purchased electricity

# Corporate Information/Stock Information

## Corporate Information

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 17,1948  
 Capital: 10,649 million yen  
 Stock Listings: Tokyo Stock Exchange, Prime Market  
 (Stock Code: 8129)  
 Employees: 7,660 (Consolidated)  
 (as of September 30, 2023)  
 Group Company: TOHO PHARMACEUTICAL CO.,LTD.  
 PharmaCluster Co.,Ltd  
 KYOSOMIRAI PHARMA CO., LTD.  
 TOHO SYSTEMS SERVICE CO., LTD.  
 Toho Real Estate Co., Ltd.  
 Tokyo Research Center of Clinical  
 Pharmacology Co., Ltd.  
 ALF.Inc  
 Orphan Trust Japan Co., Ltd.  
 Nextit Research Institute,Inc  
 eKenkoshop Corporation  
 K.K.eHealthcare  
 KYOSO MIRAI MEDICALCARE CO.,LTD

Group Company

<https://www.tohohd.co.jp/en/company/kyosomirai>

## Executives

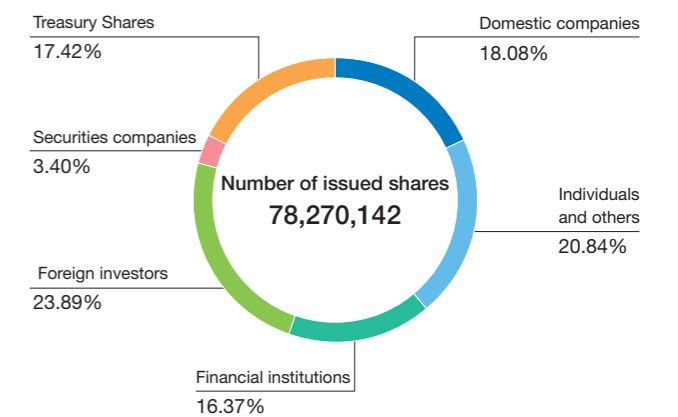
Representative Director, CEO	Atsushi Udoh
Representative Director, CFO	Hiromi Edahiro
Senior Executive Managing Director, COO	Akira Umada
Director	Takeo Matsutani Masami Tada Kentaro Murakawa
Director of Audit and Supervisory Committee Members	Yoshiaki Kamoya * Shunsuke Watanabe * Hidehito Kotani *
Corporate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

\*...Outside Director

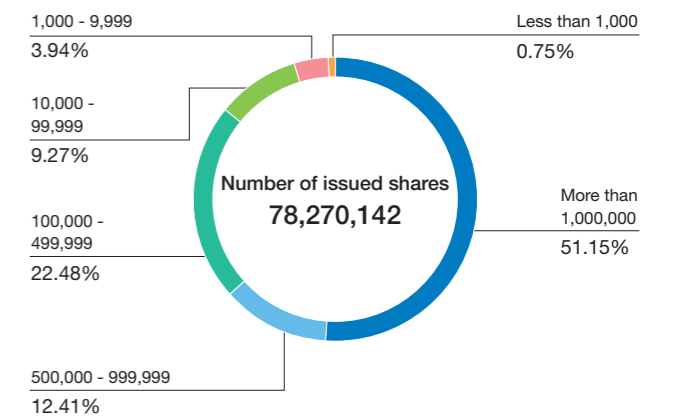
## Stock Information (As of September 30, 2023)

Stock Information	
Number of shares authorized	192,000,000
Number of issued shares	78,270,142
Number of shareholders	4,301

### Share Distribution by Type of Shareholder



### Shareholding by Number of Shares Held



### Share Prices/Trading Volume (monthly chart)

