Kyoso Mirai

TOHO HOLDINGS CO.,LTD.

Integrated Report 2026

TOHO HOLDINGS CO.,LTD.

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

TOHO HOLDINGS Group Philosophy



Mission

Total commitment to good health

As infrastructure that supports life and health,
we will contribute broadly to realizing the health aspirations of all people

Vision

Continuing to deliver the value people around the world need,
as a partner co-creating the future of medical care and well-being

- Unwavering peace of mind	Supporting reliable healthcare and a healthy lifestyle in times of comfort and in times of crisis
- Value that opens up the future	Creating a healthy and comfortable future for everyone in the world by solving fundamental problems and delivering innovative value
- An organization where people thrive	Fostering an environment and culture where every employee can work with a sense of pride and fulfillment

Values

Dedication:	Empathizing with the desire for health held by people engaged in medical care and well-being, as well as patients and their families, local communities, and the public, addressing this desire with unwavering commitment
Integrity:	Steadfastly pursuing the creation and ongoing enhancement of quality and value without being constrained by short-term results
Agility:	Unbound by existing frameworks, consistently thinking afresh about what is necessary and acting with adaptability
Freedom:	Welcoming the challenges our peers take on and embracing challenges ourselves, allowing one another's diverse personalities and abilities to flourish
Together:	Transcending the boundaries of organizations and industries, joining hands with like-minded partners, and co-creating the future alongside local communities

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Where we are going

Aspiring to be a company that continues to deliver the value people around the world need, as a partner co-creating the future of medical care and well-being.

Our aim is not merely to be infrastructure that supports day-to-day living.
We aim to come alongside the health aspirations of healthcare professionals, patients, and local communities, and to continue providing flexible, innovative value in the face of present challenges as well as challenges that are yet unforeseen.
Precisely because we live in an era of rapid change, we will continue to take on challenges in a single-minded, straightforward, and free manner, without being constrained by immediate results.
Each and every employee will thrive and shine, working together to shape the future beyond the boundaries of our organization and industry.
We will evolve into a partner that is indispensable to people around the world.

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Where we are today

From building a foundation for the next generation to a profitability expansion phase driven by growth investment.

Building on the foundation we have established through business reforms and more robust governance, we will transition to a profitability expansion phase driven by investment for growth. Targeting discontinuous growth in operating profit, we will establish a profit structure that enables us to continue growing autonomously. By strengthening the wholesaling business and aggressively forming alliances to rapidly expand new ventures, we will take our first step toward soaring into the next generation as a Comprehensive Healthcare Solutions Provider.

Pharmaceutical wholesaling business

Net sales
1,494,868 million yen

Operating profit
16,820 million yen

Building on our wholesaling business in prescription pharmaceuticals, reagents, medical devices, medical materials, and OTC drugs, we provide comprehensive support across the medical field, including developing and providing customer support systems that enhance operational efficiency for medical institutions as well as offering in-house logistics (SPD) at medical institutions, start-up support, and management consulting.

Pharmaceutical manufacturing and sales business

Net sales
11,564 million yen

Operating profit
282 million yen

We produce and sell high-quality generic drugs. We also offer a comprehensive range of services, including contract manufacturing of ampoule and vial formulations, development work from formulation design to application support for injectables, and contract testing for pharmaceutical quality control and stability testing.

Net sales
1,553,364 million yen

Operating profit
16,601 million yen

Return on equity
(ROE)
6.6%

(as of March 2026)

Dispensing pharmacy business

Net sales
100,538 million yen

Operating profit
1,397 million yen

As contributors to the community-based integrated care system, our pharmacies go beyond dispensing and medication guidance to help improve the health of their local communities.
By fulfilling the role of primary care pharmacists, we are focusing on strengthening specialized advanced pharmaceutical management, supporting home medical care, and fostering seamless collaboration with various professionals and local authorities.

Other peripheral businesses

Net sales
7,048 million yen

Operating profit
832 million yen

We contribute broadly to the achievement of healthy and comfortable lives by capitalizing on the Group's comprehensive capabilities.
This involves diverse operations, including mainly software sales for medical institutions (information processing business), a clinical trial site support business, a business related to medical information, as well as consulting and other periphery businesses.

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How we do it

Our competitive advantage lies in the “three business features” that leverage our accumulated business expertise to provide added value. By aggressively forming alliances, we create new value that goes beyond conventional boundaries.

With the pharmaceutical wholesaling business at our core, we are engaged in a variety of businesses that support people’s health, including the dispensing pharmacy business and the pharmaceutical manufacturing and sales business. The Group’s strengths lie in the close cooperation among its various businesses and in the unique added value provided by our “three business features.” Going forward, we will strengthen the profitability of our core pharmaceutical wholesaling business while simultaneously expanding new businesses at an early stage through strategic alliances that draw on our experience and strengths, thereby creating innovation for the next generation that goes beyond existing boundaries.

Value-added Business Model

Business know-how

cultivated through close cooperation among business segments

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

Competitive advantage

Three business features

for providing added value

1. Strong business infrastructure to support the pharmaceutical wholesaling business
2. Resolving issues and improving efficiency in the stakeholder supply chain through digital transformation (DX) (development of customer support systems)
3. Safe and secure delivery of pharmaceuticals

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Alliances and innovations

that go beyond existing boundaries

Providing added value

- Advanced quality control and the stable supply of pharmaceuticals
- Full-line services for specialty products
- Customer support systems that address medical DX and frontline issues
- Contributing to the community-based integrated care system

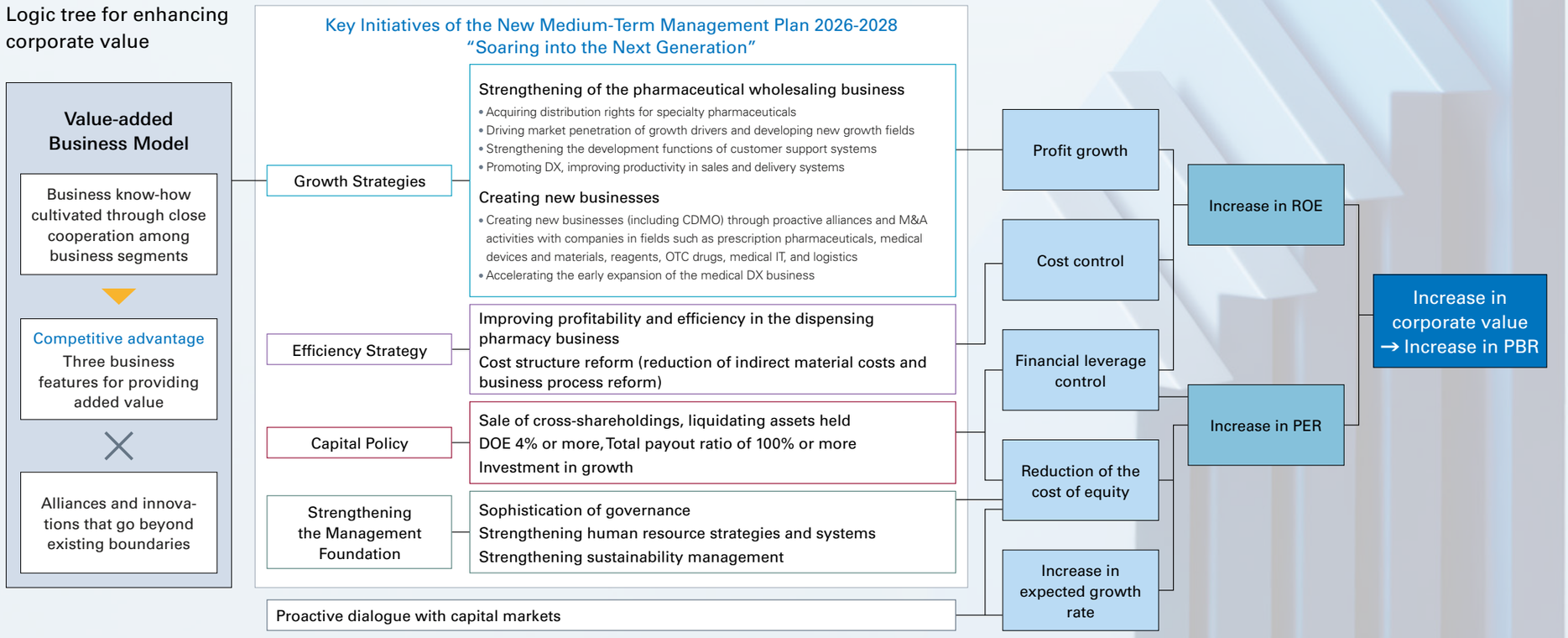
P.30 Business Strategy Special Feature: Creating new businesses to accelerate our transformation into a Comprehensive Healthcare Solutions Provider

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How we create value

We are enhancing corporate value through the new Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," aiming toward our transformation into a Comprehensive Healthcare Solutions Provider.

Logic tree for enhancing corporate value



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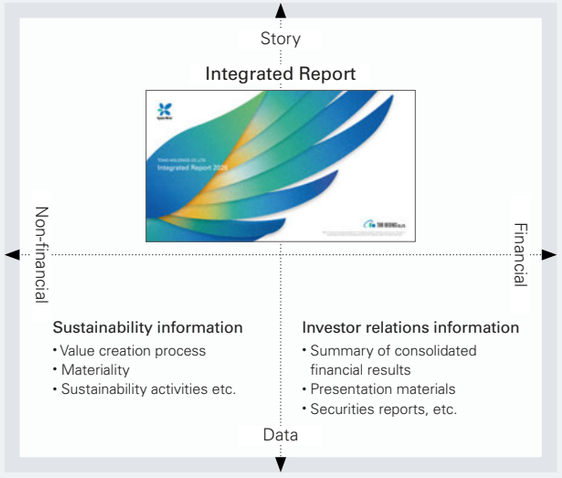
To Our Readers

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

Since April 2026, we have been pursuing Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," which covers the three-year period from FY2026 to FY2028. Integrated Report 2026 explains the outline of this plan and also includes content to enhance understanding of TOHO HOLDINGS, covering management capital, business strategy, and sustainability management.

Our hope is that the report will enhance understanding among shareholders, investors, and other stakeholders about TOHO HOLDINGS' overall business and initiatives, and at the same time serve as a catalyst for dialogue. Please visit our website for more detailed information.

Disclosure framework





We renewed our website in June 2026 to help stakeholders learn in more depth about TOHO HOLDINGS.

Investor relations information
https://ir.tohohd.co.jp/en/index.html

Sustainability information
https://www.tohohd.co.jp/en/sustainability/

Navigation Guide

This report incorporates various navigation features to enhance readability for our stakeholders.

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What We Seek to Convey in Integrated Report 2026

This report showcases an array of strategies and initiatives of the Group, focusing on four content areas:



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

P.22

We have formulated a new Medium-Term Management Plan to guide our transformation into a Comprehensive Healthcare Solutions Provider.
The report gives an overview of the new Medium-Term Management Plan, including its positioning based on the achievements of the previous plan, analyzes the external environment, and describes the process leading up to the plan’s formulation.



Shifting from a defensive to an offensive approach to Corporate Governance

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With the aim of establishing more sophisticated governance, we will carry on and reinforce initiatives from the previous Medium-Term Management Plan and vigorously pursue an offensive approach to governance.
The report indicates our progress in reinforcing governance, starting with a Governance Highlights section that summarizes particularly noteworthy initiatives, while including specific achievements.



Financial Strategies to accelerate growth and enhance corporate value

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We will pursue aggressive investment in growth fields under strict investment discipline and achieve optimal capital allocation.
In the report, the CFO discusses in his own words the overall financial strategy and, as the executive in charge, conveys his commitment to the sustainable enhancement of corporate value.



Five Material Issues for realizing our ideal state

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To achieve the Group's ideal state, we have reviewed and redefined our previous material issues.
This report clearly outlines the reasons for selection and process of redefining these issues, along with related strategies, measures, KPIs, and management capital, showing how these connect to enhancing corporate value.

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CEO Message

We will accelerate the implementation of our growth strategy and organizational reform to drive the transformation into a “Comprehensive Healthcare Solutions Provider” soaring into the next generation



Hiromi Edahiro
Representative Director,
President and CEO

Message Highlights

—Fulfilling our timeless mission—

With “Total commitment to good health” as our timeless mission, we will move beyond our existing domain of pharmaceutical wholesaling to transform into a “Comprehensive Healthcare Solutions Provider.”

—Implementing our growth and financial strategies—

Under our new Medium-Term Management Plan 2026-2028 “Soaring into the Next Generation,” we will apply zero-based thinking to drive business reform initiated at the front line. Simultaneously, we will move boldly ahead with some 50 billion yen in growth investment to improve capital efficiency and achieve return on equity (ROE) of 8% or more, an operating profit margin of 1.5% or more, and operating profit of 30 billion yen or more.

—Human resources and organizational reform—

Anticipating social change and the accompanying risks, we will depart from the traditional top-down organizational approach. Combining bottom-up input from employees thinking and acting on initiative with top-level decision-making, we aim to eliminate workplace silos to create a transparent and unified organization that produces results.

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We will achieve sustainable profit growth as we transform into a "Comprehensive Healthcare Solutions Provider" with people's health our foremost concern

We believe that the engine of the Group's corporate value is our strong commitment to contributing to healthy and fulfilling lives, as expressed in our Group slogan "Total commitment to good health." We have a large team of employees dedicating themselves to delivering pharmaceuticals for people who need them, not only in normal times but also under emergency conditions such as after a disaster or during a pandemic. Fundamental to their activity is the conviction, passed down unchanged since our founding days, that ensuring the delivery of pharmaceuticals under whatever conditions is our social mission. The Group slogan is the embodiment of that strong commitment, fulfilling the crucial role of a compass that unites the organization and points the way forward for all employees.

The onset of inflation that has reversed a prolonged deflationary trend, reforms to the drug pricing system designed to curb social insurance costs, and the sharply declining population are among the factors currently contributing to a historic restructuring of our business environment. Amid this powerful wave of change, continuing along the same strategic path and clinging to previous models of success will not enable us to survive. Precisely because of today's climate of uncertainty and future unpredictability, we need to be decisive, accurately interpreting signs of change and their impact and steering a flexible course in response. In order to continue, under whatever circumstances, to fulfill our social mission as part of the healthcare infrastructure and achieve ongoing and sustainable corporate value increase, it is vital that we undergo renewal by moving beyond our existing framework.



With that aim in mind, during the period of our previous Medium-Term Management Plan 2023-2025 "Create the Next Generation," we worked to lay the foundation for corporate reform based on four basic policies: business transformation; investment for growth and improvement of profitability; sustainability management; and improvement of capital efficiency and enhancement of shareholder returns. Moreover, in response to dialogue with shareholders, investors, and other stakeholders, in 2024 we established the Management Strategy Committee, which has worked to drive transformation through an Action Plan to speed up the implementation of the Medium-Term Management Plan and increase its effectiveness.

Building on the advances achieved by these measures, the issues identified, and the growth foundation created, we launched a new plan in April 2026: Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation." By strengthening profitability in the pharmaceutical wholesaling business and rapidly expanding new business areas through active alliances, the plan is designed to create new value for all stakeholders in the healthcare business and support our transformation into a "Comprehensive Healthcare Solutions Provider."

Toward meeting this new goal, the initiatives I am particularly committed to are in the areas of implementing our growth and financial strategies and driving human resources and organizational reform. In the following, I will explain these two key strategies at the core of our management activity and outline specific measures and my own approach.

Driving our growth and financial strategies

Implementing our growth strategy from a proactive approach by identifying risks and opportunities in the business environment

To formulate our new Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," we reconvened the Management Strategy Committee in November 2025. The committee held intensive discussions on ten occasions in which it explored in depth a range of strategies for not simply improving short-term business performance but also maximizing corporate value in the medium to long term. To guarantee the objectivity of this process from an external perspective, the committee included two outside directors, with their experience and insights as investors and corporate managers, and external experts and consultants, enabling a comprehensive review that was not bound by existing convention.

The review process identified radical strengthening of return on capital in our core pharmaceutical wholesaling business as the priority issue. The rest of the business portfolio was also subjected to a clear-eyed review from the viewpoint of market potential and profitability, with strengthening, maintaining, scaling back, or withdrawing considered as options for each business. The conclusion was that, in order to achieve sustainable improvement of corporate value and survive in an age of upheaval, it is essential that we transform into a "Comprehensive Healthcare Solutions Provider." This means moving beyond our traditional domain of the wholesaling business through the twin approach of diversifying into other areas and promoting digital transformation in healthcare.

In the course of the discussions, we set targets of reaching ROE of 8% or more, an operating profit margin of 1.5% or more, and operating profit of 30 billion yen or more by the fiscal year ending March 2029, the final year of the Medium-Term Management Plan, and undertaking growth investment of 50 billion yen or more in the same period. These are ambitious numerical targets based on a proactive approach with increased

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emphasis on profit generation. Particularly the operating profit target of 30 billion yen or more has elicited the view from some shareholders and investors that achieving it may well be a difficult task. However, this figure is based on a vital profit growth scenario that was arrived at through repeated rounds of exhaustive discussion and investigation. To realize it, we will expand gross profit in the pharmaceutical wholesaling business; improve the efficiency and profitability of the dispensing pharmacy business; work from a zero reset to boost the operational efficiency of sales and indirect departments; and reform cost structure through a range of measures including reviewing indirect material purchase costs, restructuring unprofitable divisions, and reorganizing subsidiaries. We will additionally accumulate profits from the growth of the Contract Development and Manufacturing Organization (CDMO) and other new businesses and build on the foundation laid under the previous management plan to move forward into the profitability expansion phase of the current plan.

Specifically in our core pharmaceutical wholesaling business, we will take a positive approach to identifying changes in the business environment and seize them as opportunities to further improve competitiveness. Recent years have seen an accelerating trend for pharmaceutical companies in the specialty pharmaceuticals sector, the mainstay of our pharmaceutical wholesaling business, to reduce their distribution partners to one or two wholesalers with the main aim of curbing distribution costs. While this trend presents a future risk for the pharmaceutical wholesaling business depending on whether it is chosen as a partner, for TOHO HOLDINGS, with its advanced logistics and quality control functions, it is at the same time a great opportunity for market expansion. Under the current Medium-Term Management Plan, we will strengthen initiatives to exploit this structural change as a growth opportunity rather than a threat.

Maximizing corporate value by improving capital efficiency and holding active dialogue

In our financial strategy, we will maintain the same proactive approach. Up to now, to fulfill our social mission of ensuring a stable supply of pharmaceutical products, we have pursued the safety-conscious financial policy of maintaining a balance of cash and cash equivalents approximately equal to one month of net sales income. However, having taken onboard demands from the market for improved capital efficiency, we place increased importance on growth investment and shareholder return in our current Medium-Term Management Plan, which marks a change of course toward a more agile and proactive capital allocation policy.

In concrete terms, by revising the lower limit without compromising the stable supply of pharmaceutical products, we aim to reduce the balance of cash and cash equivalents to around half of its present level, targeting the fiscal year ending March 2029. Using the funds thus released, together with operating cash flow, gains on the sale of cross-shareholdings, and other sources of funds, we plan to make strategic allocations of 50 billion yen or more for investment in growth and human resources development and 50 billion yen or more for shareholder return. In our financial strategy going forward, I believe that maximizing corporate value through stable business operation and accelerated growth must be our absolute priority.

To maximize corporate value, we will also redouble initiatives for dialogue with shareholders and investors. I myself held a series of dialogues with a wide range of shareholders and investors both in Japan and overseas in the fiscal year ended March 2026, and going forward I intend to increase opportunities for dialogue. We listened carefully to the opinions and suggestions presented in the course of these dialogues and gave them due consideration, steadily incorporating into our operations those likely to support sustainable growth. Going forward, we will use critical comments and recommendations from outside as feedback for management reform, which will in turn lead to improvement in medium- to long-term corporate value.

Identifying new materiality issues for sustainable growth

To coincide with the formulation of our new Medium-Term Management Plan, we also carried out a review of materiality, which was led by a team drawn from the Group's various



departments and operating companies and consisting of the young employees who represent our future. Seeing them steadily identify the issues through repeated and detailed discussion gave me great confidence, like being given a glimpse of a future in which they stand as leaders at the head of our Group. Addressing the materiality they researched with such passion is one of our initiatives for improving sustainability, which I recognize as a key Group management strategy. To successively achieve the related targets, we will work with dedication and commitment on the key performance indicators of each materiality issue and the associated measures.

Human resources and organizational reform

Building an autonomous organization driven by the decision-making and action of individual employees

Our employees are all diligent and approach their day-to-day work conscientiously. However, the very earnestness with which they carry out their assigned tasks can result in a perspective and a pattern of behavior that struggles to move beyond the limits of the individual's own workplace. That means that, despite optimization being realized at the individual departmental level, it has not crystallized into company-wide optimization coordinated across the boundaries of the different organizations.

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To remedy this situation, what is needed is a self-directed mindset that radiates out from each individual employee to inspire autonomy across the organization as a whole. This self-direction means employees in the workplace identifying issues for themselves, thinking about how to respond, then making a decision and taking action.

This process of decision and action, which is the essence of business management, is by no means the exclusive concern of the management team. Decision-making and problem solving centered on the workplace can truly act as a force to accelerate sustainable corporate growth. Going forward, by conducting in-house education and improving engagement, as well as delegating authority to the workplace, we will promote decision-making and action at the individual and departmental level. I believe that reform of the individual mindset will lead to reform of the organization as a whole, with all employees sharing an awareness that they as individuals also have a role to play in management. My mission is to build a strong organization where each member plays a determining role.

Driving radical business reform centered on the workplace through zero-based thinking that anticipates social change

For the sustainable development of our human resources and organizations, another issue that must be faced is the decline in the working population, which is set to progress rapidly. Looking ahead to the year 2040 or 2050, to maintain and grow the Group's business will require not the minor adjustment involved in individual upskilling or streamlining current operations by 5 to 10%, but a complete restructuring of operational processes.

To do that, what I want to see in the workplace is people thinking in concrete terms about how to respond to a future situation where staffing is reduced by half, and then conducting simulations based on a reset to zero. It is only by thinking about what is required to equal or better present performance with limited resources that radical reform can be made possible. When employees with deep experience of frontline operations have understood for themselves the risk posed by the decline in the working population and begin to respond with a sense of urgency, we will have taken the first step toward truly effective operational reform. That is why we have worked to share company-wide the realization that a time is coming when we will face a crisis not only in securing profit but also securing human resources. With that in mind, we are sorting essential from inessential operations and driving the proactive use of AI and outsourcing to encourage new approaches that seek to achieve the same results but with less effort and more efficiency.

Ensuring psychological safety to accelerate reform

In parallel with these initiatives, we are also devoting attention to creating a workplace environment that provides a real sense of psychological safety. For employees to make decisions and act on their own initiative, they need first to be reassured that their ideas will not be rejected but given serious consideration. To demonstrate to each individual employee that any opinion expressed will be listened to, we are rolling out a range of strategies including engagement surveys and town hall meetings and measures to promote flat communication.

Meanwhile, the smooth rollout of the new personnel evaluation system requires that we take care to communicate properly. I recognize that it is not easy for employees with a long record of contribution to adapt to the new evaluation criteria. To enable all employees to happily accept a completely different system, we must be prepared not just to explain it a couple of times, but to take the necessary time to ensure that it is properly understood and firmly embedded. To establish a corporate culture in which each and every employee can work in a spirit of challenge with a clear sense of purpose, we will continue to engage tirelessly in ongoing dialogue with all employees.

Embracing ongoing change based on unchanging spirit

Our aims of achieving discontinuous growth in operating profit and transforming into an autonomous organization will not be easy to achieve. However, staying as we are in an age of upheaval would mean steady decline. We will therefore move forward at pace with management reform, carefully judging priorities as we progress towards our future ideal.

No matter what changes occur in our business environment or how we adapt our corporate structure or business model, there will be no change in our fundamental spirit of "Total commitment to good health." With this proud spirit in our hearts, we will evolve TOHO HOLDINGS into a company that creates a healthy and comfortable future for everyone by solving fundamental problems and delivering innovative value. As chief executive officer, I am resolutely committed to leading from the front to see these reforms through.

I ask our valued stakeholders to continue their loyal support as we work to meet their high expectations.

Hiromi Edahiro

Representative Director, President and CEO



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Business know-how cultivated through close cooperation among business segments

Competitive advantage
Three business features for providing added value

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Alliances and innovations that go beyond existing boundaries

Key Initiatives of the New Medium-Term Management Plan 2026-2028 “Soaring into the Next Generation”

Growth Strategies

Strengthening of the pharmaceutical wholesaling business
- Acquiring distribution rights for specialty pharmaceuticals
- Driving market penetration of growth drivers and developing new growth fields
- Strengthening the development functions of customer support systems
- Promoting DX, improving productivity in sales and delivery systems

Creating new businesses
- Creating new businesses (including CDMO) through proactive alliances and M&A activities with companies in fields such as prescription pharmaceuticals, medical devices and materials, reagents, OTC drugs, medical IT, and logistics
- Accelerating the early expansion of the medical DX business

Efficiency Strategy

Improving profitability and efficiency in the dispensing pharmacy business
Cost structure reform (reduction of indirect material costs and business process reform)

Capital Policy

Sale of cross-shareholdings, liquidating assets held
DOE 4% or more, Total payout ratio of 100% or more
Investment in growth

Strengthening the Management Foundation

Sophistication of governance
Strengthening human resource strategies and systems
Strengthening sustainability management

Proactive dialogue with capital markets

Profit growth
Cost control
Financial leverage control
Reduction of the cost of equity
Increase in expected growth rate

Increase in ROE
Increase in PER

Increase in corporate value → Increase in PBR

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Value Creation Process

Mission

Total commitment to good health

As infrastructure that supports life and health, we will contribute broadly to realizing the health aspirations of all people

INPUT

Management Capital Inputs P.19

- Human capital
- Financial capital
- Social capital
- Logistics and manufacturing capital
- Intellectual capital

BUSINESS MODEL

Value-added Business Model

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



Corporate governance P.45

STRATEGY

Medium-Term Management Plan 2026-2028
"Soaring into the Next Generation"



Executing strategies and initiatives focused on achieving discontinuous growth in operating profit as part of a profitability expansion phase driven by further investments aimed at growth

Materiality P.16

- Ensuring compliance and strengthening the governance system
- Building a trustworthy pharmaceutical supply chain through the establishment of appropriate quality control and a stable supply system
- Solving issues in community medical care
- Developing a vibrant workplace environment and fostering human resources who will create the future
- Reducing our environmental impact and bringing about a recycling-oriented society

OUTCOME

Transformation into a Comprehensive Healthcare Solutions Provider

- Strengthening the pharmaceutical wholesaling business
- Growing new businesses
- Expanding the CDMO business for new modalities

Maximize the value of human capital

- Transitioning to self-directed talent
- Evolving into a value-creating organization

Defensive and offensive governance that accelerates growth

- Further improving the effectiveness of the Board of Directors
- Establishing a more sophisticated risk management system

Vision

Continuing to deliver the value people around the world need, as a partner co-creating the future of medical care and well-being



External Environment	Diversification of modalities	Ongoing reforms of the Drug Pricing System, Medical Service Fees, and Dispensing Fees	Continuation of global inflationary trends	Uncertainties	Declining birth rate and aging population over the medium to long term

Further strengthening management capital

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Unpacking the History of TOHO HOLDINGS Through Its “Three Business Features”

Our business, which began with pharmaceutical sales, has expanded into pharmaceutical wholesaling, the development and provision of customer support systems, the operation of dispensing pharmacies, and the manufacturing and sale of pharmaceuticals. We have been creating unique value through this diverse range of businesses.

The Group’s robust business infrastructure traces its origins to our development of systems more than 20 years ago. Even back then, we launched a system to manage each individual product we handle by expiration date and lot number, and have since developed and refined our in-house system to centrally manage information from sales offices and logistics centers nationwide.

Through our efforts over the years, we have been able to optimize stock distribution, while also enabling the swift and flexible movement of products even in emergencies, thereby ensuring a stable supply of pharmaceuticals. It is precisely our history of continuously refining our systems in-house to stay abreast of the times that constitutes our unique strength, enabling us to swiftly respond to changes in the environment and address customer needs, as well as making it possible to link smoothly with customer support and other systems.

1948 Established

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

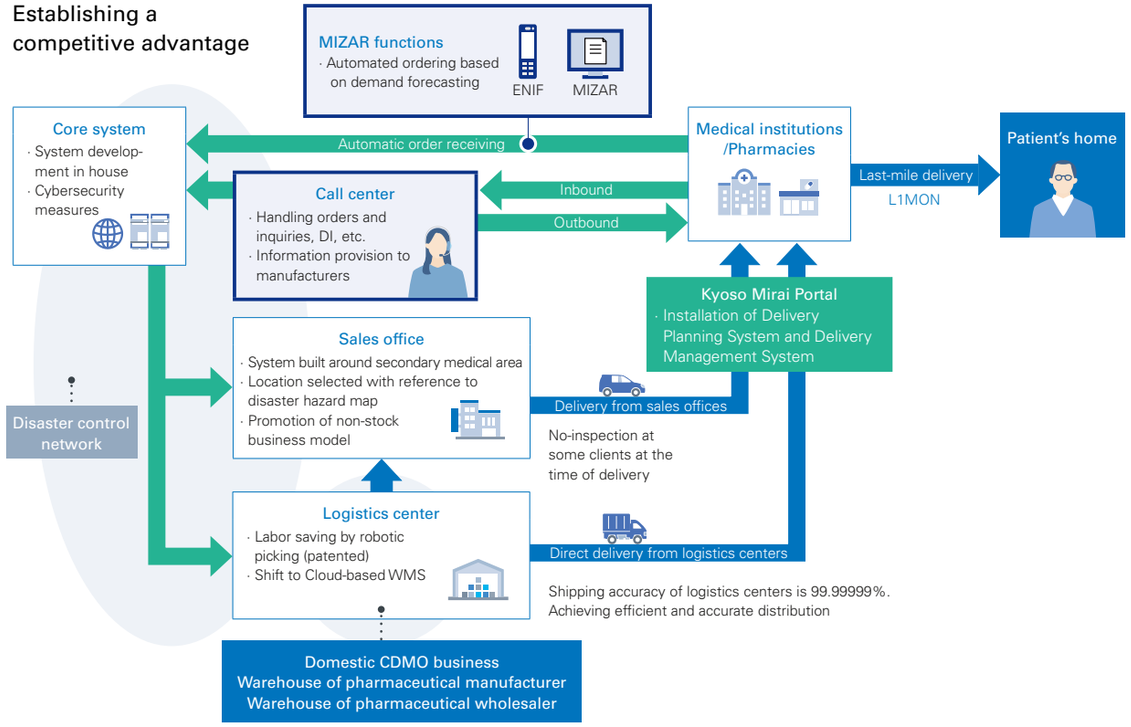
In the 1960s, the establishment of the Universal Health Insurance System in Japan led to rapid growth in the pharmaceutical market, while intensifying price competition. With many wholesalers aiming to expand their reach, TOHO PHARMACEUTICAL faced a pivotal decision: remain a regional wholesaler or pursue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



Founder
Yoshinori Matsutani

01 Strong business infrastructure to support pharmaceutical wholesaling business

Establishing a competitive advantage



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Unpacking the History of TOHO HOLDINGS Through Its “Three Business Features”

For more than 30 years, we have sought to become the company of choice for customers by developing and providing customer support systems that contribute to solving issues and improving operational efficiency for patients and medical institutions, rather than expanding our market share through price competition. Based on needs directly identified by our marketing specialists (MS) during their day-to-day visits, we have a proven track record of building a wide variety of systems—primarily through in-house development—while consistently prioritizing the customer’s perspective and providing comprehensive after-sales support. Building on this foundation, we are now accelerating the creation of new solutions that go beyond existing frameworks by actively forming alliances with other companies.

The Group has consistently pursued logistics innovation to fulfill its mission of ensuring a stable supply of pharmaceuticals. This began with the launch of our Tokyo Block Logistics Center in 1988. By integrating and consolidating the warehouse functions of our various branches and sales offices, we established a faster, more efficient delivery system.

Since then, the Company has continued to steadily evolve, including the introduction of illuminated IC tags at TBC Tokyo, which began operations in 2008, and the pursuit of automation at new logistics centers (TBCs) built after 2013. Furthermore, in 2020, we launched TBC DynaBASE, a large-scale, advanced logistics center. Located within the wide-area transportation base designated by the Tokyo Metropolitan Government for use during disasters, the center helps ensure a stable supply of pharmaceuticals in the event of an emergency.

02 Development of customer support systems

Establishing a competitive advantage

Automated medical care appointment system

“LXMATE HeLios”

Launched in 1995 Cumulative number of units: 4,049

Initial Examination Reservation Service

Launched in 2012 Number of account registrations: 14,281



Information terminal for pharmaceutical ordering

“ENIF”

Launched in 1997 Number of units: 8,944



Centralized administration system of pharmacy operations

“MIZAR”

Launched in 2013 Number of pharmacies using the system: 4,417

ENIFvoice series

Launched in 2009 Number of sales: 17,422



03 Safe and secure delivery of pharmaceuticals

Establishing a competitive advantage

Number of ISO 9001: 2015 certified facilities

6 logistics centers

The Logistics Division of TOHO PHARMACEUTICAL has acquired ISO 9001:2015 certification (an international standard for quality management systems for products and services) and conducts quality control.

Shipping accuracy

99.99999%

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

Number of robots installed in logistics centers

85 units

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

Volume handled at logistics centers

2.5 times (compared to 2013)

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

Number of individual products handled by picking robots

16,900 pieces per hour

TBC DynaBASE operates 26 picking robots and can pick 16,900 pieces per hour.

Number of customers with no-inspection systems

5,042

A no-inspection system that omits inspection at the time of delivery has been adopted by 5,042 customers.

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Sustainability Essential for Value Creation

The Group promotes sustainability management as a company that supports medical infrastructure. We aim to become a corporate group that is needed and continues to be supported by all stakeholders, including people who seek good health, customers, business partners, local communities, shareholders, and employees.

Identifying five new material issues

To achieve sustainable growth and enhance corporate value over the medium to long term, it is important that we grasp social issues and the expectations of stakeholders, and then that we identify the material issues that need to be addressed and implement measures to resolve them.

To achieve the Ideal State of the Company, we thought it necessary to review what we had considered to be our materiality, and we redefined it in December 2025.

Material issues identified and their reasons for selection

Ensuring compliance and strengthening the governance system

Ensuring compliance is essential to fulfill our corporate social responsibility. Moreover, in order to increase corporate value as a sustainable company, it is important to develop and enhance the foundational governance system and strengthen the risk management system that addresses even unexpected contingencies.

Building a trustworthy pharmaceutical supply chain through the establishment of appropriate quality control and a stable supply system

It is our most important social mission to maintain a high standard of quality from beginning to end of our supply chain and to provide a safe and stable supply of pharmaceuticals, whether in ordinary times or in emergencies.

Solving issues in community medical care

Because it has become difficult to maintain the conventional medical care system due to the declining birth rate and aging population and changes in the medical environment, it is important to understand the characteristics and needs of each local community vis-a-vis these issues in order to make medical care and nursing care function efficiently.

Developing a vibrant workplace environment and fostering human resources who will create the future

Employees are the company's assets, that is to say, our human resources. For the company's sustainable growth, it is essential to respect the human rights of each employee, put in place an environment in which everyone can work with peace of mind, and develop personnel who can make the most of their individual abilities.

Reducing our environmental impact and bringing about a recycling-oriented society

It is important to deeply recognize the impact of our corporate group's business activities on the global environment, to seek to harmonize all aspects of our activities with the environment, and to proactively work on the reduction of our environmental impact, environmental conservation activities, and efficient use of resources.

Materiality identification process

STEP 01

Uncovering issues

- Uncover social, environmental, and economic issues

* Reference to external agency frameworks: GRI Standards, United Nations Guiding Principles on Business and Human Rights, TCFD, various evaluation agencies (CSA, CDP, etc.)

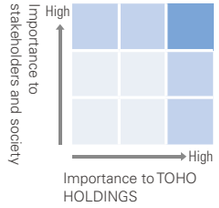
Members

Representatives from pharmaceutical affairs, logistics, sales, legal, administration, human resources, management strategy, and Group companies

STEP 02

Identifying issues and assign priorities

- Identify issues and assign priorities based on the relationship with the Vision Statement, Medium-Term Management Plan, and Action Plan
- Conduct mapping (figure at right)



STEP 03

Evaluate adequacy

- Adequacy is evaluated by upper management

STEP 04

Identify materiality and set KPIs

- Specify upon deliberations by the Sustainability Promotion Committee

STEP 05

Present to the Board of Directors

STEP 06

Regular evaluation and review

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Sustainability Essential for Value Creation

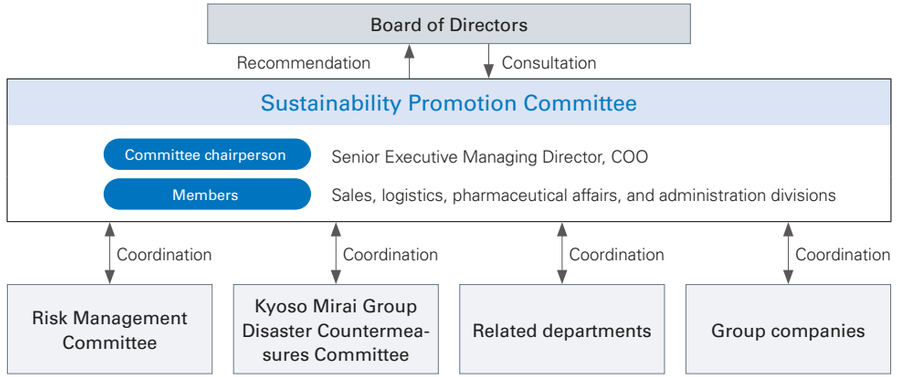
Materiality	Vision	KPI	Strategies and Measures
Ensuring compliance and strengthening the governance system	We will cultivate a corporate culture in which all executives and employees act with high awareness of compliance and ethical standards, and aim to be an organization that can earn unwavering trust from society.	• Compliance training for all employees: 100% attendance • Number of serious compliance violations: 0 • Strengthening the risk management system	• Establishing an offensive governance structure • Addressing the Governance Enhancement Special Committee's Final Report • Launching an internal whistle-blowing system • Conducting compliance training
Building a trustworthy pharmaceutical supply chain through the establishment of appropriate quality control and a stable supply system	In order to fulfill our social mission of providing a stable supply of pharmaceuticals, we will continue to contribute to the maintenance of the medical care system by building an advanced quality control system and innovative logistics functions, and continue to be a company that is needed by society.	• Maintenance of ISO certification at all logistics centers and certification at newly established centers • Achievement of 100% participation rate in GDP-related internal training • Optimization of the supply chain and expansion of information provision services • Strengthening of BCP (conduct company-wide disaster drills at least once a year)	• Establishing new logistics centers • Expanding manufacturer and clinical trial logistics • Establishing specialty full-line services • Delivery Management • Strengthening support for community formulary practices
Solving issues in community medical care	We will ascertain the actual conditions and issues in each local community and make maximum use of our corporate group's distribution system and customer support system to realize community healthcare design matched to the particular characteristics of each local area.	• Increase in events at pharmacies • Promotion of primary care pharmacist / Pharmacy (FY 2026 target: 850 certified primary care pharmacists) (Promotion of acquisition of certification for Community-based integrated pharmacy) • Promotion of home healthcare (FY2028 target: Home healthcare implementation rate 80%) • Cooperation with government and local governments • Expansion of last-mile delivery	• Optimizing the Customer Data Platform (CDP) • Expansion of store formats • Accelerating digital transformation by introducing an automated reception system, automated dispensing machines, AI-enhanced medication history, etc.
Developing a vibrant workplace environment and fostering human resources who will create the future	We will provide places where diverse human resources can gather and think out of the box in order to take on challenges, and establish workplace environment free from discrimination and harassment and a corporate culture in which employees continually grow and proactively tackle a variety of issues.	• Increase in the ratio of female managers (TOHO HOLDINGS's targets by FY2028: 25% / FY2030: 30%, TOHO PHARMACEUTICAL's targets by FY2028: 7.5% / FY2030: 10%) • Increase in the utilization rate of male childcare leave and the number of days (FY2028 target: 100% of male childcare leave take-up rate) • Expansion of training themes • Boosting employee engagement • Increase in the rate of paid vacation days (FY2028 target: 60%) • Reduction of overtime work	• Action plan for achieving the Medium-Term Management Plan in the area of human capital management • Holding town hall meetings • Promoting women's advancement and DE&I • Management and training of next-generation leaders • Introducing a system that allows flexible workstyles
Reducing our environmental impact and bringing about a recycling-oriented society	We will contribute to bringing about a sustainable society by raising the environmental awareness of each executive and employee, reducing the environmental impact of our entire supply chain, and making efficient use of resources.	• Reduction of greenhouse gas emissions (Targets (FY2019 base year)): Short-term target (FY2030): 60% reduction / Medium-term target (FY2040): 75% reduction / Long-term target (FY2050): Net Zero • Renewable electricity promotion (FY2030 usage rate: 80%) • Promotion of delivery efficiency (FY2030 target: Reduction of the mileage of sales vehicles by 30% compared to FY2024) • Promotion of 3Rs (Reduce, Reuse, Recycle) including waste reduction • Implementation of environmental training	• Expanding the renewable energy plan • Making deliveries more efficient • Switching from gasoline cars to EVs and other eco-friendly alternatives • Installing solar panels at business locations and advancing conversion to Zero Energy Buildings (ZEBs)

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Sustainability Promotion System

The Group recognizes sustainability action as one of its key managerial priorities. For this action, the Group has a corporate governance system in place with the Sustainability Promotion Committee playing a central role, subject to supervision by the Board of Directors.

Sustainability promotion system



System of supervision by the Board of Directors

The Board of Directors monitors the Group's engagement and target attainment performance with regard to sustainability and climate-related risks and opportunities, based on reporting from the Sustainability Promotion Committee. It also supervises new measures and targets. Important matters related to human capital are subject to approval by the Board of Directors. These include investments concerning human capital, appointments and dismissals of officials and those of a higher position at key divisions and departments, and decisions on and changes to important standards for working conditions. Appointments and dismissals of other employees and labor management, as well as various measures, including those to advance the administration of health management, are also reported to and supervised by the Board of Directors.

Sustainability Promotion Committee

The Sustainability Promotion Committee is comprised of members from the sales, logistics, pharmaceutical affairs, and administration functions. It identifies important issues (materiality), including matters related to climate change, and deliberates on our sustainability strategy, which involves, among other things, our actions for the Environment (E), Social (S), Governance (G), digital transformation (DX), etc. The results are reported to the Board of Directors. Chaired by the Senior Executive Managing Director and COO, the Committee conducts action planning, target setting, progress control, and effectiveness assessment based on the Sustainability Policy. Every year, the Committee assesses the impacts of climate change on our business, devises measures to cope with them, and sets relevant targets, all in accordance with a policy aimed at minimizing the identified risks and seizing on the opportunities involved. The Committee also regularly checks the status of achievement of targets and continuously implements measures for improvement.

Main discussions at the Committee

Date of implementation	May 2025	October 2025
Discussions and deliberations	• Climate change initiatives (GHG emissions reduction, compliance with SSBJ standards) • Formulation of the Environmental Policy • Review of initiatives and targets regarding male employees taking paternity leave	• Climate change initiatives (GHG emissions reduction and introduction of photovoltaic power generation facilities) • Review of materiality in line with assessment processes • Formulation of the DE&I Declaration • Revision of the Procurement Policy

Risk management

The Group has established Risk Management Basic Rules to prevent the occurrence of managerial risks and to respond to such risks or situations that may develop into them.
In 2025, the Group Compliance and Risk Management Committee was reorganized and the new Risk Management Committee was established. The committee is chaired by the Chief Governance Officer (CGO) and regularly engages in the early detection and assessment of risks, the improvement of the system to prevent risks from emerging, and the development of measures to be taken when a risk emerges. Risks related to sustainability and climate change are under the responsibility of the Sustainability Promotion Committee, which identifies and assesses business risks and revenue opportunities arising from sustainability issues.
The Committee reports the results to the Board of Directors in cooperation with the Risk Management Committee and the Kyoso Mirai Group Disaster Countermeasures Committee.

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Management Capital Built Up Over Time

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

		Importance	Issues	Measures to strengthen capital
Human capital	Number of employees (consolidated) 10,121 Engagement survey response rate 87.6%	Based on the belief that employees are the Group's assets, or "human capital," we position human capital as the most vital foundation supporting our sustained growth. We aim to be an entity where employees and the Group continue to grow together and individuals and the organization evolve and continue creating new value by fostering an environment where diverse human capital can take on challenges with vitality while maintaining both physical and mental well-being, and by maximizing the abilities of each individual.	• Clarifying requirements for human capital, definitions of roles, and performance evaluations in the human resources system design • Fostering a corporate culture that encourages employees to develop themselves and boldly take on challenges • Continuously enhancing employee engagement and balancing a comfortable work environment with job satisfaction • Systematic development of next-generation leaders aligned with business strategy	• Introducing a new, highly transparent human resources system, including a role-based grading system relative to the importance of employees' jobs and roles • Visualization of human capital data through a new talent management system, etc. • Full-scale implementation of succession planning to train next-generation leaders • Promoting DE&I and enhancing psychological safety through a campaign to call each other by name instead of title and through town hall meetings • Promoting health and productivity management and a supportive work environment through measures such as extending childcare for employees on reduced work hours as parents, encouraging the use of the full-flex system, and implementing a complete smoking ban during working hours
Financial capital	Net sales 1,553,364 million yen Operating profit margin 1.07% ROE 6.56%	We believe that a solid financial foundation supporting our business activities is essential to growing together as a trusted partner for all stakeholders. A sound financial foundation is essential for fulfilling our responsibility to ensure a stable supply of pharmaceuticals, while also enabling growth investments in order to adapt to changes in the medical environment and create new value. The Group will work to strengthen the profitability of its businesses as it aims to continue to enhance corporate value.	• Strengthen management with the cost of capital and stock price in mind • Secure stable funding for business investments • Increase return on capital by reforming the business portfolio • Optimize capital allocation	• Optimally allocate management resources based on a multifaceted analysis of capital returns and market evaluations • Reduce the cost of capital by working to improve the quality of sustainability management, etc. • Promote growth strategies for each business to reform the business portfolio • Conduct proactive shareholder returns through stable dividend increases and flexible share buybacks after securing business investment funds • Reduce cross-shareholdings and shorten the cash conversion cycle (CCC)
Social capital	Number of manufacturers the Company has business with Approx. 1,100 New business alliances in FY2025 5 companies Number of business customers: Approx. 110,000	The foundation of the Group's business lies in the trust we build with our many partners—from manufacturers to medical institutions and pharmacies—all of whom share our commitment to contributing to health. Furthermore, we believe that collaboration with companies and organizations possessing diverse expertise is essential for resolving the various challenges facing regional medicine. The Group will engage in ongoing communication with all stakeholders and, together with our diverse partners, provide new value to society.	• Trust from stakeholders • Identify challenges related to regional medicine • Interprofessional collaboration	• Strengthen relationships with stakeholders through appropriate information collection and provision • Contribute to the establishment of a community-based integrated care system through management of dispensing pharmacies, etc. • Create innovation through proactive alliances • Realize universal medical access through joint research with Advanced Industrial Science and Technology (AIST)

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Management Capital Built Up Over Time

		Importance	Issues	Measures to strengthen capital
Logistics and manufacturing capital	Number of logistics centers 10 Number of sales offices 203 Number of dispensing pharmacy stores 658	The Group's social mission is to reliably deliver vital pharmaceuticals to the right place at the right time while maintaining high quality. We recognize that our nationwide logistics network is itself social infrastructure supporting regional medicine. The Group will continue to strive to build a resilient supply chain that not only pursues safety and efficiency but also responds to changing medical needs.	• Development of infrastructure in response to advanced logistics • The distribution of specialty products • Efficient delivery system	• Strengthen full-line service functions • Rationalize delivery through utilization of a Delivery Management System, etc. • Strengthen logistics functions and promote reorganization, including the establishment of new logistics centers • Establish secondary packaging facilities • Expansion and strengthening of manufacturer and clinical trial logistics businesses
Intellectual capital	Number of customer support systems products Approx. 20 Robot picking rate in TBC DynaBASE 95%	The Group's aim is not only to deliver pharmaceutical products but also to contribute to solutions to the challenges faced by customers by utilizing the expertise and accumulated data cultivated in business. We believe that this invisible wisdom is the source of the Group's unique added value. Going forward, we will continue to help realize higher quality medicine by promoting medical DX, strengthening logistics functions, and providing solutions focused on local needs.	• Growth potential of existing customer support systems • Develop new customer support businesses • Identify the Company's intellectual property	• Closely examine market needs and future prospects and focus on high-value-added products • Promote medical DX through customer support systems • Develop and promote new customer support businesses through active alliances, etc. • Deploy new technologies for logistics functions

Relationship to the New Materiality

	Human capital	Financial capital	Social capital	Logistics and manufacturing capital	Intellectual capital
Ensuring compliance and strengthening the governance system	●				
Building a trustworthy pharmaceutical supply chain through the establishment of appropriate quality control and a stable supply system	●	●	●	●	●
Solving issues in community medical care	●		●	●	●
Developing a vibrant workplace environment and fostering human resources who will create the future	●	●	●		
Reducing our environmental impact and bringing about a recycling-oriented society		●	●	●	

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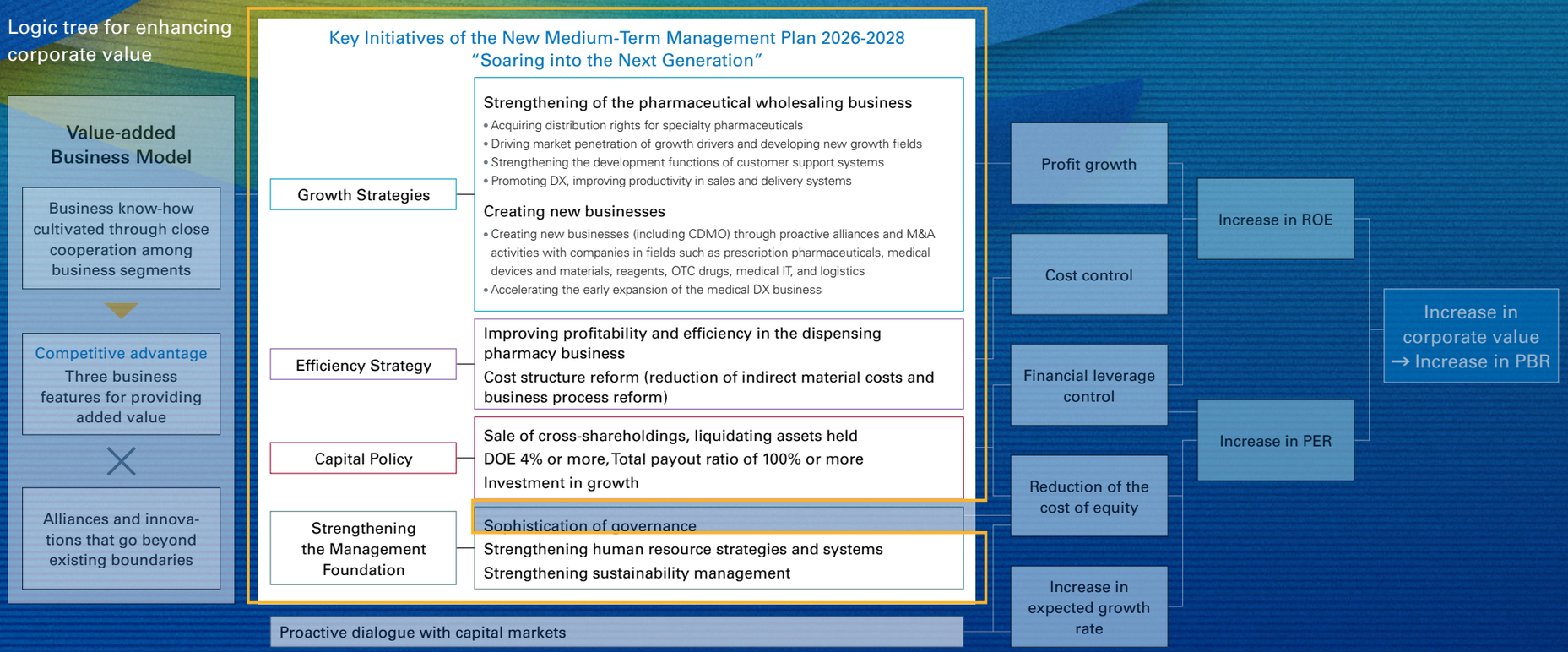
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30 Special Feature: Creating new businesses to accelerate our transformation into a Comprehensive Healthcare Solutions Provider
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35 Dispensing pharmacy business
36 Pharmaceutical manufacturing and sales business
37 Other peripheral businesses (new businesses)
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Primary contents of each section

Logic tree for enhancing corporate value

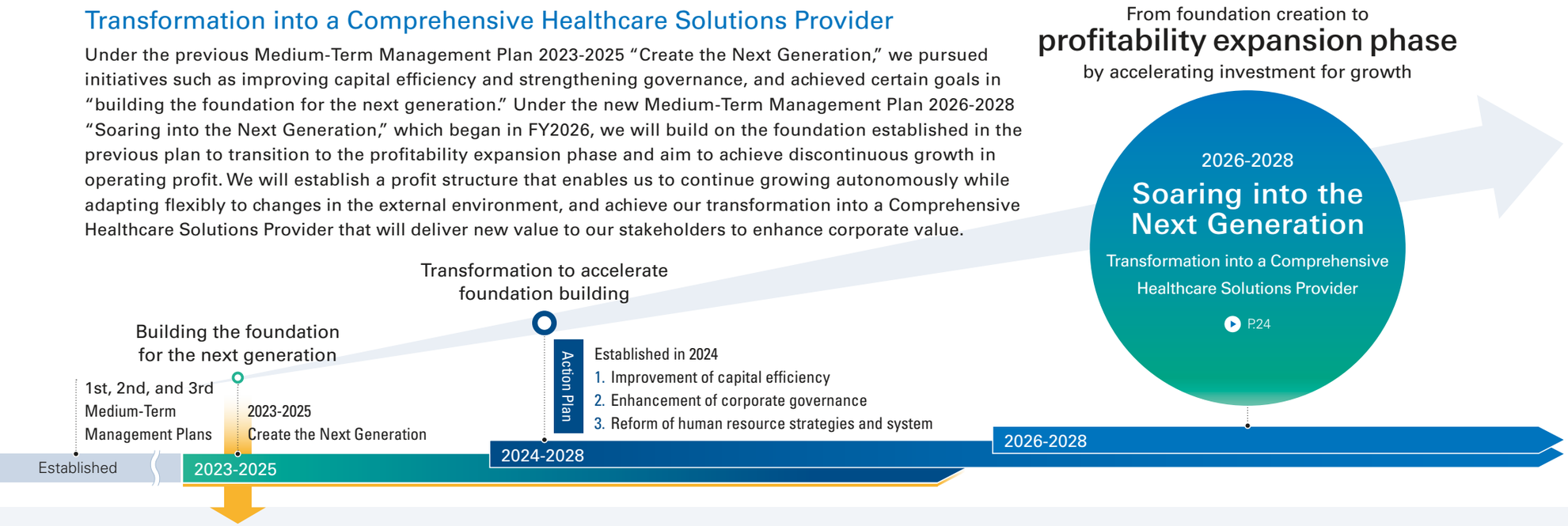


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Medium-Term Management Plan 2026-2028 “Soaring into the Next Generation”

Transformation into a Comprehensive Healthcare Solutions Provider

Under the previous Medium-Term Management Plan 2023-2025 “Create the Next Generation,” we pursued initiatives such as improving capital efficiency and strengthening governance, and achieved certain goals in “building the foundation for the next generation.” Under the new Medium-Term Management Plan 2026-2028 “Soaring into the Next Generation,” which began in FY2026, we will build on the foundation established in the previous plan to transition to the profitability expansion phase and aim to achieve discontinuous growth in operating profit. We will establish a profit structure that enables us to continue growing autonomously while adapting flexibly to changes in the external environment, and achieve our transformation into a Comprehensive Healthcare Solutions Provider that will deliver new value to our stakeholders to enhance corporate value.



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

We achieved certain goals in “building the foundation for the next generation.” We aim to address the remaining challenges, such as the development of new business, within the period of the new Medium-Term Management Plan.

Business transformation

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

Investment for growth and improvement of profitability

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

Sustainability management

- Strengthen the governance structure
  - Increased the proportion of outside directors to a majority
  - Established the Governance Enhancement Special Committee and implemented its 12 recommendations
  - Appointed a CGO
  - Established the Group Governance Department and the Compliance Promotion Department
  - Introduced performance-linked compensation
- Efforts toward decarbonization
  - Introduced EVs and solar panels
  - Adopted ZEB for new business sites
- Maximize the value of human capital
  - Introduced new HR system
  - Implemented initiatives to enhance employee engagement

Improvement of capital efficiency and enhancement of shareholder returns

- Enhancement of shareholder returns
  - Share buybacks: 37.0 billion yen (Target: 30.0 billion yen)
  - Dividend on Equity ratio (DOE) of 4.0% (Target: 2% or more)
  - Annual Dividend FY2023: 40 yen, FY2024: 65 yen, FY2025: 165 yen
- Reduction of cross-shareholdings
  - Achieved ratio to consolidated net assets of under 15% (FY ended March 2026)

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Analysis of external environment

The environment surrounding our Group is undergoing significant changes, including the diversification of modalities, revisions to the drug pricing and medical reimbursement systems, and continued inflation. In this analysis, we have examined these changes in the external environment, which served as the basis for our Medium-Term Management Plan, and their impact on our business, and have identified the role we must play and the direction we need to take as a provider of medical infrastructure to achieve sustainable growth.

Understanding the external environment

Diversification of modalities (product lineup)
- Advancement of cold chains and other infrastructure
- Progress in tailor-made medicine for specialty pharmaceuticals

Ongoing reforms of the Drug Pricing System, Medical Service Fees, and Dispensing Fees
- Continuous decline in drug prices
- Limited market growth

Continuation of global inflationary trends
- Rising prices
- Increasing personnel expenses

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

Declining birth rate and aging population over the medium to long term
- Decline in the working-age population
- Increase in the elderly population

External environment analysis

Impact on the pharmaceutical wholesaling industry resulting from the diversification of drug pricing systems and modalities (product portfolios)

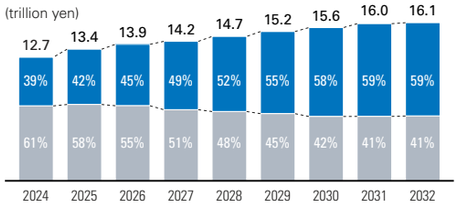
External environment

- Until FY2020, drug pricing was generally revised every two years in conjunction with revisions to medical fees; however, starting in FY2021, revisions to drug pricing have been made even in years when there were no revisions to medical fees. Sales for pharmaceutical companies depend on drug pricing, and revisions to drug pricing lead directly to a decline in sales.
- Furthermore, while we expect the market for long-term listed drugs (new drugs whose patents have expired) and generic drugs to continue growing at a moderate pace for some time due to the aging population, we do not anticipate significant growth.
- As revenue from existing drugs declines in this way, pharmaceutical companies are allocating resources to specialty pharmaceuticals, which, although difficult to develop, offer high profitability. As a result, the share of specialty pharmaceuticals among new drugs is expected to expand significantly and drive the market (see chart below). Driven by the growth of specialty drugs, the pharmaceutical market is expected to see moderate sales growth through around 2040.

Impact on the pharmaceutical wholesaling industry

- From the perspective of pharmaceutical wholesalers, while the unit price of specialty drugs is high, the small number of patients means there are no promotional fees, resulting in a low gross profit margin, posing a challenge.
- In addition to eliminating the need for promotional activities, pharmaceutical companies have begun to move to select one or two wholesalers capable of meeting the strict temperature control requirements for specialty pharmaceuticals to reduce distribution costs and administrative burdens. As a result, high-quality logistics capabilities, including those for diverse modalities such as temperature control and vibration control are in demand and wholesalers will need to be selected for these limited contracts.
- In addition, measures to reduce costs and generate profits —such as improving sales and delivery efficiency through the use of AI—will be necessary.
- Furthermore, to achieve future growth, we need to expand new services that are not affected by drug pricing and develop new pillars of revenue (especially profit).

Sales forecast for Japanese companies by modality (global)



Biopharmaceuticals
- Recombinant antibodies
- Protein and peptide therapeutics
- Monoclonal antibodies
- Plasma-derived products
- DNA and RNA therapeutics
- Vaccines
- Cell therapy
- Genetically modified cell therapy
- Other biotechnology products
- Oncolytic viruses
- Other biopharmaceuticals

Small-molecule drugs

Source: This graph is based on the first Work Group on Drug Discovery and Advanced Medical Care meeting document 8-1 (2026), Council for Japan’s Growth Strategy, Cabinet Office of Japan (Source: Evaluate Pharma)
https://www8.cao.go.jp/iryou/ss_wg/agenda/siryo-8-1.pdf (Japanese only)

The direction pharmaceutical wholesalers should take in light of environmental changes

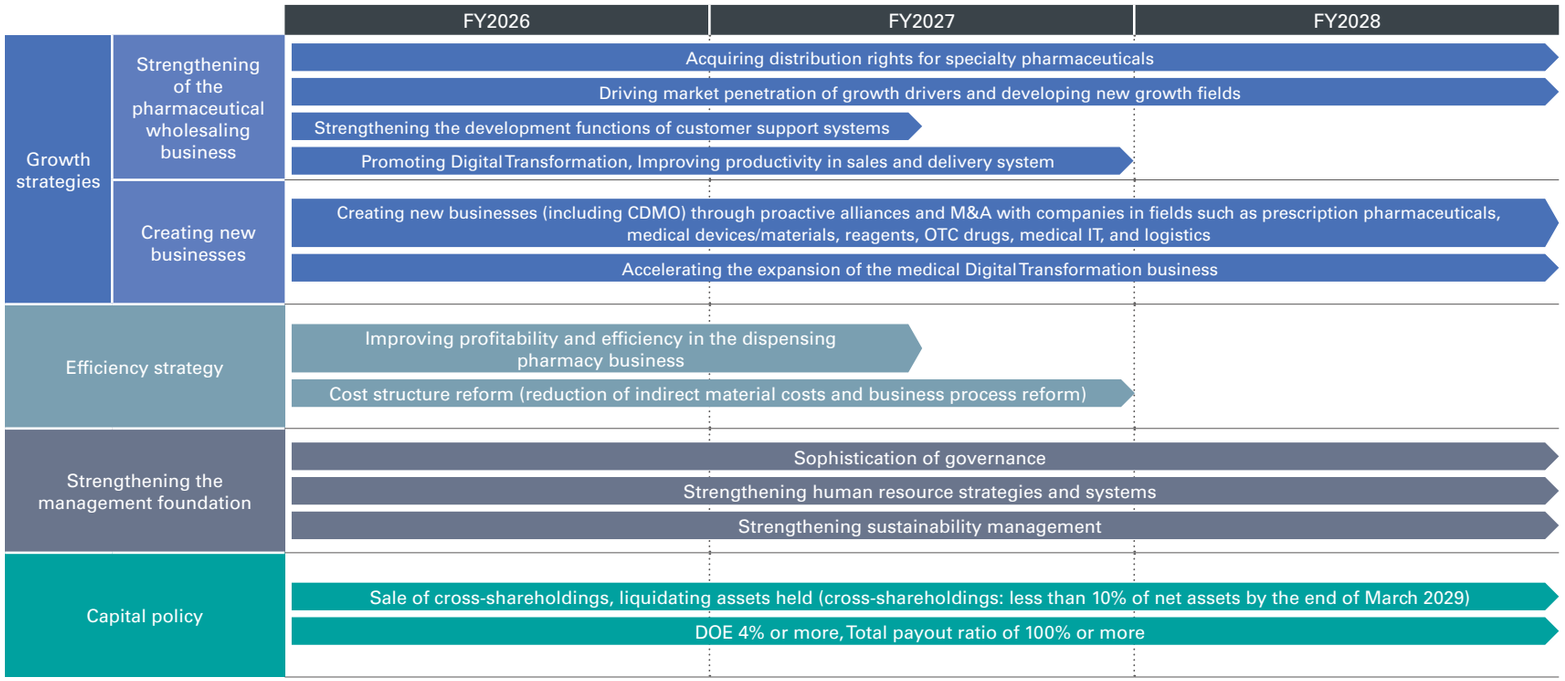
- Building a lean organizational framework capable of improving productivity and generating profits through the use of digital technologies and other means
- Sales growth driven by the acquisition of distribution rights for specialty pharmaceuticals and other high-growth product categories
- Creating value beyond the pharmaceutical wholesaling business in anticipation of demographic trends and the realignment of healthcare resources

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Overview of the Medium-Term Management Plan 2026-2028 “Soaring into the Next Generation”

Medium-Term Management Plan 2026-2028 “Soaring into the Next Generation”
https://ir.tohohd.co.jp/dam/include-content/content03/en/PUBLIC/assets/files/260428mtp_E.pdf

Overall strategy and roadmap



Financial targets

ROE
8% or more

Operating profit margin
1.5% or more

Operating profit
30 bn yen or more

Investment in growth fields
50 bn yen or more

In formulating this plan, the Management Strategy Committee resumed meetings in November 2025 and thoroughly examined measures aimed at maximizing corporate value over the medium to long term. The committee engaged external experts to ensure objectivity, and through multifaceted discussions and comprehensive review that was not constrained by existing frameworks, it arrived at the four key strategies listed below.

Growth Strategies

- Strengthen the profitability of the pharmaceutical wholesaling business by expanding infrastructure, including for specialty pharmaceuticals, and leveraging BI and AI
- Expanding CDMO business for new modalities
- Expanding business into related fields through alliances, M&As, and promoting the medical DX business

Efficiency Strategy

- Restructuring of unprofitable divisions, reducing indirect material costs and business processing reform to implement thorough cost structure reform across the Company

Strengthening the Management Foundation

- Advancing an offensive approach to governance under the leadership of the CGO
- Strengthening investment in the development and training of self-directed talent to undergird the decarbonization of the entire supply chain and the creation of sustainable value

Capital Policy

- Disciplined investing; stable dividend increases and flexible share buybacks in line with a policy of a total payout ratio of 100% or more and a dividend on equity of 4% or more.
- Reduction of cross-shareholdings

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COO Message



Going beyond our traditional domain of pharmaceutical wholesaling to further accelerate reform

Akira Umada
Senior Executive
Managing Director and COO

Becoming the industry's preferred partner by offering unique added value focused on specialty pharmaceuticals

As part of the social infrastructure that supports Japan's pharmaceutical supply system, the speedy and stable delivery of high-quality pharmaceuticals is the TOHO HOLDINGS Group's timeless mission, to which it will hold fast no matter how circumstances change. However, conditions in our core business of pharmaceutical wholesaling have become still more challenging. While the yearly revision has set National Health Insurance (NHI) drug prices on a continual downward path, the price at which we buy from pharmaceutical manufacturers is on a rising trend. Moreover, with medical institutions facing a difficult operating environment, there is limited room for price negotiation and our effective selling price to them moves ever closer to the NHI price.

Market growth under these circumstances is driven by specialty pharmaceuticals such as cancer therapeutics and orphan drugs. However, while these are growth drivers, their advanced product characteristics mean that pharmaceutical companies do not need to undertake the usual promotional selling through wholesale, and the profit margin relative to the high drug price is low. In addition to these issues in profit structure, pharmaceutical companies are accelerating the move toward selectivity and concentration in pharmaceutical wholesaling as a means of optimizing logistics costs. Simply competing for market share is no longer enough to survive this wave of attrition.

The Group aims to become the preferred partner for pharmaceutical companies by generating unique and unrivaled added value. We will continue sparing no effort to ensure the reliable and stable delivery of specialty pharmaceuticals to patients who require advanced treatment.

Working to fulfill the Medium-Term Management Plan through business structure reform and organizational optimization

Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," which the Group is currently implementing, sets the ambitious target of expanding gross profit in the pharmaceutical wholesaling business by 5.0 billion yen. The only way to reliably reach this target, in the absence of some ingenious plan that will reverse our fortunes at a stroke, is to work at speed and with solid commitment to achieve real reform through rigorous review of cost structures and optimal allocation of existing resources. In concrete terms, this means expanding the number of specialty pharmaceuticals acquired, concentrating resources on high-growth, high-profit products, and driving productivity improvement in both sales and delivery, thereby fundamentally strengthening profitability throughout our business.

Additionally, during the period of the current Medium-Term Management Plan, we will step up the organizational reform launched under the previous plan, working to build a resilient organizational structure able to adapt to changes in the business environment. In July 2026, we undertook a large-scale reorganization centered on the Sales Division of TOHO PHARMACEUTICAL, which was restructured into two separate sales and logistics divisions. By clearly defining the roles and responsibilities of each division and increasing the speed of decision-making and interdivisional coordination, our aim is to realize a more effective implementation system. To accompany this organizational change, we have undertaken bold personnel reforms that break the established mold, for instance injecting fresh talent into long-established senior management teams and promoting younger staff. By allocating the right person to the right position and enabling human resources with ambition and ability to perform at their best, we will invigorate the organization as a whole and boost its metabolism.

Raising operations to an advanced level through structural reform of logistics and sales combined with digital transformation

Currently, our delivery operations are partly outsourced. Due to a shortage of drivers in the logistics industry and surging prices and wage costs, a corresponding rise in outsourcing costs has been inevitable. In response, we are taking steps to optimize the balance of costs by reallocating our own human resources. As one example, we are reviewing the employment format and range of duties of older staff, and reassigning them to the dedicated functions of providing urgent cover for nighttime and holiday

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working and performing delivery and back-office operations. By making our own expert staff the mainstay of delivery and urgent cover operations, we will not only curb outsourcing costs, but also resolve chronic staff shortages.

In parallel, we will give powerful momentum to the digital transformation (DX) of our operations by deploying business and artificial intelligence (BI/AI) and other tools. The resulting automation and labor-saving in fixed operations will lighten the workload of our marketing specialists (MS) and free up time for them to spend on resolving the operational issues of medical institutions, proposing customer support systems, and engaging in other aspects of advanced solutions marketing. Some of this time will also be devoted to training as specialists in the area of oncology. In frontline delivery operations, use of new terminal devices and introduction of a delivery planning system will help maintain the rigorous quality control that pharmaceuticals require and will additionally realize more efficient routing and lessen drivers' workload. The resulting reduction in mileage will also be a major contribution to reducing environmental impact. Deploying DX in these ways to strengthen management and improve productivity will enable us to raise our game Group-wide and realize new value creation.

Restructuring of global logistics and customer support systems through external alliances

On the logistics front, we have begun a collaboration with the major global logistics operator DHL Supply Chain Japan, Inc., through which we are working to strengthen manufacturer and clinical trial logistics. This will enable us to go beyond the framework of our existing domestic logistics operation to build a unique advanced logistics infrastructure. Recent years have seen a growing number of bio-tech ventures entering the Japanese market, not only from Europe and America but also China and other countries. By expanding direct lines of contact with these overseas startups and offering access to our powerful logistics infrastructure, we will aim to secure their confidence from the initial stage of new drug distribution.

Tie-ups with external partners will also be important in customer support systems. For many years, we have benefited from the strength of ENIF and our other customer support systems in helping to find solutions to the issues faced by medical institutions and dispensing pharmacies. However, with today's dramatic pace of technological innovation, we need to directly confront the risk that systems built on past successes may become unable to adapt to rapidly evolving market needs. Now is the time to begin reviewing all current approaches from a zero perspective. Instead of insisting rigidly on in-house development, we will engage in tie-ups with and investments in external players operating at an advanced level who possess outstanding technology, also giving consideration to agency sales arrangements. In this way, we will move speedily forward with the restructuring of our customer support systems business for the new age, creating products MS can promote with confidence in the sales environment that will dramatically boost productivity at the medical frontline.

People-centered sustainability and well-being

I am also active as the chairperson of the Sustainability Promotion Committee. I believe that the non-financial sustainability indicators that best relate to business activity are those concerned with the education and the well-being—the physical and mental health and happiness—of individual employees. Regardless of how far technology and AI evolve in the future, people will remain the core factor in business.

If MS and other frontline employees are to maintain their close partnership with customers in the healthcare industry, which is currently undergoing dramatic change, it is essential that they remain committed to continuous self-motivated learning. We support employees seeking to acquire Medical Management Specialist certification or other qualifications and provide strong encouragement for employees to improve their abilities. I know of employees who display initiative by taking on the challenge and who achieve successful qualification after overcoming repeated setbacks, and have seen many cases where this experience gives a strong boost to the employee's confidence and ability to present customer solutions. Going forward, we will position personnel and training expenses not simply as business costs, but as positive investment in human resources. Through fundamental review of our training systems, including the existing Medical Total Planner (MTP) training, we will build a company-wide reskilling and education program to impart advanced data analysis ability and knowledge of specialty pharmaceuticals. We will additionally provide the staff of regional sales offices with the opportunity to receive training in the advanced environment of our Yaesu Head Office. This will be one of a number of measures to narrow the gap between head office and frontline operations as we seek to generate a company-wide sense of unity and pride.

To lay the foundation for human resources development, we will improve engagement by listening to the voices of individual employees and create a dialogue-friendly corporate culture. Since 2025, we have been carrying out engagement surveys and holding town hall meetings, which the executive team travels to attend in person. These activities sometimes reveal a range of dissatisfactions and issues. However, this demonstrates that the company has begun to recognize that employees should feel able to voice their true opinions in a way they had not been able to previously. I see this as a healthy process that cannot be avoided if the organization is to achieve transformation. The important thing is that the company should respond to the many opinions and issues emerging from the frontline of our operations by making visible its progress in discussing and prioritizing the relevant issues and should carry on with this feedback process. I am convinced that building sympathy and a sense of trust by showing that the company is responsive to employees' voices and creating a free and open corporate culture where everyone feels able to speak up without hesitation is the best way to ensure employee well-being, which is directly linked to corporate value increase.

To our stakeholders

Toward the bright future that lies on the other side of our transformation, we are committed to leading the current structural reform to a successful conclusion. I ask our valued stakeholders to continue their consistent support for the TOHO HOLDINGS Group in its endeavors to achieve further evolution and thereby fulfill their high expectations.

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CFO Message



Rigorously pursuing proactive management to maximize earning power

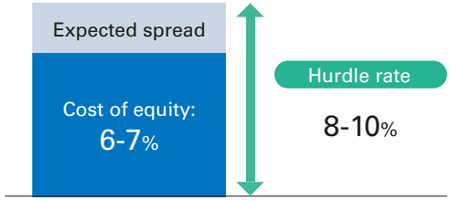
Yasuo Sakae
Executive Corporate Officer and CFO

Guided by thorough investment discipline, we are stepping up the pace of aggressive investments targeting profit growth

The pharmaceutical wholesaling business that underpins the growth of the Group is facing a major challenge stemming from the structure of the pharmaceutical industry in Japan—namely, low profit margins. To achieve steady profit growth even in this context, we are pursuing aggressive investment activities aimed at reinforcing existing businesses, with pharmaceutical wholesaling as the core business, while establishing new businesses. We discuss a range of investment projects on a daily basis within the Company. Among these, the Investment Committee, which I chair, deliberates on all potential projects exceeding a scale of 10 million yen.

The Investment Committee carries out a multifaceted review of the investment objectives, contribution to our business, profitability, and risks, including the post-investment management framework. The committee includes not only internal members but also outside directors and experts. We are aiming to make more appropriate investment decisions by taking on board opinions and suggestions from a broad range of perspectives. In terms of quantitative criteria, our requirements are that the net present value (NPV) of a project be positive and that the return on invested capital (ROIC) exceeds the Group's current weighted average cost of capital (WACC) of 6%. We adhere strictly to a framework in which only projects meeting these conditions are submitted to the Board of Directors, the ultimate decision-making body.

Strict investment discipline



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

Objective and transparent review process



Balancing growth investments with shareholder returns, including weighing the use of financial leverage

In the Medium-Term Management Plan 2026–2028 we announced in April 2026, "Soaring into the Next Generation," we have set targets of a dividend on equity ratio (DOE) of 4% or higher and a total payout ratio of 100% or higher. To achieve these targets, we will implement stable dividend increases and flexible share buybacks to achieve shareholder returns of 50 billion yen or more. Furthermore, we will pursue shareholder returns in line with our capital allocation policy while maintaining an appropriate balance with investments in human capital, infrastructure, and growth. We sometimes receive feedback from shareholders and investors regarding this policy along the lines that there is an over-emphasis on shareholder returns over growth investments, and that it might be difficult to execute growth investments in excess of 50 billion yen. We take seriously the fact that the concern underlying this feedback is whether the Company can continuously generate sufficient cash to simultaneously provide the growth capital necessary for reinforcing existing businesses and for new businesses, as well as the funds needed for investments in human capital, infrastructure, and shareholder returns.

We will address such concerns by expanding operating cash flow by means of boosting earning power. We have also made it clear that we are willing to liquidate assets and take on interest-bearing debt when carrying out growth investments that exceed the cash generated. While giving full consideration to financial

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soundness, we will draw on financial leverage, something we have not actively taken advantage of to date, to accelerate transformation in terms of both growth investment and shareholder returns. Naturally, in executing any investment, we will rigorously examine its profitability. When we deem that a project is at a critical juncture, we will allocate funds in a flexible manner, including through the active use of interest-bearing debt, translating the investment into shareholder returns driven by longer-term profit growth.

Part of our efforts to liquidate assets involve reducing cross-shareholdings. Guided by a policy of reducing such shareholdings to less than 10% of consolidated net assets by the fiscal year ending March 31, 2029, we are proceeding with sales in stages. We are not bound by the March 2029 deadline, however, and are also considering achieving this target at an earlier stage, depending on our progress in growth investments. Recognizing that divesting cross-shareholdings is a top priority for accelerating growth through transformation, we will make effective use of our assets while carefully confirming the intentions of the companies involved.

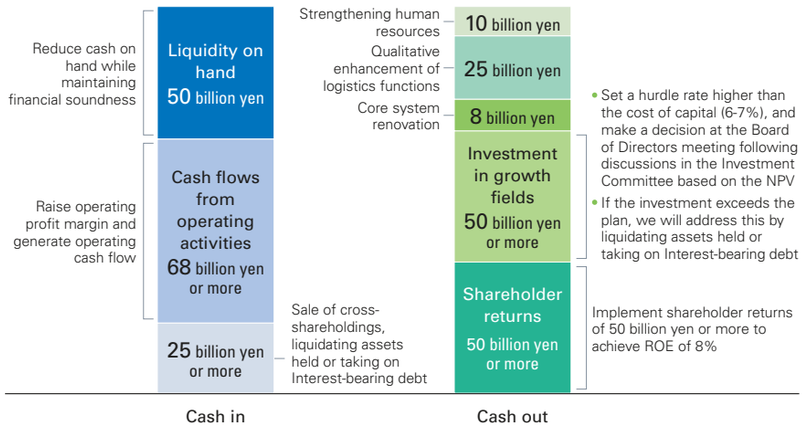
Pursuing proactive management as we implement the new Medium-Term Management Plan

In Integrated Report 2025, I stated that I believe proactive management focused on earning power is the necessary approach to the financial strategy for the Group. Proactive management means boldly allocating capital in areas where we have discerned that the investment is truly essential for enhancing corporate value in the longer term, and executing investments that prioritize sustainability. As a general principle, we intend to use improvements in ROIC and ROE as the criteria for evaluating these actions.

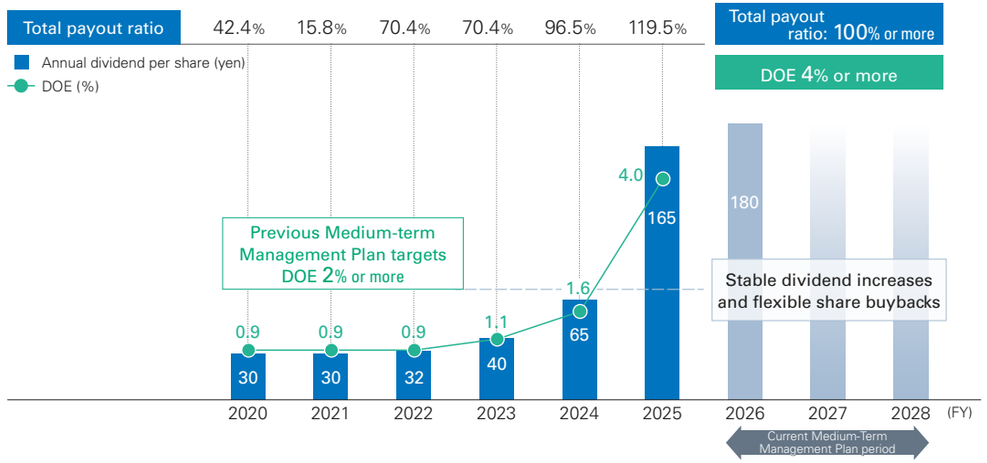
This kind of proactive management approach is indispensable to implementing the Medium-Term Management Plan 2026-2028, "Soaring into the Next Generation." In addition to growth strategies, the plan includes a clear set of targets for improving profitability in relation to each challenge and project as part of its efficiency strategy, and we plan to steadily take steps to achieve these targets. To support these measures in the various business divisions, it is essential to realize proactive management at even greater depth, and we will move to rapidly reinforce human resources and information infrastructure in our management divisions to this end. At the same time, we will heighten our ability to gather and analyze information in response to changes in the external environment.

Even as they formulate and implement the efficiency strategy under the Medium-Term Management Plan, the members of the various management departments are increasingly taking on a new mindset. Although we are still only part way there, a proactive management approach is clearly spreading throughout the Group. In addition, members from the various business divisions who will drive future growth took part in the process of formulating the plan, gaining experience in actively discussing the future of their own divisions from a company-wide perspective. As the project members return to their respective departments and share this experience, I expect that moves to pick up the pace of Group-wide transformation will spread, and am hopeful that proactive management will further encourage such moves. There are many challenges to be sure, but to meet the expectations of our stakeholders, we will further pursue proactive management aimed at boosting earning power.

Capital allocation



Shareholder return policy



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Message from the Director in Charge of Transformation



Creating genuine value in an era of transformation:

cherishing our DNA of customer support as we move to the next stage of growth

Shuzo Kono
Executive Managing Director,
in charge of Transformation

Aiming for a profitability expansion phase that delivers profit growth based on our unwavering DNA

Our Group has been addressing the various challenges faced by medical institutions and patients for many years. Over 30 years ago, we pioneered the development of a medical care appointment system, dramatically improving convenience for both medical institutions and patients. This history of improving the quality of healthcare by creating innovative systems that did not previously exist is the very DNA of our Group and a source of pride.

Traditional business models are currently facing a major turning point amid changes in the market environment, including accelerating advances in digital technology and ongoing reforms to healthcare systems. Despite these changes, we are committed to our long-cherished philosophy of customer support rooted in taking the perspective of patients and customers on the front lines of healthcare. Standing on the solid foundation established during our previous Medium-Term Management Plan, we are now striving to reach a profitability expansion phase, in which we target exponential growth in operating profit. While preserving the DNA we have inherited, we will create new norms in healthcare and achieve sustainable growth and high profitability together as a Group.

Executing the Medium-Term Management Plan to transform into a “Comprehensive Healthcare Solutions Provider”

Our newly formulated Medium-Term Management Plan 2026–2028 “Soaring into the Next Generation” aims to transform the Group into a “Comprehensive Healthcare Solutions Provider,” going beyond the scope of the existing pharmaceutical wholesaling business. This represents our strong determination not merely to achieve numerical targets, but also to create new value by pursuing medical digital transformation and diversifying our businesses through external alliances and M&A activities. In addition to the alliances we have already disclosed, we are exploring various possibilities and considering opportunities for further growth. Going forward, we will deliver unprecedented added value to pharmaceutical companies and medical institutions while striving to dramatically strengthen our earnings base.

Organizational reforms driven by frontline personnel and the development of self-directed talent

The greatest driving force behind transformation is people. We currently have multiple projects underway to advance the Medium-Term Management Plan, with the participation of many younger employees. Members of each project team conduct detailed progress reviews every two weeks to assess results and challenges in relation to our KPIs, and we ensure that team members themselves think through how they can achieve their goals and arrive at solutions. This process encourages growth toward self-directed talent—employees who, rather than waiting for instructions from the top, identify issues on their own, formulate strategies, and take action. I myself have come to realize that our corporate culture is undergoing significant transformation. Through operational reforms arising from the front lines, we will build a sustainable and robust organizational framework.

To our stakeholders

As we implement the various initiatives outlined in the current Medium-Term Management Plan, we will fulfill our commitment to its financial targets, including ROE of 8% or more, while striking an even more productive balance between capital efficiency and our social responsibilities and potential for growth. We will continue to foster a corporate culture where employees can thrive and pursue their ambitions, continuing to do our utmost to maximize corporate value and meet the expectations of shareholders and investors.

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Business Strategy

Special Feature

Creating new businesses to accelerate our transformation into a Comprehensive Healthcare Solutions Provider

01 Corporate venture capital fund “TOHO Ventures”

In recent years, the healthcare industry has entered a period of significant transformation, driven by the advance of drug discovery technologies, the progress of personalized medicine, the utilization of digital technologies, and the increasing sophistication of the supply chain. In response, TOHO HOLDINGS has established the corporate venture capital fund “TOHO Ventures” to intensify the search for business seeds that can be nurtured to create new value in collaboration with innovative partner enterprises.

Outline of TOHO Ventures

Total managed assets: 10 billion yen　Fund term: 10 years
Investment targets: Drug discovery, biotechnology, medical DX, and related fields
Strategy: The fund invests primarily in advanced overseas startups, focusing on the drug discovery and biotechnology sectors and medical DX. By creating next-generation platforms that dramatically enhance drug discovery productivity through technological innovations, from AI and data science to cellular and genetic engineering, and by utilizing the resources of TOHO HOLDINGS, including its dispensing pharmacy channels and manufacturing and data infrastructure, the fund will facilitate the commercialization and societal implementation of the ventures it invests in.

Process and criteria for selecting investment targets

STEP 1 Screening of new projects (in-house review)
From among the numerous candidates proposed by the independent venture capital company Global Brain Corporation (GB), which was the co-founder of the fund, and candidates put forward by TOHO HOLDINGS, promising ventures are identified and their potential to generate medium- to long-term synergy with TOHO HOLDINGS is explored in-house.

STEP 2 Discussion with GB
Investment candidates that have passed the in-house review stage are the subject of joint discussion and investigation with GB.

STEP 3 Interviews with startups
Direct interviews and study meetings are held with the executive team of the investment candidate company to investigate the potential for collaboration.

STEP 4 Final review and decision on investment target
A decision on the investment target is made with input from an in-house final review committee and GB’s investment committee.

Results

Investment in Metaphore Biotechnologies, Inc.

Metaphore is a next-generation antibody drug discovery company founded by the US venture fund Flagship Pioneering.*

Its proprietary AI drug discovery platform MIMIC™ enables it to create antibodies that have historically been difficult to design using structural data alone, such as agonist and multi-functional antibodies. With its core strengths in molecular optimization speed and high-potency design capabilities, Metaphore is currently assembling a product pipeline.

* Flagship Pioneering: Venture capital company and business creation platform specializing in investment in biotechnology, life science, healthcare, and related fields

MESSAGE Message from a team member



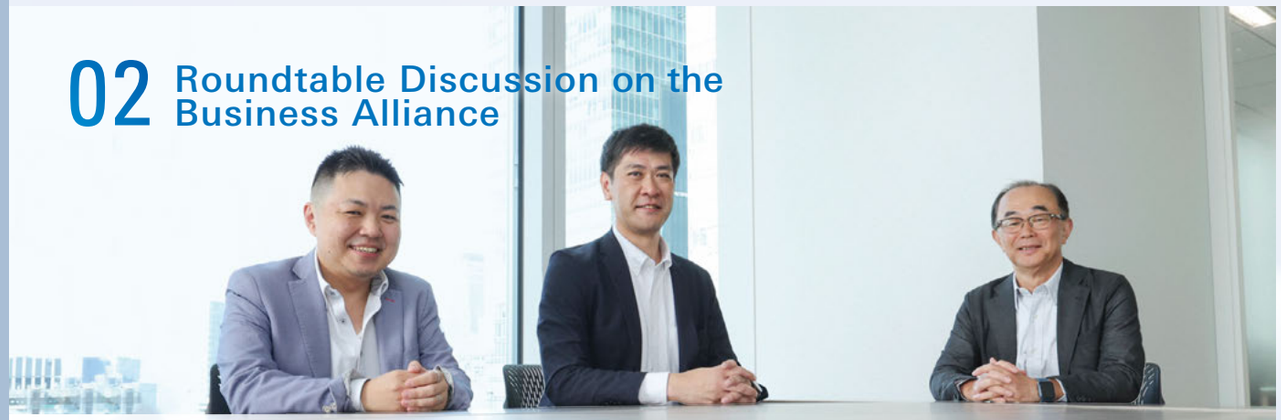
Rinko Ueda
Manager,
Business Development Department

Our division undertakes active discussion of the candidates selected from among the numerous potential investment targets proposed to us every week by GB and by TOHO HOLDINGS itself. For our predominantly young team, this means carrying out exhaustive analysis and investigation and giving in-house presentations.

Since joining the company and prior to moving to this division, I had worked in customer support systems. The other staff members in the division also have varied backgrounds, including sales and computer systems and colleagues with experience of posting to external organizations. That brings together a wide range of perspectives not bound by the established ideas of the investment field and opens new horizons for discussion.

By creating new businesses that will become future operational mainstays, our work will contribute to further increasing corporate value.

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02 Roundtable Discussion on the Business Alliance

Building a regenerative medicine ecosystem and challenges to real-world implementation

Koki Tanimoto
Chemicals Division,
Energy and Chemicals Company
ITOCHU Corporation

Takeshi Hosoyama
President and Representative Director
TEIJIN REGENET CO., LTD.

Shigeki Nakata
Representative Director and President
Orphan Trust Japan, Co., Ltd.
Executive Managing Director TOHO HOLDINGS, CO.,LTD.

Background to the business alliance

In the development of regenerative medical products, establishing the facilities and equipment required to bring a product to market, as well as securing logistics routes and procuring materials, requires advanced expertise and entails enormous costs. As a result, developing innovative treatments in the field of regenerative medicine poses a significant challenge for many biotech startups. Against this backdrop, TOHO HOLDINGS has partnered with TEIJIN REGENET and ITOCHU Corporation—both of which possess expertise and strengths in fields that differ from ours—to build a regenerative medicine ecosystem that will provide industry-leading, high-quality, one-stop services to biotech startups and other companies developing regenerative medical products.

Objectives of the alliance and the role of each company

Nakata: In recent years, the number of regenerative medical products on the market has been steadily increasing, and growth in this market is expected to accelerate even further, especially with the entry of new biotech startups. On the other hand, soaring production costs and other increases in development and manufacturing costs have become a major obstacle to progress across the industry. The reason our three companies launched a regenerative medicine ecosystem is because this framework will enable the efficient and streamlined provision of contract manufacturing and other services, thereby structurally lowering the burden of development. We are convinced that this framework will serve as a foundation supporting advances in regenerative medicine and its societal implementation.

Hosoyama: Of course, it was important that we were able to have shared expectations about the development of the regenerative medicine sector, but it was equally important that we could have a common understanding of the challenges involved. Specifically, while TEIJIN REGENET's CDMO* business is indispensable to cell therapy and regenerative medicine, it's ultimately just one component of the regenerative medicine industry, and there are limits to what we can achieve on our own. To overcome this challenge and further drive growth in regenerative medicine, it's essential for companies operating in different fields to collaborate. I believe the fact that all three of our companies shared this awareness was a major factor in forming this business alliance.

* CDMO: Contract development and manufacturing organization

Tanimoto: Expertise in fields related to regenerative medicine has been growing rapidly in recent years. While ITOCHU's Chemicals Division possesses extensive business know-how regarding conventional small-molecule drugs, there are limits to what we can achieve using only our existing knowledge in advanced fields such as regenerative medicine and biopharmaceuticals. To make inroads into these highly specialized fields, it's essential for companies with outstanding technologies and expertise to collaborate across the supply chain.

Hosoyama: I'm also looking forward to the synergies that will arise as the areas of expertise of each of our companies come together. For the CDMO aspect of this alliance, which TEIJIN REGENET will handle, we'll undertake the contract manufacturing of a diverse range of assets that incorporate the proprietary technologies and know-how of our customers. While this requires a high level of technical expertise, it will also allow us to accumulate a wide variety of data, including the seeds of future businesses. Going forward, drawing even more extensively on our unique information-gathering capabilities, we will work to create the kind of new value that our company alone could not have achieved.

Nakata: TOHO HOLDINGS will handle the distribution and storage of regenerative medical products and other materials that require

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strict temperature control. We do more than just transport products, however; like your two companies, we also handle a great deal of information and expertise. I'm convinced that the vast network of information formed through the collaboration of our three companies will accelerate the development of the regenerative medicine ecosystem and serve as an indispensable foundation for bringing the seeds of value creation that lie dormant in the market to fruition, and allowing them to flourish in society.

Tanimoto: As Mr. Nakata mentioned, the societal implementation of regenerative medicine is a key theme of this alliance. For our part, ITOCHU will support efforts to surmount the challenges involved in this societal implementation by aiding the procurement of consumables for the manufacturing process and by providing access to our network of pharmaceutical companies and other partners to facilitate overseas expansion. We believe the unique advantages of this unparalleled alliance lie in the fact that each of our three companies can contribute information focused on societal implementation and combine our insights.

Feedback from startups and providing value by addressing the challenges they face

Nakata: The biggest challenge in the development of regenerative medicine is the phenomenon known as the "Valley of Death"—the fact that, in many cases, the results of the outstanding basic research conducted at universities and research facilities fail to reach the market as products, owing to a lack of funding or other factors during the development stages prior to commercialization.

Hosoyama: You're absolutely right. The majority of inquiries we receive from startups concern the process of bringing products to market, and many companies face an array of challenges, particularly regarding funding. At TEIJIN REGENET, we leverage our network of key opinion leaders in the clinical field to address these challenges by connecting startups with medical specialists and venture capital firms with strengths in the healthcare sector.

Nakata: For biotech startups, another aspect of the Valley of Death on par with funding challenges is the transition from development in the lab to clinical trials. Since many companies struggle with the gap between laboratory-scale manufacturing and commercial production, the support TEIJIN REGENET can provide from an early stage is extremely valuable. Our company will also be involved in logistics and storage starting from the clinical trial phase. Handling clinical trial logistics will also help us build a framework that can be used for subsequent end-to-end commercial distribution and sales, so this early involvement with an eye toward the future will be a key strategy for us moving forward.

Tanimoto: As you both indicated, there are many hurdles to overcome before products developed by biotech startups can actually become viable businesses. For startups in particular, the bulk of which are made up of small teams, managing logistics and commercial production while simultaneously pursuing R&D represents a significant burden. That is precisely why it is so effective for our three companies to offer our diverse expertise, information, and networks from an early stage. By sharing the risks involved in bringing products to market from the beginning and working side-by-side with startups to address these risks, we believe we can help the startups skirt the Valley of Death.

Roadmap for building a regenerative medicine ecosystem

Nakata: In the field of regenerative medical products, the cold chain frequently involves different temperature control requirements and time constraints for each product. As a company whose core business is distribution, the challenge for TOHO HOLDINGS moving forward is to gain experience in logistics with a diverse range of products to further enhance the quality of our supply chain.

Tanimoto: One challenge we face in materials procurement is that many of our systems related to regenerative medicine rely on materials manufactured overseas. While such overseas products are currently the mainstream, we aim to draw on ITOCHU's materials procurement capabilities to encourage improvements in the performance and competitiveness of products made in Japan and help build a more robust, more stable supply chain.

Hosoyama: I also have high hopes for domestic technologies and products. Japan boasts a world-class foundation for technology in regenerative medicine and cell therapy, and I believe our CDMO business plays a key role in bringing these outstanding technologies to the global market from the manufacturing side. Going forward, through our participation in global consortiums, we aim to raise awareness of our regenerative medicine ecosystem among overseas companies and become a leader in the global regenerative medicine sector.

Nakata: As you say, Japan's technological capabilities hold the potential to make this country a hub for the global regenerative medicine industry. By serving as the driving force behind the growth of the domestic market and propelling Japan to become a supply hub for regenerative medicine businesses in Asia, our three companies aim to play a leading role in promoting the international adoption of regenerative medicine. This, I believe, is precisely the ideal we should strive for.

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Pharmaceutical wholesaling business

Focusing on medium- to long-term growth for increased gross profit

Strengths

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

Strategy under Medium-Term Management Plan 2026-2028

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

Main Measures	▶ Becoming the partner of choice in specialty pharmaceuticals	• Further strengthening of high-quality logistics capabilities, including temperature control (such as cold chains) and vibration control compatible with various modalities
	▶ Contributing to market penetration of growth driver products and fostering growth domains	• Category strategies by product and area and qualitative improvement of sales
	▶ Strengthening customer support system development capabilities through integration of system subsidiaries	• Developing new systems tailored to customer needs • Integrating AI into existing systems (MIZAR, ENIFvoice, etc.)
	▶ Building a data-driven sales and delivery system by promoting DX and utilizing AI	• Leveraging BI tools and AI to improve productivity in sales and logistics

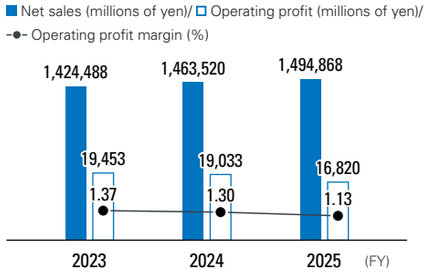
Review of FY2025

Based on the previous Medium-Term Management Plan and the supporting Action Plan, we worked to strengthen our business foundation through the three main strategies set out below.

- Initiatives for business transformation: Through the integration of pharmaceutical and reagent operations, we promoted the development of the reagents market by our pharmaceutical MS, while also enhancing management functions through DX, establishing an optimal delivery system through the visualization of distribution costs, and promoting a strategic approach focused on high-profit areas.
- Strengthening of logistics functions and specialty areas: In addition to commencing construction of TBC Tokai, a multifunctional logistics center that integrates manufacturer and wholesaler logistics warehouses, we obtained new ISO 9001 certification to further enhance our quality control system, implemented thorough and strengthened internal training on Good Distribution Practice (GDP), and established a full-line service for specialty products.
- Improvement of customer support business:
  We developed new customer support systems through alliances and other strategies while promoting increased ability to present solutions through human resource education.

Business results were boosted by growth in cancer drugs and in specialty pharmaceuticals and other products whose handling is limited to selected wholesalers. However, the impact of changes in the product mix and increases in our pharmaceutical purchase prices led to an overall decrease in operating profit despite an increase in net sales.

Net sales/Operating profit/
Operating profit margin



TOPICS #01 Qualitative enhancement in sales and delivery

We are working to clarify the roles of sales and delivery teams and to improve operational efficiency and productivity through the use of digital tools and other measures.

Clarifying the roles of sales and delivery teams

Implementation of each measure

Kyoso Mirai Portal Enhancements	▶ Reducing the workload of medical institutions, marketing specialists (MSs), and office workers
Utilizing new delivery terminals	▶ Improving delivery efficiency and accuracy
Implementing the Delivery Planning System	▶ Reducing the burden on delivery operations ▶ Strengthening the stable supply system
Improving MS Skills	▶ Reskilling training, Implementation of training programs in oncology ▶ Promoting the acquisition of Medical Management Specialist certification

Improving productivity by strengthening sales, delivery, and management systems through the promotion of DX (utilizing BI and AI)

Realization of new value creation

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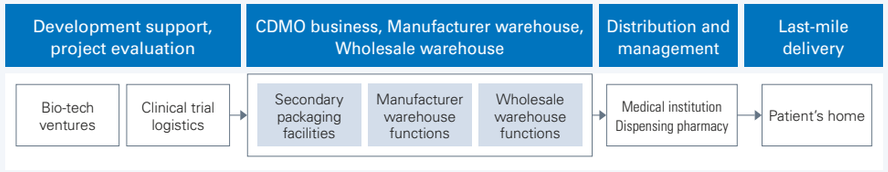
Pharmaceutical wholesaling business

TOPICS #02 Full-line service for specialty products

In recent years, the increased importance of new drugs such as biopharmaceuticals and other specialty pharmaceuticals means that pharmaceutical wholesalers have needed to upgrade their functions to handle a wide range of modalities.

The Group is working to further strengthen its high-quality logistics functions in areas such as vibration control and temperature control, including cold chain systems, to secure the trust of pharmaceutical companies as their partner of choice.

Full-line service for specialty products



TOPICS #03 Logistics strategy

As a corporate group that deals in the life-related area of pharmaceutical products, our logistics functions are the basis for the fulfillment of our social mission. The Group operates a total of ten logistics centers nationwide, seven handling prescription pharmaceuticals, one for reagents, and two for non-prescription drugs. To further strengthen these functions, we are advancing with the construction of TBC Tokai in Komaki City, Aichi Prefecture, with completion planned in FY 2027. This facility is intended to realize high-spec shipment processing combined with rigorous labor-saving measures as a crystallization of the automation technology expertise that we have accumulated over many years. Its opening is expected to achieve a fundamental reform of sales and distribution operations. As a manufacturer warehouse will be provided within the same structure, it will eliminate the quality risk associated with the transportation of specialty pharmaceuticals such as regenerative medical products, ensuring efficient product supply that is also reliable and safe.

To complement TBC Tokai, we are also considering the establishment of a multi-functional logistics center in the Kansai area that will handle wholesale logistics, manufacturer logistics, clinical trial logistics, and CDMO business operations.

If implemented, this would realize a one-stop supply chain in the region stretching from Tokyo through Nagoya to Osaka, which is Japan's hub for economic activity, information, human resources, infrastructure, and other areas.

Three Transformations Brought by TBC Tokai

1. Strengthening of logistics functions and improvement of operational efficiency
   - Further functional enhancement of existing centers
   - Introducing new automation technologies to achieve both thorough labor saving and high-spec processing capacity
2. Stable supply of pharmaceuticals and enhancement of BCP
   - Completion of a robust nationwide network
   - TBC Tokai will leverage its location adjacent to a Main Wide-Area Disaster Management Base Facility to cooperate with local governments and the Japan Self-Defense Forces.
3. Establishment of a competitive advantage
   - Rolling out a nationwide shipping system with complete, customer-specific packaging
   - Significant reduction of inventories at sales offices and the burden of delivery operations
   - Creating an environment where MS can focus more on providing information at medical sites

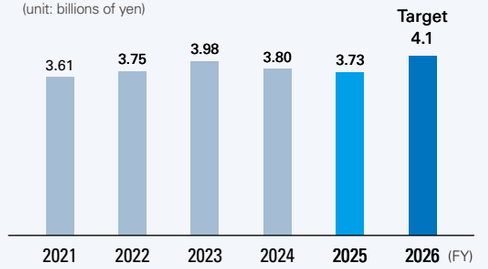
TOPICS #04 Improvement of customer support business

For more than 30 years, the Group has worked to develop and deliver customer support systems to address the issues of patients, medical care institutions, and other stakeholders and contribute to the efficiency of their operations. As growth in the pharmaceutical market becomes limited due to measures to curb medical costs and other trends, the customer support business is steadily generating profit and has become a major strength contributing to our competitive advantage.

Currently, in addition to strengthening the functions of existing systems, we are focusing on new development through alliances with other companies. In FY2025, we collaborated with GMO Reserve Plus Co., Ltd. on the further development of the medical appointment system LXMATE HeLios to create and market a version with more advanced functions known as LXMATE HeLios cloud Professional. Meanwhile, we supplied the technology of our dispensing pharmacy system ENI-Pharmacy to support the new service N-Bridge operated by the Japan Pharmaceutical Association and PHARUMO, Inc.

To support the development of such systems at pace, we are also driving organizational transformation. In October 2026, we integrated into TOHO HOLDINGS the information systems subsidiary TOHO SYSTEMS SERVICE. By thus strengthening our development system by uniting the Group's internal engineering resources and expertise, we intend to swiftly deliver solutions that anticipate the medical needs of the next generation.

Performance of Customer Support Systems (Gross profit)



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Dispensing pharmacy business

A new pharmacy model that is chosen by patients and local communities

Strengths

- Seamless pharmaceutical supply in collaboration with the pharmaceutical wholesaling business
- Promoting medical DX and operational efficiency by using the customer support systems
- Coordinating with the multiple professions that support the community-based integrated care system

Strategy under Medium-Term Management Plan 2026-2028

Establish a new pharmacy model that is chosen by patients and local communities by strengthening governance and promoting DX to improve management efficiency, and by improving patient-centric services and utilizing data

Main Measures	
▶ Strengthening store operations	• Strengthening store operations by promoting operational efficiency and standardization through enhanced governance
▶ Expansion of new store formats	• Strengthening online pharmacy and other services to meet diversifying patient needs
▶ Boosting the productivity of pharmacists	• Boosting the productivity of pharmacists by actively outsourcing prescription dispensing and promoting DX to streamline their administrative tasks and secure time for patient-facing work
▶ Optimizing the CDP	• Using data and AI to promote personalized communication with each patient

Review of FY2025

To realize the transformation of the dispensing pharmacy business that was a key theme of the previous Medium-Term Management Plan, we moved ahead with the reorganization of operating companies, reducing the number of dispensing pharmacy businesses gathered under the PHARMA CLUSTER brand from 24 as of March 31, 2024, to four as of April 1, 2026 (PHARMA MIRAI, Strelitzia, AOBADO, and PHARMA DAIWA).

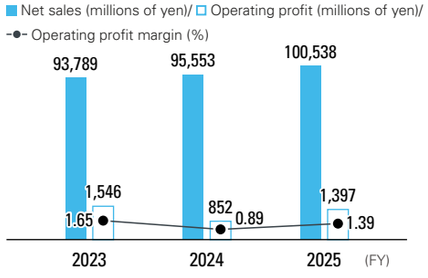
Meanwhile, in our continuing response to the revision of dispensing fees, in addition to focusing on home healthcare, we introduced measures to promote medical DX through the use of the My Number health insurance card, which allows medical care institutions to access additional premiums. Additionally, to save labor and enhance the patient-facing service provided by pharmacists, we established prescription input centers at two locations in Niigata and Gunma prefectures to centralize the inputting operations of individual pharmacies.

Although business results were affected by costs for the ongoing restructuring of operating companies, both net sales and operating profit increased.

Timeline for Major Events in Restructuring

April 2024	Merged Cure into Strelitzia
July 2024	Merged Shimizu Yakkyoku into Strelitzia
October 2025	Merged SEIKO MEDICAL BRAIN into Strelitzia
January 2026	Merged KOSEI into AOBADO
February 2026	Merged VEGA PHARMA into Strelitzia
April 2026	Merged J. MIRAI MEDICAL into Strelitzia; Merged K-Create Corporation into AOBADO

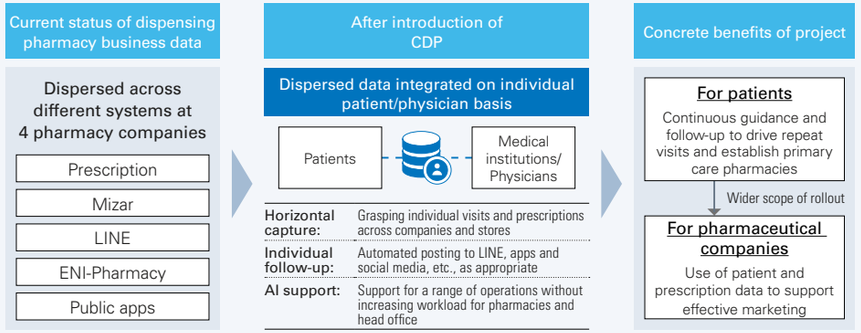
Net sales/Operating profit/ Operating profit margin



TOPICS Building a CDP

To systematize and utilize the various data that are produced and accumulated in the day-to-day operation of the dispensing pharmacy business, we are progressing with the building of a customer data platform (CDP). By integrating the patient data and physician data that had been dispersed between different systems, thereby allowing centralized management on an individual basis using the same individual identification, we aim to achieve data-driven business growth and more sophisticated marketing activity.

These measures will enable us to roll out more accurate marketing initiatives in line with patient profiles and trends, which is expected to increase the number of patients attending our pharmacies. The wide range of data thereby gathered in the pharmacy setting can be integrated with the database of the pharmaceutical wholesaling business and processed through data cleansing to create a highly accurate big data resource, in turn enabling us to build a new income stream by offering pharmaceutical companies and other bodies effective and high-value-added services in data analysis and proposal of marketing solutions.



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Pharmaceutical manufacturing and sales business

Expanding into high-value-added sectors and improving profitability by adapting to new product modalities

Strengths

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

Strategy under Medium-Term Management Plan 2026-2028

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

Main Measures	
▶ Developing, manufacturing, and marketing new products by leveraging the regenerative medicine ecosystem	• Providing one-stop essential functions from development to launch, and building a supply chain spanning clinical trial and wholesale logistics
▶ Enhancement of CDMO functions centered on the Haneda Packaging Center	• Expanding GMP-compliant, packaging, and storage capabilities in a bid to accept contracts from foreign-funded companies and bio-tech ventures

Review of FY2025

CDMO business

We carried out validation* and related procedures to prepare for a new manufacturing contract for two injection formulations. This generated income for technological adaptation in advance of the start of the contract operations. We also responded to the steep rise in raw material costs by revising prices for some contract-manufactured items. Under existing manufacturing contracts, increased lot production contributed to higher net sales.

The Haneda Packaging Center, a secondary packaging facility for prescription pharmaceuticals located within the same facility as TBC DynaBASE, began preparations for contract operations.

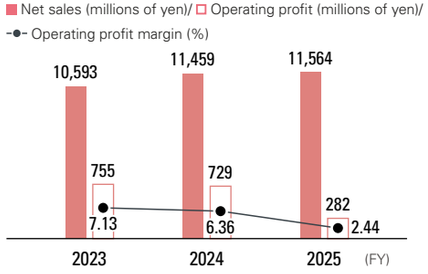
* Validating that the manufacturing site equipment and the procedures, processes and other production and quality control methods will deliver the expected results and producing related documentation.

Generics business

We implemented a concentrated Group-wide move to KYOSOMIRAI PHARMA products and a review of items handled. In December 2025, we launched three lacosamide product formulations (50mg/100mg tablet, 10% dry syrup), bringing the number of generic pharmaceutical products handled as of the end of March 2026 to 80 ingredients in 182 products.

Business results for this segment showed increased net sales but decreased operating profit due to higher cost of sales and other factors.

Net sales/Operating profit/
Operating profit margin



TOPICS Haneda Packaging Center

Among overseas pharmaceutical companies and bio-tech ventures, there are many lacking adequate infrastructure within Japan, such as secondary packaging facilities and manufacturer warehouses. By supporting these enterprises from the development stage, the Group aims to expand earnings opportunities in areas from manufacturing to distribution. An example is the Haneda Packaging Center, a secondary packaging facility operated by KYOSOMIRAI PHARMA and located within the same facility as our TBC DynaBASE prescription pharmaceuticals logistics center. Within the Haneda Packaging Center are facilities for the inspection, packaging, and storage mainly of vial formulations, which we use to provide contract operations to pharmaceutical companies lacking such facilities.



One-stop supply chain within the same facility as TBC DynaBASE

Haneda Packaging Center


Packaging room


Testing room

Manufacturer warehouse functions

Wholesale warehouse functions

Handling of shipment decision to storage and distribution of regenerative medical products

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Other peripheral businesses (new businesses)

Progressing with a strategy for transformation into a Comprehensive Healthcare Solutions Provider

Strengths

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

Strategy under Medium-Term Management Plan 2026-2028

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

Main Measures	
▶ Creating new businesses through alliances and M&A	• Going beyond the scope of the existing pharmaceutical wholesaling business, we will actively promote alliances and M&A with business companies and startups in peripheral areas such as CDMO, medical devices/materials, reagents, OTC drugs, medical IT, and logistics, aiming to create new value and build a solid profit base
▶ Accelerating the expansion of the medical DX business	• Expanding into related areas using the pharmaceutical wholesaling business as a springboard to promptly provide added value and new services to our business partners, customers, and patients
▶ Seeking new business alliances	• Appointing external experts to conduct a comprehensive review of the potential of creating synergies through M&A and alliances with businesses in the same industry and those in other industries • In the light of the conclusion that sufficient added value cannot be created by simply continuing along the existing path, pursuing avenues that contribute to the creation of new value beyond the existing framework

Review of FY2025

K.K. eHealthcare: Business related to medical information

The company worked to provide and upgrade services that link patients and medical institutions. Among these are the use of the Byouin-Navi medical institution search website to facilitate patient selection of medical institutions and to help medical institutions attract patients and provide information; the linking of this website with the TOHO HOLDINGS Group's Initial Examination Reservation Service and its automated medical care appointment system; expansion of AI-based medical consultation services; and support for medical institutions to create websites.

eKenkoshop Corporation: Internet business related to pharmaceuticals

After discontinuing services for general consumers, the company concentrated on sales support for dispensing pharmacies. Maximizing synergy with the pharmaceutical wholesaling business, it provided comprehensive support in the procurement of non-prescription pharmaceuticals and healthcare products. This helped attract pharmacies interested in in-store sales and increased business transactions, with the number of stores using its services increasing by around 300 from the previous fiscal year to 9,000.

ALF. Inc: Plan and sale of information processing equipment business

The introduction of AI for software development has led to increased net sales from development projects and improved quality. In addition to rolling out a new terminal device for the prescription faxing system ENI-Pharmacy, the company also made good progress with securing user contracts for the medical appointment system LXMATE HeLios cloud. Moving thus from business based on conventional hardware sales to operations centered on software development, the company is shifting progressively to high-value-added business areas.

Nextit Research Institute, Inc: Software development and sales, corporate and medical management consulting business

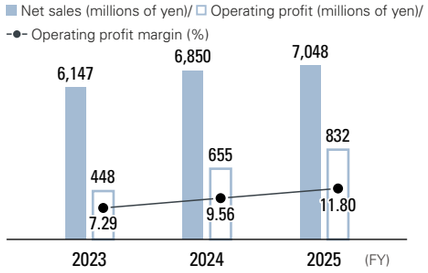
Sales of the Chouzai-kun V8 series of prescription-processing computers for dispensing pharmacies reached 516 stores. Furthermore, alongside enhancing the functions of the electronic medication history recording system Yakureki-kun CLOUD, we released an option fitted with the AI-based conversation summarizing function Yakureki navi AI. We also worked on the development, maintenance, upgrading, and quality improvement of the TOHO HOLDINGS Group's customer support systems, and additionally concluded seven transfer agreements in our M&A business.

Tokyo Research Center of Clinical Pharmacology Co., Ltd.: Support for clinical trial offices

COVID-19-related clinical trials continued to occupy a high share of the company's net sales, while the utilization of its hay fever survey and research institute, OHIO Chamber, also showed a favorable trend. In addition to establishing a volunteer management system due for completion in December 2026 and other EDC*-based data management platforms, the center aims to put in place a framework for clinical trials in overseas nationals and develop new sponsors and new fields for clinical trials.

* EDC (electronic data capture): System for network-based collection and management of patient medical data

Net sales/Operating profit/ Operating profit margin



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Message from the General Manager of Human Resources Department



Working as “One TOHO” to take on the challenge of transitioning to self-directed talent

Wataru Tani
Corporate Officer, General Manager of Human Resources Department, General Affairs and Human Resources Division

Transformation to a lively organizational culture by improving psychological safety and autonomy

Since assuming my role as General Manager of Human Resources Department in April 2025, I have been struck by the unwavering strengths possessed by all of the employees—namely, their integrity and ability to perform work at a high level. I believe a culture of trusting the decision-making of top management and acting quickly as a united team is one of the greatest assets the Group can be proud of. Going forward, we will capitalize on this strong foundation to step up the pace of reforms to our HR system as we adapt to changes in the times and in the operating environment.

At the same time, building a foundation of truly valuable human capital requires us not only to introduce sophisticated measures but also to update the organizational culture to facilitate our application of these measures. In a group like ours that operates in numerous business locations, there is a structural aspect where frontline employees tend to keep their opinions and concerns to themselves. We therefore need to smoothly put new systems and measures in place and, to do so, it is essential to cultivate a flexible organizational culture that positively embraces change and to create an environment where everyone feels comfortable speaking up. We are currently implementing a flat communication measure, such as addressing each other by name rather than by job title and promoting casual business wear. These are not merely reforms to business manners, but the first step in fostering psychological safety in which everyone can exchange views on a level playing field and in allowing employees to experience this safety.

Improving psychological safety in this way enables each employee to actively articulate the issues they encounter and create new value alongside the company. Having begun this transformation into a driven organizational culture, we are seeing tangible results.

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

Improving psychological safety is the engine that will accelerate the transition to self-directed talent that lies at the heart of our new Medium-Term Management Plan. The aim is to dramatically heighten creativity across the organization by empowering autonomous individuals to continually think for themselves and boldly embrace challenges.

What we are seeking is to transform the organization from one that fears failure to one in which employees praise one another for taking on challenges and learn from them—in other words, a “try and learn” organization. Even if the challenges that frontline employees take on don’t yield the expected results, we will build a management framework to follow up on the process and encourage employees to take on the next challenge, thus achieving our evolution into a value-creating organization.

Until now, the company has built its training and evaluation systems primarily around activities on the front lines, with each workplace actively working to cultivate highly autonomous personnel. Going forward, however, we have to pursue the transition to self-directed talent comprehensively as a Group-wide strategy. So, our focus will be on visualizing and sharing the practical knowledge cultivated on the front lines and on introducing frameworks and measures across the organization based on company-wide strategic axes.

Aiming to become a company where everyone can thrive and enjoy growth by instilling a “One TOHO” mindset

The role of the Human Resources Department is to foster an environment that enables both the organization and its people to grow, starting with the establishment of HR systems. Our primary focus is always on the people who work in the organization. To this end, intentional dialogue with employees is essential for realizing the HR strategy. Last year, as head of HR, I personally visited our offices nationwide to passionately convey in person the aims and aspirations of our HR strategy. I will continue to engage in this kind of dialogue to gather feedback from the front lines firsthand and incorporate it into measures that have an impact.

Since organizations are made up of people, reforms to HR systems and frameworks are in essence initiatives that transform the very nature of the organization as a whole. It is crucial to engage the diverse talent within the Group—including empowering women in the workplace—based on a “One TOHO” mindset that transcends barriers such as affiliation or background upon joining our Group.

By respecting our diversity and evolving together through mutual support, we will unite as “One TOHO” to build a company where no employee is afraid of change and where everyone can embrace challenges and experience the joy of personal growth. This is the future I am aiming for as I spearhead our human resources strategy.

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Human Resources Strategy

Overview of the Medium-Term Human Resources Strategy

To achieve sustainable growth amid significant changes in the business environment, the Group has positioned “people” as its most important capital. By fostering a corporate culture that supports transformation and by building a human capital portfolio and adjusting our human resources system to align with our business strategy, we aim to maximize the value of human capital so that diverse human resources can work actively and continue to create new value.

Aligning our business and human resources strategies to aim for the growth of the individual and the organization, driving the completion of our transformation

Individuals unafraid to take on challenges shape the future —Transitioning to self-directed talent and evolving into a value-creating organization—



Implementing a new personnel system

Based on the belief that our human resources systems themselves serve as the foundation of our corporate culture, we are working to create a workplace environment that is both fulfilling and pleasant. We are thus rapidly expanding our current systems while simultaneously implementing new HR reforms that are highly transparent and designed to encourage employees to want to grow and take on new challenges. Starting in FY2026, we are transforming our framework to ensure that every employee is energized and able to deliver their best performance.

Implementation of the succession plan

We launched full-scale management of our succession plan in FY2025. The plan puts in place an objective selection cycle based on ten human resources criteria definitions, TTMs*, and outside evaluations. We are also accelerating individual development initiatives, including strategic assignments and coaching. We are working to visualize our talent portfolio across the Group to systematically cultivate the next generation of management.

* TTMs: TOHO Talent management Meetings

Improving employee engagement, DE&I

Based on the results of a Group-wide engagement survey, senior management held town hall meetings across the country. We have begun initiatives to gather feedback from the front lines and incorporate it into our business strategy at an early stage. We also formulated a DE&I Declaration and are working to transform our corporate culture so that all employees, regardless of background, can exercise their abilities in their own way.

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Initiatives in Human Resources Development

To realize our corporate slogan—"Total commitment to good health"—we are seeking to develop the most important capital for any company: human resources. We are building a training system that develops self-directed talent—employees who think and act independently—and helps us evolve into a value-creating organization, so that many employees can experience growth and feel a sense of fulfillment while engaging in their work. In addition to providing educational opportunities tailored to each employee's career aspirations, we are advancing initiatives to foster a culture of self-directed learning.

Medical Total Planner (MTP) training/Senior MTP training

Initiated in 1999, this unique Group training program is closely linked to our business strategies. The aim is to improve employee skills in offering proposals through the use of customer support systems and to strengthen communication skills to build deep, trusting relationships with customers. The program brings together employees who voluntarily participate, regardless of age or position, and deepens their learning under the theme of embracing challenges and putting plans into practice.

We have also implemented Senior MTP training, a leadership program that aims to develop activities centered on energizing teams to produce results.

Number of participants in FY2025	MTP training: 31, Senior MTP training: 29

VOICE Feedback from a participant

For my Senior MTP training, I spent one year (12 days over three terms) studying alongside participants gathered from across the country. We learned in depth about the customer support systems and about the latest trends in the healthcare industry, as well as about leadership.

What left a particularly deep impression on me is the nature of leadership required in today's world. I came to understand that, in an environment that is changing at a breath-taking pace, it is essential to consistently demonstrate both the ability to set a direction and lead the team to achieve results and the ability to create an environment where diverse team members can realize their potential.

Moving forward, I will draw on what I have learned in this training to act as a self-directed leader who thinks and acts independently, continuing to deliver consistent results and contributing to the organization's growth.



Ryoma Wakui
Assistant manager
Ota and Shinagawa Sales Office
Tokyo Sales Department
TOHO PHARMACEUTICAL

Management training

To promote smooth departmental operations and encourage a shift toward management that emphasizes dialogue, we are conducting training by rank classification focused primarily on employees who have recently been promoted to managerial positions. Additionally, as part of our efforts to advance diversity, equity, and inclusion (DE&I), we are hosting Women's Health Seminars for division heads to foster understanding of diversity among their team members.

Number of participants in FY2025	Newly appointed sales office managers: 12; newly appointed senior managers: 54

Training for new and young employees

We offer a phased development program that begins with onboarding and on-site follow-up training immediately after an employee joins the company, and extends to career design training from the fourth year of employment to support self-directed career development. We are working to enhance our training system so that young employees can contribute to the growth of the organization while solidifying their foundation as professionals.

Number of participants in FY2025	New employee training: 99; follow-up training: 66; career design training: 34

Initiatives toward developing the next generation (succession planning)

To support a sustainable management structure, we fully launched our succession plan in FY2025. In a rapidly changing business environment, our top priority is to develop and produce "transformation leaders" who will drive exponential growth and transformation in a systematic and highly transparent manner.

Starting in FY2026, we are pursuing the full-fledged implementation of Individual Development Plans for management candidates. In addition to providing strategic assignments tailored to each candidate's specific challenges, we are developing candidates from multiple angles, combining executive coaching to enhance decision-making criteria with external training programs designed to cultivate management skills and a company-wide perspective.

Our succession management goes beyond simply preventing vacancies in key positions and mitigating the risk of disruption: By conveying the message that anyone can aspire to management, we spur employees to take on challenges and foster a dynamic corporate culture characterized by meritocracy and a high degree of transparency. We will expand the pool of leadership talent in terms of both quality and quantity, with employees who possess a high standard of integrity, a clear vision, and robust decision-making abilities, and who can anticipate changes in the times.

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Engagement Survey

The Group conducted an engagement survey of all its employees and those of its consolidated subsidiaries with the aim of understanding employee satisfaction with the company organization, corporate culture, and work, as well as their motivation for work, and making use of the findings in management. Since the first survey was conducted in 2025, we are striving initially to enhance employee engagement by establishing the Group's baseline, visualize the issues, and explore and put into place specific improvement measures. We plan to conduct the surveys at regular intervals and disclose the results, along with yearly trends, to stakeholders.

Survey Results Analysis, Issues, and Response Measures

Response rate: 87.6% (8,159 respondents out of 9,309 eligible employees)

Survey results

Questions receiving most positive responses

No. 1: Having colleagues to talk to who can help one another in times of difficulty
No. 2: Opportunities for colleagues to recognize and praise one another
No. 3: Working with respected colleagues

Questions receiving least positive responses

No. 1: Having appropriate opportunities to take on challenges and learn
No. 2: Satisfaction with the company's evaluation and remuneration system
No. 3: Flexible work styles suited to the nature of the work involved

The engagement survey conducted in 2025 drew a high response rate of 87.6%, with 8,159 out of 9,309 employees subject to the survey having responded. However, the employee recommendation score (eNPS*) stood at a negative 79—a very poor result—highlighting the urgent need to develop response measures.

Some of the Group's strengths highlighted by the survey included strong interpersonal relationships and teamwork among employees, as well as a sense of fulfillment derived from work that contributes to society. Areas identified as high priorities for improvement included remuneration and benefits, a transparent and fair performance evaluation system, training and other opportunities for professional growth, and the need to address heavy workloads and create a more pleasant work environment.

In light of these results, we have put priority on revising our target management system and improving the work environment. To transition to a fairer evaluation system based on individual targets and objective performance metrics, we have launched a new pilot system in FY2025 and introduced the option to take leave in hourly increments, which was something the surveys called for.
For FY2026, we plan to transition to a more transparent and fair remuneration framework aligned with job roles and responsibilities, as well as further expand our system of flexible working hours.

*eNPS: Employee Net Promoter Score

Priority issues identified from the survey results and actions going forward

Priority issues	FY2025	FY2026 (planned implementation)
Demands regarding salary, benefits, and evaluation systems	Revisions to the target management system	Revisions to the remuneration framework
Demands regarding a more pleasant work environment	Introduction of hourly leave	Expansion of the system of flexible working hours

In addition, we are currently exploring ways of enhancing opportunities for professional growth, such as through training programs, with a view to implementation in FY2026 and beyond. With regard to lightening workloads, projects are underway across various business units and departments; we are actively pursuing a review of work processes starting from scratch and capitalizing on digital transformation. We have outlined action plans for these initiatives in the Medium-Term Management Plan, and are committed to achieving them as soon as possible.

By continuously identifying and improving organizational issues through regular surveys, we will foster an environment where every employee can thrive. We aim to enhance corporate value over the medium to long term by transitioning to a workforce that can act autonomously, while evolving into an organization that creates value.

Town Hall Meetings

Number of times held: 27 Participants in dialogue: Over 500

The Group began holding town hall meetings in FY2025 to provide a forum for top management and employees to exchange views directly and gain more in-depth mutual understanding. These meetings have included lively Q&A sessions, with employees submitting a wide range of proposals on topics such as the business strategy and work-style reform.

To expand the foundation for open dialogue between frontline staff and top management, we will now extend this initiative to the various business companies. As both top executives and employees together vigorously drive the transformation of these business companies by aligning feedback from the frontlines with company-wide strategies, we aim to foster the sustained improvement of engagement across the Group.



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Fostering a Corporate Culture

For a company to achieve sustainable growth, it is necessary to provide an environment where talented individuals can thrive, and to establish a corporate culture where employees continuously grow and tackle diverse challenges. Guided by its DE&I Declaration, the Group is vigorously working to foster a corporate culture that respects the autonomy of each employee and encourages the growth of both individuals and the organization through a dialogue-based management style and by ensuring psychological safety.

Initiatives

- **Flat communication**

  We are pursuing a variety of communication initiatives, including a campaign in which employees call each other by name instead of title, to ensure that everyone can convey their opinions and ideas regardless of age, job title, or department. We have also adopted a business casual dress code to foster an understanding of diversity and create a workplace environment where employees can be themselves.

DE&I Declaration

▶ Our thinking

Achieve corporate growth and social contribution by valuing the uniqueness of each individual and learning and growing together

As a corporate group engaged in the medical, health, and nursing care fields, we work alongside healthcare professionals and patients through the stable distribution of pharmaceuticals and the provision of innovative services. In order to meet the diverse needs within ever-changing medical environments, we must value the different aspects of each and every one of us.

We will continue to grow as a business and contribute to all those who desire health by respecting every form of diversity and creating workplaces where we learn from and bring out the best in each other.

▶ Our vision for DE&I



Diversity
We accept and make full use of all forms of difference, including gender, age, nationality, disability, sexual orientation and gender identity, and values.

Equity
We take each individual's background and experiences into account, putting support measures in place to ensure that everyone has an equal chance to enjoy growth opportunities and working environments.

Inclusion
We work to increase psychological safety, make it easier to express our opinions, and create workplaces in which we can work together while respecting differences.

VOICE Message from the HR Department

For the last 15 years since joining the Company, I myself have been helped by the warm support of my colleagues. The results of our engagement survey also show high scores in terms of respect and appreciation for colleagues, and I truly feel that the strong bonds we have with one another are a true strength of this Group. On the other hand, as the working-age population declines in Japan, clinging to conventional values and fearing change will only invite talent outflow and hinder sustainable growth. Now is the time for us to take the initiative in changing our mindset. In FY2025, we laid the foundation for psychological safety and an environment where everyone feels comfortable speaking up, both by holding 27 town hall meetings nationwide and by adopting the practice of addressing colleagues by their name instead of their title. In FY2026, we will promote training on unconscious bias and vigorously drive forward improvement initiatives based on survey results. Our aim is to preserve the strengths of the TOHO HOLDINGS Group that we are so proud of while evolving into a self-directed organization where diverse personnel respect one another and everyone has the opportunity to take on new challenges.



Rikako Suzuki
Manager, Human Resources Department
General Affairs and Human Resources Division

Respect for Human Rights

Human Rights
https://www.tohohd.co.jp/en/sustainability/social/humanrights/

Viewing human resources as the source of sustainable growth, the Group places respect for human rights at the core of its management. We respect the human rights and diversity of every employee and strive to create a workplace environment where all employees can confidently demonstrate their abilities without facing discrimination or harassment, regardless of gender, age, nationality, disability, or values. Through the rigorous implementation of the TOHO HOLDINGS Group's Human Rights Policy and the TOHO HOLDINGS Group's Procurement Policy, as well as the publication of our Declaration of Partnership Building, we are taking steps to respect human rights not only within the Company but also across the supply chain. We will continue to conduct fair and transparent business activities and fulfill our responsibilities to all stakeholders.

Initiatives

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

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Environmental Strategy

Environmental Policy

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

Environmental Policy
https://www.tohohd.co.jp/en/sustainability/environment/action/

Responding to Climate Change

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

* Task Force on Climate-related Financial Disclosures

Governance

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

Strategy

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

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

Risk Management

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

Risk Management
https://www.tohohd.co.jp/en/sustainability/environment/climatechanges/

Climate change risks and opportunities

Risk

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

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Opportunity

Opportunities	Financial impact*1 FY2030	Financial impact*1 FY2050	Time frames*2
Higher stock price and improved business performance due to higher evaluation by stakeholders as a result of taking action on climate change	Medium*	Medium*	Short to medium term
Business performance improves as demand for related pharmaceuticals increases due to the pandemic	Medium*	Medium*	Medium to long term
Increased demand for related products and services as climate change drives demand for new medical care provision system	Small*	Small*	Short to medium term
Creating new business opportunities as climate change drives demand for new medical care provision system	Medium*	Medium*	Short to medium to long term

*1. The evaluation criteria for impact are based on the impact on operating profit. Large: 1 billion yen or more, Medium: 0.5 billion yen to less than 1 billion yen, Small: less than 0.5 billion yen
Items for which quantitative evaluation is difficult are evaluated qualitatively (*)

*2. The time frame is set at short term (to FY2025), medium term (to FY2030), and long term (to FY2050).

Metrics and Targets

As part of its efforts to reduce its environmental footprint, the Group uses greenhouse gas (GHG) emissions as key indexes to identify the fields with large emissions and the targets for reduction. In light of changes in the social environment and progress with reduction to date, we set new reduction targets in June 2026 for Scope 1 and 2, which cover in-house emissions. We are also considering specific reduction targets for Scope 3 emissions as well in the belief that efforts to reduce such emissions are also important. Going forward, we will continue to work closely with our suppliers and customers to advance efforts to reduce GHG emissions.

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

Metrics	Targets	FY2019 (base year)	FY2025 (results)
Greenhouse gas emissions (Scope 1, 2)	• Short-term target (FY2030): 60% reduction • Medium-term target (FY2040): 75% reduction • Long-term target (FY2050): **Net zero emissions**	40,886t-CO_2e	19,887t-CO_2e (reduced by 51.4%)

Main initiatives

Expanding the introduction of renewable energy and promoting energy creation

Since FY2023, we have been progressing with the successive switch to renewable electric energy plans. In FY2025, we additionally entered into off-site power purchase agreements (PPA) at 17 SAYWELL business sites.

We began installing solar power generation facilities for in-house power supply at our sales offices in FY2024. The installation of facilities at the Tokatsu-Kita Sales Office (Matsudo City, Chiba Prefecture) and the Onomichi Sales Office (Onomichi City, Hiroshima Prefecture) in FY2025 brought the total number of sites with such facilities to four.

Going forward, we will move actively ahead with these initiatives for further reduction of greenhouse gas emissions.



Solar power generation facilities installed at the Yamanashi Sales Department

Share of renewable electric energy

FY2023	FY2024	FY2025
7.3%	40.8%	58.3%

Promoting delivery efficiency and introducing electric vehicles

In addition to promoting higher delivery efficiency, including by cutting the mileage of our vehicle fleet, the Group is working to switch from gasoline-powered vehicles to electric vehicles. Through these initiatives, we are reducing the use of fossil fuels and contributing to reductions in greenhouse gas emissions.

FY2025 initiatives

EV introduction	EV charging station installation
12 vehicles (cumulative total 18 vehicles)	14 units (cumulative total 21 units)

Conservation of Biodiversity and Reduction of Waste

Pharmaceutical wholesaling, the Group's core business, mainly involves the distribution and sales of pharmaceuticals and does not directly entail raw material collection or production. Therefore, the Group believes its impact on the natural environment, as well as the risks associated with the use of chemical substances harmful to biodiversity and waste discharge, is limited. However, the Group recognizes that it is important to accurately understand how its business depends on and affects the natural environment. In addition, sustainable resource procurement is needed throughout the supply chain, including production and logistics processes, and collaboration with suppliers and environmentally conscious decision-making must be strengthened. Therefore, the Group has positioned the conservation and restoration of biodiversity and the reduction of waste as materiality and is actively promoting related initiatives.

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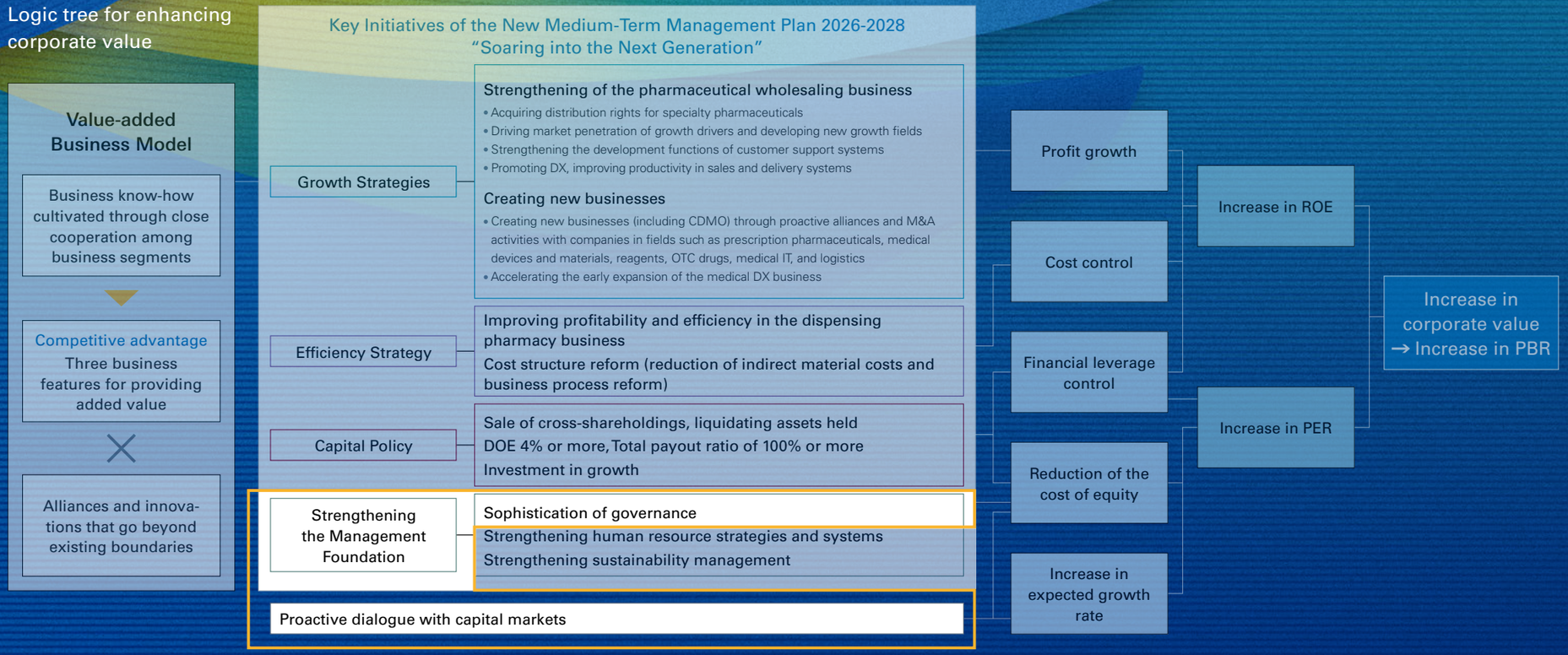
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Logic tree for enhancing corporate value



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Governance Highlights

Highlight 2025






Our history of strengthening governance

2016
- Shift to a company with the Audit and Supervisory Committee
- Start of evaluation of the effectiveness of the Board of Directors
- Appointment of outside Audit and Supervisory Committee members

2021
- Establishment of the Nomination and Compensation Committee

2023
- Establishment of the Sustainability Promotion Committee
- Establishment of the Information Security Committee
- Establishment of the Investment Committee

2024
- Appointment of the first female outside director
- Establishment of the Management Strategy Committee
- Establishment of the Governance Enhancement Special Committee

2025
- Establishment of the Compliance Committee
- Establishment of the Risk Management Committee
- Appointment of a majority of directors as outside directors

Further strengthening of governance

Medium-Term Management Plan 2026-2028

“Soaring into the Next Generation”

Shift from a defensive to
an offensive approach to governance
while accelerating
enhancements and improvements to
governance built up to date

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Establishing a Sophisticated Governance System Led by the CGO

CGO Message



Establishing an effective governance foundation to enhance sustainable corporate value

Takeo Matsutani
Executive Managing Director
and CGO

Fulfilling my mission as CGO and accelerating reforms to governance

Guided by the philosophy of "Kyoso Mirai" (co-creating the future), TOHO HOLDINGS has fulfilled its responsibility of serving as social infrastructure supporting medical care and well-being.

As part of these efforts, in FY2025, the Company established the position of Chief Governance Officer (CGO) as the executive tasked with implementing corporate governance improvements, and we began work to strengthen the foundation for enhancing the effectiveness of governance across the Group. Specifically, we formulated and put into place policies in response to all 12 recommendations from the Governance Enhancement Special Committee.

Regarding the management of subsidiaries in particular, we established a dedicated Group Governance Department and clarified channels for monitoring governance, as well as bolstered our hands-on management framework by dispatching executives to subsidiaries.

We have also worked to enhance the effectiveness of the Board of Directors, ensuring that the diverse insights of outside directors are fully reflected in discussions, while significantly strengthening the Board's monitoring functions over the review of the business portfolio and investment plans. We have especially sought to establish a decision-making process characterized by objectivity and propriety that strikes a balance between providing healthy checks on top management and enabling swift and decisive decision-making.

Advancing the new Medium-Term Management Plan by strengthening governance in three areas

Under the Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation", our focus is on establishing effective frameworks in three areas.

First is the achievement of ensuring compliance. We will work to foster company-wide awareness through initiatives such as enhancing the trustworthiness of our whistleblowing system and conducting training programs that promote cognitive understanding and emotional empathy.

Second is strengthening the governance system of Group companies. We will work closely with our various subsidiaries to gain a timely grasp of the status of management and risk factors and to enhance our monitoring capabilities.

Third is advancing the risk management framework. We divided and reorganized the Group Compliance and Risk Management Committee into two committees, the Compliance Committee and the Risk Management Committee. As chair of both committees, my role is to have a comprehensive understanding of risk and engage proactively in risk prevention.

As CGO, I will continue to boldly pursue a governance system that constantly innovates and fulfills our mission of serving as social infrastructure to meet the expectations of our stakeholders.

Role of the CGO

1 Oversee governance across the Group

- Lead the overall design, establishment, maintenance, and ongoing improvement of the governance system
- Work in collaboration with departments and committees related to governance to comprehensively gauge the Group's overall risk and governance status

2 Promote and supervise legal compliance

- Establish and strengthen compliance systems to ensure that corporate activities are conducted appropriately in accordance with relevant laws and regulations, and supervise their implementation

3 Coordinate responses to major incidents

- Oversee the response to serious governance or compliance issues, including the initial response, investigation of causes, and the formulation and implementation of measures to prevent recurrence

4 Foster a corporate culture

- Establish a mechanism that actively incorporates minority opinions into management decisions, while working to shape a corporate culture that facilitates free and vigorous discussion

5 Disclose governance-related information

- Establish a framework for the timely and appropriate disclosure and explanation to shareholders, investors, and other stakeholders, and oversee its operation

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01 | Further Enhancing the Effectiveness of the Board of Directors

Third-party evaluation of the Board of Directors' effectiveness

To improve the functions and operation of the Board of Directors, the Company has all directors complete a yearly evaluation of the effectiveness of the Board of Directors. In FY2025, we conducted a third-party evaluation with the help of an external organization to enhance the objectivity and transparency of the evaluation. Based on the results of the evaluation, the Board of Directors then discusses and confirms the challenges and issues that need to be addressed.

Evaluation Method

- Conducting an anonymous survey with the assistance of an external organization, including open-ended sections for specific opinions and proposals

Questionnaire items

- Role and responsibilities of the Board of Directors
- Composition of the Board of Directors
- Operation of the Board of Directors
- Management strategy and business plans
- Internal control and risk management
- Nomination and compensation
- Performance of outside directors
- Support system for directors
- Training
- Dialogue with shareholders and investors
- Each director's efforts
- Evaluation of the Nomination and Compensation Committee
- Evaluation of the Audit and Supervisory Committee
- Summary

- Conducting individual interviews with all directors by the external organization based on the survey results
- Aggregating, analyzing, and evaluating the results of the questionnaire and interviews by the external organization

Progress on initiatives to address issues identified in the previous effectiveness evaluation (FY2024)

Issues identified in the previous year	Initiatives to address the issues
Further revitalizing medium- to long-term and strategic discussions	• Set key themes requiring deeper discussion from a medium- to long-term and strategic perspective as annual agenda items for the Board of Directors • Extended Board meeting times and adjusted allocated time based on the importance of each agenda item to ensure substantial discussions
Expanding training opportunities	• Provided training opportunities on a diverse range of topics, including holding training sessions led by external instructors and utilizing courses provided by external organizations
Earlier submission of meeting materials	• Commenced operations utilizing DX tools to secure sufficient time for directors to review each proposal • Continued to provide briefing sessions in advance for major proposals, enabling directors to fully grasp the details of items beforehand

Overview of results for the FY2025 evaluation of the effectiveness of the Board of Directors

Based on the results of the survey and interviews, the Company confirmed that the effectiveness of the Board of Directors as a whole has been ensured and that it functions appropriately.

While positive evaluations were received regarding the Board's composition (skills and expertise), outside directors' performance, dialogue with shareholders and investors, and the open discussions within the Nomination and Compensation Committee, the need to review the Board submission and reporting criteria was recognized as an issue in order to focus further on medium- to long-term and strategic discussions.

In addition, expanding executive training opportunities was shared as an issue to be addressed on an ongoing basis moving forward.

Initiatives to further enhance effectiveness

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

- Reviewing the Board submission and reporting criteria to further enrich discussions on key themes, such as management strategy
- Providing ongoing training opportunities on a variety of topics

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02 | Enhancing Group Governance

The Group aims to further enhance its governance system, which serves as the foundation for enhancing medium- to long-term corporate value and achieving sustainable growth, and is taking various steps to make governance across the Group more effective. We are undertaking an array of initiatives under the leadership of the CGO, who is responsible for driving governance reforms, including strengthening collaboration with Group companies and enhancing risk management.

Strengthening governance for subsidiaries

To further enhance transparent and sound management, the Group established the Affiliated Company Management Department in April 2025 to centrally manage Group subsidiaries. To build a framework that enables the CGO to fully execute his/her role, we have now renamed this the Group Governance Department and are working to further strengthen and advance Group governance functions.

Specific initiatives

Dispatching executives to subsidiaries

We appoint executives dispatched from the Group Governance Department, the Finance and Accounting Department, and from among the auditors of core subsidiary TOHO PHARMACEUTICAL and assign them to each subsidiary. The aim is to ensure the steady dissemination of Group policies and management strategy in each subsidiary, and establish a framework for understanding the financial and business conditions of each subsidiary in a timely and appropriate manner.

Enhancing the management system for the dispensing pharmacy business

To clarify where management responsibility lies, we have appointed an executive in charge of the dispensing pharmacy business and are moving forward with the integration and consolidation of subsidiaries in the business, with the aim of boosting management efficiency and strengthening governance by various measures, including eliminating functional overlap.

Building a centralized accounting system infrastructure

We are working to build infrastructure that will unify our accounting systems so that we can gain a centralized grasp of each subsidiary's financial status.

Thorough investment discipline

The Group aims to strike a balance between proactive risk-taking and disciplined investment. While we pursue alliances and investments in new businesses to seize opportunities for growth, we also view the appropriate management of market uncertainties and other risks as a key role of Group governance.

Specific initiatives

Establishment and strict adherence to rigorous investment criteria by the Investment Committee

We have established strict evaluation criteria to inform our decisions regarding business investments and other matters, covering financial soundness, profitability from a business strategy perspective, and risks related to growth potential. Furthermore, to ensure transparency and objectivity in decision-making, we conduct comprehensive reviews and evaluations through the Investment Committee, which includes independent outside directors and outside experts.

Enhancing monitoring functions

We have established a framework to continuously monitor progress and investment performance through the Investment Committee and the Board of Directors even after an investment has been made, and have put in place mechanisms to respond swiftly to unforeseen risks and other issues.

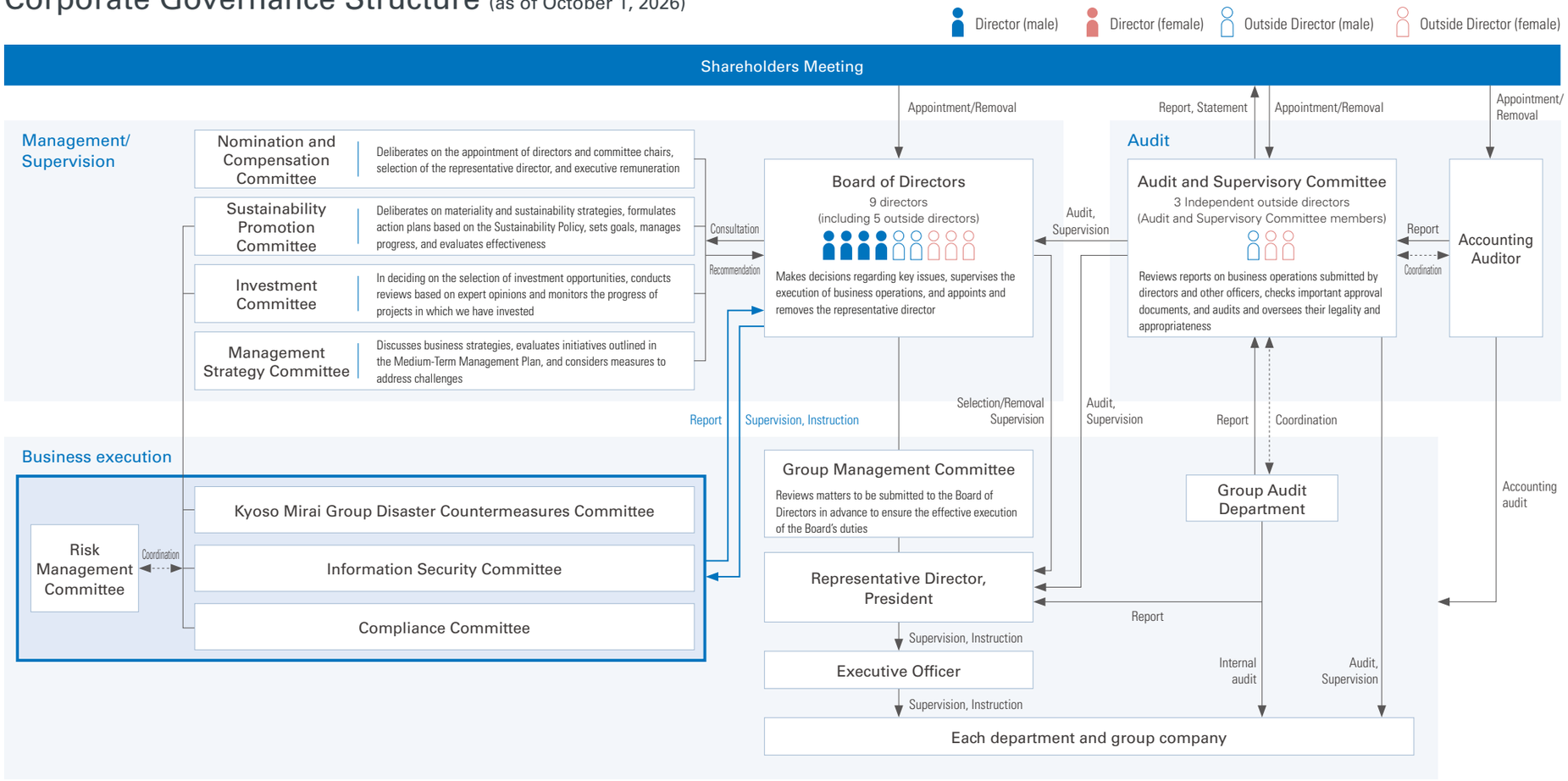
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Efforts to Enhance Corporate Governance

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

Corporate Governance
https://www.tohohd.co.jp/en/sustainability/governance/corporate/

Corporate Governance Structure (as of October 1, 2026)



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Board of Directors

The Company's Board of Directors consists of nine directors. To incorporate independent and objective perspectives, five of these are outside directors (including three Audit and Supervisory Committee Members), thereby strengthening the Board of Directors' oversight function. Drawing on their respective expertise and experience, the directors engage in lively discussions, make legal and managerial decisions, and supervise the effective execution of business operations.

Members
9 directors
(including 5 outside directors)

Number of meetings (2026.3)
13 times

Activities (2026.3)



TOPICS

Initiatives to promote deeper and more active discussion by the Board of Directors

To further deepen and activate discussion at Board of Directors meetings, outside directors receive advance briefings on important agenda items.

Sharing and explaining the background to agenda items, the points for discussion, associated risks, etc., in advance of their discussion at Board of Directors meetings enables the outside directors to approach the meeting with an adequate understanding and awareness of the issues.

Dealing with uncertain points, comparing perspectives, and identifying other issues at the time of the advance briefing facilitates substantive discussion from multiple perspectives within the limited time available on the day of the meeting, which helps improve the quality of management decision-making and the overall effectiveness of the Board of Directors.

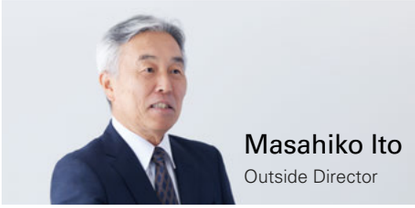
Executive training

Newly appointed directors are given the opportunity to attend external seminars to learn about their statutory duties and responsibilities and other relevant matters. Additionally, the Company gives all directors appropriate opportunities to enhance their knowledge of its business by organizing study tours of logistics centers and other facilities and providing information on industry trends, the business environment, and other relevant topics.


Logistics center tour

In the fiscal year ended March 2026, tours of logistics centers were organized and lecture meetings with external speakers were held for directors and corporate officers and the presidents and other executives of subsidiaries.

MESSAGE Message from a newly appointed outside director


Masahiko Ito
Outside Director

I am Masahiko Ito, a recently appointed outside director. From 2016, I served for six years as director, president and CEO of Fujikura Ltd. During that time, issues with quality control and decisions made in the name of growth investment but without sufficient risk assessment ended up causing large impairment losses that led to a slump in corporate value. There was a combination of factors involved in each case, but for me, the root cause was inadequate governance.

That experience has led me to believe that an essential requirement for sustainable corporate value increase is maintenance and strengthening of governance. Governance is the framework for corporate oversight. For the organization to continuously achieve goals that sustain the corporate purpose, it is important for sound decision-making bodies (with the Board of Directors as the effective highest authority) to initiate growth-oriented strategies.

Following the final report of the Governance Enhancement Special Committee, TOHO HOLDINGS is now in the governance system strengthening phase, which requires it to reinforce and enhance the functions of the Board of Directors. The Board's decision-making needs to be based on more active debate and efforts are required to ensure that the content of its decision-making is communicated to employees in a timely and appropriate fashion so as to inspire engagement and clearly present the corporate mission. On this point, I think my experience will be useful. Both officers and employees are committed to transforming the organization into one that can resolve issues autonomously. I will work to raise corporate value through that transformation and thereby contribute to the happiness of all stakeholders.

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Audit and Supervisory Committee

MESSAGE Message from the Chairperson of the Audit and Supervisory Committee



Contributing to a strong governance foundation to support corporate growth and innovation

Chie Goto

Outside Director
(Audit and Supervisory Committee Member)

The Audit and Supervisory Committee is entrusted by shareholders with the main duty of auditing and reporting on the execution of duties by the directors. The committee's approach is to conduct audits in such a way as to promote the establishment of a governance system that supports the Group's sustainable growth and medium- to long-term corporate value increase and also inspires public trust. The Group is aiming to transform itself into a Comprehensive Healthcare Solutions Provider by implementing the strategies and measures for discontinuous growth in operating profit that are outlined in Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation." These include strengthening the profitability of the wholesaling business, accelerating the expansion of new businesses through proactive alliances, and strengthening the management foundation.
In addition to performing its regular duties in close collaboration with the Internal Audit Division, the auditors of subsidiaries, and the accounting auditor, the Audit and Supervisory Committee carries out audits with particular attention to promoting the proactive alliances and enhancing the governance system that are envisaged in the Medium-Term Management Plan. In this way, it contributes to building a solid foundation not only for defensive governance but also for offensive governance to support decision-making.

Activities (2026.3)

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

Members of the Committee

3 independent outside directors who are Audit and Supervisory Committee members

Meetings held (2026.3)

9 times

Attendance status (2026.3)

Members of the Committee (As of June 26, 2026)		Attendance status
Outside Director (Audit and Supervisory Committee Member)	Chie Goto (Committee chairperson)	9/9 (100%)
Outside Director (Audit and Supervisory Committee Member)	Hidehito Kotani	9/9 (100%)
Outside Director (Audit and Supervisory Committee Member)	Miho Saito*	6/6 (100%)

* Based on Audit and Supervisory Committee meetings held after the member's appointment.

TOPICS

Items reported by the Group Audit Department or the auditors of subsidiaries and status of response

At the regular quarterly meetings of the Audit and Supervisory Committee, information on the governance of each Group company is shared by the Group Audit Department and the auditors of subsidiaries.

In addition to a request from the Group Audit Department to increase audit staff and to train younger staff, there was a recommendation from the auditors of subsidiaries for swift action to maintain aging facilities at sales offices and other locations. In both cases, the Audit and Supervisory Committee shared the information with the Board of Directors and confirmed the status of the response.

Items reported by the Group Audit Department or auditors of the subsidiary	Issue	Status of response
Increase in audit staff and training of younger staff	Need for plan-based securing and training of audit human resources equipped with specialist knowledge and experience to strengthen the governance system	Proposals for new training framework and development of career paths in audit divisions have been presented and are under review
Response to aging facilities at sales offices and other locations	Facilities at some sales offices are aging	Measures to repair or relocate are under way with priority to older facilities

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Nomination and Compensation Committee

MESSAGE Message from the Chairperson of the Nomination and Compensation Committee



Contributing to the success of the new Medium-Term Management Plan through reforms to increase the transparency and objectivity of nomination and compensation

Hidehito Kotani

Outside Director
(Audit and Supervisory Committee Member)

Since 2025, the Nomination and Compensation Committee increased the frequency of its meetings, which are now monthly, as part of wide-ranging reforms implemented with the aim of strengthening its functions.

Corporate governance is required by society to fulfill a constantly growing role. We have sought to respond to this trend by updating the functions of our committee, broadening its agenda, and holding repeated in-depth discussions.

The Group aims to swiftly implement the strategy outlined in its new Medium-Term Management Plan and deliver results. Before selecting the candidates for appointment as directors at the 2026 General Meeting of Shareholders, we discussed extensively the skills the new directors would require to fulfill this strategic aim. We expect each of them to draw on their wealth of experience and knowledge to contribute to enhancing the corporate value of the TOHO HOLDINGS Group.

Our CEO succession plan was also formulated following lengthy discussions. As chairperson of the Nomination and Compensation Committee and an outside director, I am committed to continuing to engage in active discussion from an independent and objective perspective to promote the selection and development of talent able to contribute to the Group's sustainable growth.

Additionally, we have updated the directors' remuneration system to ensure strong independence, transparency, and objectivity and fulfill our duty of accountability to stakeholders, and have formulated and introduced a system that is linked to management objectives and based on industry benchmarks.

The reforms so far are just the first step. Going forward, we will continue identifying issues and recommending improvements.

Activities (2026.3)

- Appointment of the chairperson
- Selection of director candidates
- Remuneration, etc., of directors
- Review of directors' remuneration system
- Succession plan
- Clarification of processes and criteria for director appointment and dismissal

Members of the Committee

5 directors (including 4 outside directors)

Meetings held (2026.3)

12 times

Attendance status (2026.3)

Members of the Committee (As of June 26, 2026)		Attendance status
Outside Director (Audit and Supervisory Committee Member)	Hidehito Kotani (Committee chairperson)	12/12 (100%)
Representative Director, President and CEO	Hiromi Edahiro	12/12 (100%)
Outside Director (Audit and Supervisory Committee Member)	Chie Goto	12/12 (100%)
Outside Director	Manako Haga*1	9/9 (100%)
Outside Director	Masahiko Ito*2	—

*1 Based on the number of Nomination and Compensation Committee meetings held after the member's appointment.

*2 The member was not yet in office during the period covered by this table.

TOPICS

For a more effective succession plan P.54

For the position of CEO and other key posts, we have developed an objective and highly transparent succession management system incorporating external evaluation. Preparing candidates involves more than simply drawing up a list of names: we have designed and operate a practically oriented candidate development program combining on-the-job assignments, coaching to foster self-awareness and personal growth, and executive training. In this way, we operate a succession management system designed to function reliably even under emergency conditions.

New ASSIGNMENT	×	Executive COACHING	×	Executive TRAINING
Acquisition of a company-wide perspective, assignment to a field the candidate has no previous experience of and delegation of responsibility		Change in mindset and behavior		Acquisition of the knowledge and skills to meet the defined human resource requirements

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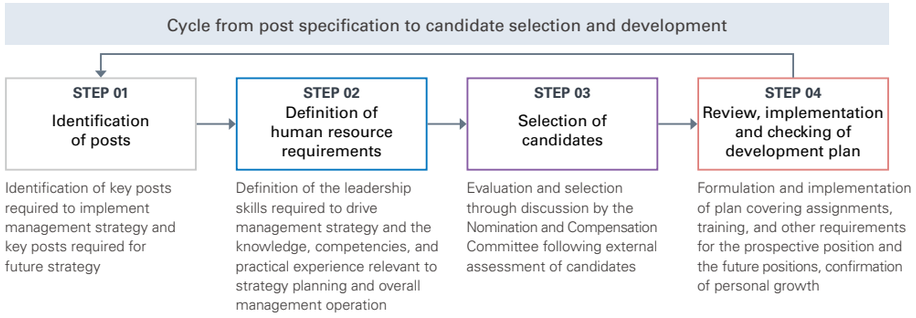
Efforts to Enhance Corporate Governance

Succession Plan

To achieve the Group's sustainable growth and enhance its corporate value over the medium to long term, the Company has formulated and operated a succession plan to continuously identify and develop top management and executive candidates who will lead the next generation.

The Nomination and Compensation Committee, in which independent outside directors constitute a majority, considers the definition of human resource requirements, selection of candidates, and specific development programs under the succession plan.

Succession plan formulation process



Deliberating by the Nomination and Compensation Committee of the appropriateness of the posts covered, human resources requirements, selection process, etc., and progress monitoring of development plan

CEO succession plan

For CEO candidate selection, we have established a detailed set of defined human resource requirements divided into 10 categories, which are used to evaluate each of the candidates. Of these requirements, those marked in red that are considered particularly necessary for senior executive positions are given special emphasis and specified as CEO selection criteria.

(I) Skills and experience	(II) Conduct	(III) Temperament
1 Power to bring change / Organization development	6 Ability to handle change / Desire to learn	9 Strength of character / Sense of ethics, and integrity
2 Strategic thinking / Ability to act	7 Decisiveness / Power to achieve goals	10 Vision formation and intellectual curiosity
3 Industry (wholesale) experience	8 Leadership / Communications	
4 Finance and business management ability		
5 Stakeholder engagement		

Director Appointment Process

Policy and procedure for nomination, etc., of director candidates

Nominations of candidates for directors are deliberated in advance by the Nomination and Compensation Committee, and are resolved by the Board of Directors. In selecting directors, the Company comprehensively considers their understanding of its business, diverse perspectives that contribute to improving the effectiveness of the Board of Directors, their expertise and experience, and other factors, expecting them to contribute to the sustainable growth of the Group and the enhancement of corporate value over the medium to long term.

The Concept of Diversity of Board of Directors, etc.

P67 Skill Matrix

The Company's Board of Directors strives to ensure diversity in terms of gender, age, work experience, etc., in order to facilitate discussions from diverse perspectives.

Furthermore, in anticipation of their contribution to the Group's sustainable growth and enhancement of corporate value over the medium to long term, the Company has appointed as board members four inside directors and five outside directors (including three women) with not only an understanding of its business but also a wide range of expertise and abundant experience in corporate management, the pharmaceutical industry, finance / accounting / capital markets, legal affairs, business development / DX, sustainability, etc., to ensure a well-balanced composition that contributes to enhancing the effectiveness of the Board of Directors.

Director appointment criteria

Understanding the Group's mission statement, and having experience and knowledge that contributes to sustainable growth and enhancement of mid- to long-term corporate value (having any of the skills listed in the Skill Matrix)	Without being limited to only expressing approval or disapproval at Board of Directors meetings, along with precisely grasping the business environment and changes in the market, being able to contribute to enhancement of the quality of the Board of Directors' discussions and presentation of new points for discussion with objective judgment, logical thinking, insight, and foresight
Possessing the character, dignity, and insight befitting a director	With respect to outside directors, in addition to the above, being a person who satisfies the independence criteria set by the Company

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Investment Committee

The Investment Committee, which is chaired by the executive corporate officer and CFO, consists of members from the finance, legal, sales, pharmaceutical affairs, and other divisions as well as external experts. The Committee, which met four times in FY2025, deliberated on investment projects, taking into account their appropriateness from a financial perspective, their profitability and growth risks from a business strategy perspective, and the opinion of each committee member from their professional perspective.

Sustainability Promotion Committee

P.18 Sustainability Promotion System

Management Strategy Committee

In its formulation of Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," the Management Strategy Committee gave extensive consideration to transforming the Group, building on the successes, issues, and other insights from the previous plan, Medium-term Management Plan 2023-2025 "Create the Next Generation," and the associated Action Plan. The approaches considered included strategic alliances, restructuring of the business portfolio based on profitability, and business process reform.

As an approach to maximizing corporate value not only in the short term but also in the medium and long term, the committee conducted a comprehensive review that also integrated the perspectives of outside directors, external experts, and external advisors. As a result, it held discussions focused on the four main themes set out below:

Main discussion themes

Theme	Content of discussion
1. Strengthening of capital profitability of mainstay businesses	Review of measures to maximize ROIC in the pharmaceutical wholesaling business • Discontinuous growth strategy - Maximum acquisition of specialty pharmaceutical distribution rights - Evaluation of strategic options with companies in the same and other industries (M&A, establishment of joint ventures, business alliances, etc.) • Cost structure reform (reduction of indirect material costs and business process reform) • Reduction of working capital, review of logistics facility ownership structure
2. Portfolio strategy	Review of the strengthening, maintenance, downsizing, and withdrawal of business portfolios other than the pharmaceutical wholesaling business Review of new business entry policies and strategies
3. Balance sheet strategy	Review of capital allocation • Review of asset holding policy focused on cross-shareholdings • Review of optimal capital structure • Review of shareholder return measures
4. Corporate governance	Strengthening governance system to maximize corporate value

Group Management Committee

The Group Management Committee reviews significant matters in advance for the Board of Directors to assist the Board in carrying out thorough deliberations and prompt, appropriate decision-making. This comprehensive discussion by the Group Management Committee contributes to the proper execution of operations.

TOPICS

The Governance Enhancement Special Committee's Final Report and the Policies Formulated in Response

To further strengthen the governance system of the Group, including compliance and risk management, in August 2024 the Company established the Governance Enhancement Special Committee as an advisory body to the Board of Directors. In the period from September 2024 to October 2025, the committee met on a total of 20 occasions for extensive discussions on issues in the Group's overall governance system as a whole and improvement measures.

At its meeting of October 9, 2025, the Board of Directors received the final report of the committee. In the final report, to increase the effectiveness of the Group's governance, a final set of 12 recommendations was set out from a wide range of perspectives concerning the Group organization.

To steadily implement the recommendations, the Company formulated specific action policies, including "Strengthening and Enhancing the Board of Directors, etc.," "Strengthening and Clarifying the Authority of the Chief Governance Officer (CGO)," and "Strengthening Governance of Subsidiaries, etc."

To ensure the reliable implementation of these reforms, the CGO oversees the initiatives while the Board of Directors monitors the progress.

P.56 Recommendations of the Final Report and Policies Formulated in Response

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Recommendations of the Final Report and Policies Formulated in Response

The Group has formulated policies in response to all of the 12 recommendations of the Governance Enhancement Special Committee and is progressing with related activity.
The table below summarizes the content of the recommendations and the response policies.

Basic policy	Content of recommendations	Specific action policies
1. Strengthening and Enhancing Board of Directors, etc.	Formulate a strategy to promote free and vigorous discussion within the Board of Directors, which is extremely important for the establishment of a sound corporate culture.	• Maintain outside directors as the majority in the Board's composition and continuously review the skill matrix. • Establish internal independence criteria for outside directors and further strengthen coordination among them.
2. Strengthening and Clarifying Authority of the CGO	Establish a framework that enables the CGO role's functions to be fulfilled effectively, which is extremely important for the establishment of a free and open-minded corporate culture.	• Clearly define the CGO's authority and scope of responsibility, and expand the functions of the Affiliated Company Management Department and rename it the Group Governance Department, so as to establish a framework that enables the CGO to fully perform their role.
3. Clarification of Criteria for Appointment and Roles of Consultants, Corporate Advisors, and Other Advisory Personnel	Clearly define the positions and roles of advisory personnel. While the necessity of appointing such personnel to contribute to sound development is recognized, problems may arise if they exercise undue or excessive influence on management or are paid excessive remuneration.	• Abolish the Corporate Advisor Appointment Regulations and establish a new set of "Consultant, Corporate Advisor, and Other Advisory Personnel Appointment Regulations" that incorporates the points raised in the Final Report. • Based on the new regulations, undertake a comprehensive review of all current contracts with advisory personnel.
4. Reorganization of Committees and Clarification of Their Authority and Roles	Formulate a concrete strategy to streamline committees handling compliance and similar matters, of which there are a number, to clarify their authority and responsibilities.	• Split the unitarily operated Group Compliance and Risk Management Committee into a separate Compliance Committee and Risk Management Committee, each chaired by the CGO, so as to clarify their authority and roles.
5. Strengthening Governance of Subsidiaries, etc.	Take steps to unify governance standards and related regulation to enhance the management framework for subsidiaries and affiliated companies.	• Appoint an officer in charge of the dispensing pharmacy business. • Establish a system to enable central monitoring of the financial conditions of each subsidiary.
6. Enhancing Audit Effectiveness	Formulate a concrete strategy for effective auditing.	• Enhance the independence and expertise of the internal audit department, strive to secure human resources, and continuously promote the expansion of educational opportunities for human resource development. • Establish a follow-up system to rigorously track and verify the progress of improvements.
7. Objectivity and Fairness in Personnel Management	Recognize the importance of a personnel system that evaluates employee capabilities objectively and fairly and earns the trust of employees.	• Update the target management system, establish fair and equitable results-based evaluation and remuneration systems, and systematize the succession plan.
8. Stricter Contract Procedures	Establish stricter procedures for concluding contracts and set out concrete review items for new contractors.	• Visualize and document the review process and continue regular risk checks.
9. Rationalization and Objectification of Investment Committee Decisions	Review the decision-making process and establish institutional safeguards to ensure it is based solely on economic rationality.	• Revise the Investment Committee regulations, establish clearer investment criteria and profitability evaluation standards, and specify operational rules for post-investment verification.
10. Continuous Review of Various Regulations and Thorough Implementation and Enhancement of Training	Establish appropriate regulations to prevent illegal acts and other misconduct by ensuring that officers and employees thoroughly understand what constitutes illegal behavior, and implement effective training throughout the Group.	• Continuous review of related regulations. • Embed compliance awareness by conducting ongoing training that promotes both "cognitive understanding" and "emotional empathy."
11. Accelerating, Standardizing, and Documenting Responses to Misconduct	Undertake appropriate response to misconduct incidents and provide timely and appropriate disclosure of incident prevention and recurrence prevention measures in order to minimize the associated risks.	• Formulate a crisis management manual envisaging misconduct scenarios to facilitate swift and appropriate response.
12. Establishment of Effective Whistleblowing System	Establish an effective whistleblowing system to prevent illegal acts, etc., from occurring, and to enable their early detection and prompt handling.	• Continue the operation of the external expert-managed reporting channel, protection of whistleblowers, and thorough dissemination of information on the system.

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Remuneration for Directors

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

Basic policy

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

Remuneration levels

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

Composition of remuneration

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

Representative salary		A fixed amount of money is paid monthly to Directors with representative authority.
Supervisory salary		A fixed amount of money is paid monthly as remuneration for management supervision.
Executive salary		Fixed remuneration, performance-linked bonus (STI), and stock remuneration (LTI) shall be paid for business execution. The composition of executive salary shall be 65–75% fixed remuneration, 15–20% bonus, and 10–15% stock remuneration.
	Fixed remuneration	• A fixed amount of money is paid monthly according to the position.
	Bonus (STI)	• Bonuses shall be performance-linked remuneration in cash based on performance and evaluation during the relevant fiscal year. • The three indicators to be used in the evaluation shall be operating income, ROE, and employee engagement. • The ratio shall be 50:25:25, and 0–200% of the standard amount according to the position shall be paid in a lump sum after evaluation (in June of the following year).
	Stock remuneration (LTI)	• Restricted stock (RS) shall be granted according to the position with the aim of providing an incentive to continuously improve the Company's corporate value and to promote value sharing with shareholders.

Method of determining remuneration, etc.

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

Total amount of remuneration, etc., by officer category, total amount of remuneration, etc., by type, and the number of eligible directors (FY2025)

Officer category	Total amount of remuneration, etc. (millions of yen)	Total amount of remuneration, etc., by type (millions of yen)			Number of eligible directors
		Fixed remuneration	Performance-linked remuneration	Restricted stock remuneration	
Directors excluding Audit and Supervisory Committee members (of which, outside directors)	258 (9)	201 (9)	30 (–)	27 (–)	7 (1)
Directors who are Audit and Supervisory Committee members (of which, outside directors)	63 (63)	63 (63)	– (–)	– (–)	4 (4)
Total (of which, outside directors)	321 (72)	264 (72)	30 (–)	27 (–)	11 (5)

* The table above includes two directors (excluding those who are Audit and Supervisory Committee Members) who resigned at the conclusion of the 77th Annual General Meeting of Shareholders held on June 27, 2025.

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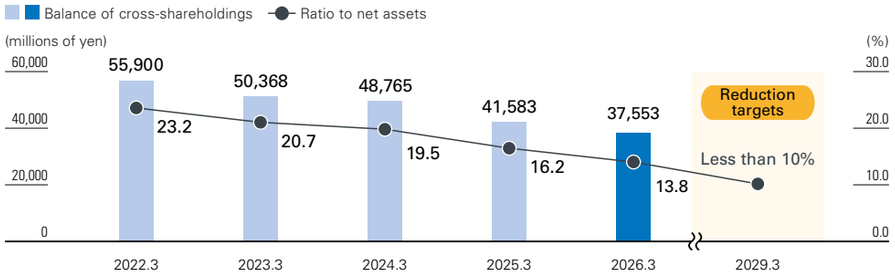
Cross-shareholdings

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

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

Status of cross-shareholdings

We have been steadily reducing our cross-shareholdings after thorough discussions with the companies involved. In FY2025, we sold 10 stocks (totaling 14,282 million yen). This reduced the ratio of cross-shareholdings to net assets to 13.8%.



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

Changes in number and amounts of cross-shareholdings sold

Fiscal Year	Number of shares sold	Amounts of shares sold (millions of yen)
2022.3	15	5,195
2023.3	12	5,808
2024.3	12	13,188
2025.3	4	7,923
2026.3	10	14,282

* Including a partial sale.

Approach to exercising voting rights

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

Internal control

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

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

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

Internal audit system

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

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

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Policy on Constructive Dialogues with Shareholders and Investors

The Company responds positively to dialogue (or interview) requests from shareholders or investors, which is specifically done by the Corporate Communications Department and Corporate Planning Department. Also, the representative director and outside directors respond as often as possible to such requests from shareholders or investors in the form of interviews. In order to promote constructive dialogue with shareholders and investors, we hold financial results briefings for investors and analysts, and tours of facilities to offer a deeper understanding of the Group's management strategy. Furthermore, based on the Company's shareholder composition and capital policy, the Company visits investors in North America, Europe, and Asian regions. The opinions obtained from shareholders and investors through dialogue are used to formulate and implement our management strategy.

Dialogue results

Financial results briefing for institutional investors and analysts	Individual interviews with institutional investors and analysts
2 times (May, November)	Total 95 times

Dialogue themes, feedback obtained, etc.

Main themes in dialogue

- Business performance
- Medium-Term Management Plan 2023-2025 "Create the Next Generation" and associated Action Plan (approach to business portfolio, growth strategy for each business, etc.), new medium-term management plan
- Approach to growth investment and shareholder returns
- Approach and initiatives regarding human capital
- Efforts to strengthen governance

Main opinions and points of concern

Growth strategy

- Clarification of growth story for sustainable growth
- Presentation of differentiation strategy based on Group strengths and areas of market superiority

Financial and capital policy

- Optimal balance sheet structure in light of business risks, clarification of cash allocation policy
- Balance between growth investment and shareholder return and initiatives to improve capital efficiency

Governance

- Content of discussion at the Governance Enhancement Special Committee and progress of initiatives based on the policy formulated in response to its final report
- Improvement of the effectiveness of the Board of Directors and other efforts for the continuous strengthening of governance

Feedback from dialogues

- We have developed a framework for regular reporting to the Board of Directors of the feedback gathered through investor and shareholder relations activity, ensuring that the Board as a whole is informed of and has an overview of points of concern and points for action flagged up by shareholders and investors.
- In the formulation of Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," opinions and comments gathered through dialogue were referred to when proposing specific measures for medium- to long-term corporate value improvement and sustainable growth.

Responding to dialogue with shareholders and investors

MESSAGE Message from the Officer in Charge of Investor Relations



Makoto Kawamura
Senior Executive Corporate Officer
General Manager of Corporate Strategy Division and Corporate Planning Department

Our corporate slogan "Total commitment to good health" serves as a compass guiding each one of our officers and employees in their efforts to fulfill our social mission of ensuring a stable supply of pharmaceuticals. Our dialogues with shareholders and investors serve as an essential "sounding board" for maintaining the soundness of management operations and improving corporate value in the medium to long term. Accordingly, we position them as an important management activities.

In the fiscal year ended March 2026, we held a total of 95 interviews with shareholders and investors in Japan and overseas.

These dialogues, which included active discussion of strategies for sustainable growth and improving capital efficiency, gave us a strong sense of the high expectations that greet our initiatives. At the same time, we take firmly on board the voices from the market urging us to set out more clearly an action plan for growth investment and measures to improve profitability, along with relevant quantitative targets.

In addition to providing the Board of Directors with relevant feedback on the opinions and comments gathered, we also referred to them directly when formulating concrete measures and setting numerical targets for Medium-Term Management Plan 2026-2028 "Soaring into the Next Generation," announced on April 28, 2026.

Going forward, we are committed to continuing to work through dialogue with our investors for deepening trust and sympathy and further sustainable improvement of corporate value.

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Roundtable Discussion with Outside Directors



Shifting from a defensive to an offensive approach to governance to create new corporate value
Strongly driving the next stage of growth from an independent and objective standpoint:

Four outside directors discuss the synthesis of diverse expertise and their commitment to the new Medium-Term Management Plan

In conjunction with the implementation of Medium-Term Management Plan 2026–2028 "Soaring into the Next Generation," the Group is working to establish a more effective governance system, shifting from a defensive to an offensive approach to governance. Here, four outside directors share their insights on the activities of the Board of Directors, the various roles they play, and initiatives going forward.

Miho Saito
Outside Director
(Audit and Supervisory Committee Member)

Manako Haga
Outside Director

Chie Goto
Outside Director
(Audit and Supervisory Committee Member)

Hidehito Kotani
Outside Director
(Audit and Supervisory Committee Member)

Making free and vigorous dialogue the driving force for strengthening governance and enhancing effectiveness

Kotani: In FY2025, the Governance Enhancement Special Committee, which Ms. Goto and I were members of, submitted its final report to the Board of Directors. I feel we are making steady progress in establishing a robust governance system based on the recommendations contained in that report. Furthermore, moves to strengthen governance are gaining significant momentum at the Company, with discussions at the Board of Directors going beyond merely implementing new mechanisms to also emphasize ways of making frontline operations more effective.

Goto: As you point out, I have felt that TOHO HOLDINGS has been steadily reinforcing its governance in recent years. In particular, discussions at the Board of Directors have become much more dynamic, thanks to the insights of Ms. Haga and Ms. Saito, who joined in 2025, as well as the addition in June 2026 of Mr. Ito, who has a proven track record on the front lines of management transformation. Mr. Matsutani, as Chief Governance Officer, has also actively contributed to discussions as the person responsible for governance, yielding substantive dialogue that goes beyond the mere iteration of formal observations.

Haga: I believe establishing a forum for outside directors to exchange opinions just among ourselves has had a significant impact on our discussions. By sharing information from the committees to which each of us belongs and being able to review the overall direction of the Company from multiple vantage points, we are now able to provide higher-quality feedback to the Board.

Kotani: If outside directors only sit in on meetings related to their respective areas of expertise, their knowledge and information will inevitably become one-sided. That is precisely why we hold discussions among the outside directors at least once a month, ensuring that everyone is on the same page. As a result, during Board of Directors meetings, we are able to offer our opinions on a wide range of topics, playing off of each other's expertise.

Saito: Mr. Kotani has a broad range of knowledge about the pharmaceutical industry, even down to the details, while Ms.

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Goto is a legal and accounting professional. Ms. Haga also possesses extensive expertise and experience in human resources, finance, and management reform. I feel that we are able to engage in meaningful discussions because we bring together and integrate such advanced expertise arising out of so many different backgrounds. Personally, I find it rewarding to be able to contribute to the Company's management alongside everyone else by drawing on my experience as an institutional investor overseas.

Goto: Japan's Corporate Governance Code, revised in July 2026, also recommends this initiative of including outside directors. Although this was something that we saw the need for and began pursuing voluntarily, it struck me once again as a highly meaningful step that was ahead of the curve.

Haga: One of the strengths of TOHO HOLDINGS' Board of Directors is that the people in charge of execution respond right away and provide feedback to questions and proposals raised during Board meetings. I also believe that the high degree of freedom that allows outside directors to start new initiatives is exceptional.

Saito: I think you are quite right. Even when I am offering in-depth opinions or asking probing questions, I personally feel like I am free to express my thoughts frankly, without holding back.

Enhancing the governance system by integrating diverse areas of expertise

Kotani: From its establishment in 2024 through the submission of the final report in 2025, the Governance Enhancement Special Committee, along with Ms. Goto, submitted various recommendations. Going forward, we will closely monitor the progress of governance initiatives aimed at safeguarding corporate value, including how the recommendations are being put into place. At the same time, a critical role of outside directors is to ensure that the perspectives of shareholders and investors are reflected in management decisions. I intend to redouble my commitment to business performance and results, aiming not only to protect the Company's corporate value but also to make a strong contribution to further enhancing it.

Goto: I also think that it is indispensable for outside directors to have the mindset of being committed to enhancing business performance and corporate value. To capitalize on each director's unique areas of expertise, though, a division of roles is necessary to some extent. As chairperson of the Audit and Supervisory Committee, my role is to solidify the Company's defensive foundation—it is only when we have robust compliance and internal controls in place that we can make decisions based on a proper assessment of risks. I view my most vital mission as striking a balance between defensive and offensive approaches by establishing a solid governance foundation as a second pillar of growth, alongside appropriate risk-taking.



Haga: My role lies in the areas of human capital management and organizational reform. When it comes to transforming an organization, simply creating a new framework is not that difficult. What truly matters is really committing to the systems and structures that are put in place and making them more effective. To achieve this, I believe it is crucial to incorporate the perspectives of employees working on the front lines. That is precisely why I want to build relationships that allow me to closely track the executive team's actions while also enabling me to openly and honestly discuss any proposals or questions I may have. This is what I have come to realize during my first year in this role.

Saito: I am also of the opinion that a key challenge moving forward will be to invigorate the frameworks put in place. TOHO HOLDINGS has established various committees and regulations over the past few years and put a sophisticated management system in place. At the same time, there are cases where the practical arrangements about who specifically is responsible for ensuring effectiveness and to what extent have not fully kept pace. I see my role as an outside director to be properly raising these issues and monitoring whether the execution of these matters is highly effective.

Toward the implementation of a new Medium-Term Management Plan incorporating outside perspectives

Saito: As members of the Management Strategy Committee, Mr. Kotani and I took part in formulating the new Medium-Term Management Plan. The plan serves as a crucial message to the capital markets, outlining the Company's direction and potential for growth. So, drawing on my lengthy experience as an investor in capital markets, I offered my candid views on how the various strategies and policies under the plan would be perceived from an investor's perspective.

Kotani: Ms. Saito's objective and clear insights, coming from the vantage point of an investor, gave management an opportunity to rethink their strategy and proved to be a substantial help in developing an effective strategy. As a Board member who has long engaged with various companies as an investor, she has served as a valuable stimulus for incorporating outside perspectives into management. Under the new Medium-Term Management Plan, the Company also seeks to invest in new



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business areas, which entails a number of challenges in uncharted territory—not merely an extension of the Company's current business. Drawing on my own experience in business investment, I actively offered advice to ensure the plan would be practical.

Haga: As the Company implements this Medium-Term Management Plan and looks ahead to the next plan, another key issue will be succession planning for the CEO, led by the Nomination and Compensation Committee. This has to go beyond simply drawing up a list of potential successors; it requires end-to-end succession planning that includes how the Company will develop selected candidates. Bringing my own experience at foreign-affiliated companies to bear, I am working to help develop a plan that is objective and that includes a global perspective.

Goto: The Nomination and Compensation Committee is also moving forward with reforms while more fully incorporating outside perspectives by changing the composition of the committee, among other measures. Regarding the succession plan, under the leadership of Mr. Kotani, who serves as the committee chair, we are steadily making headway in formulating the plan from a transparent and fair perspective, including by defining candidate requirements, compiling a list of candidates, and incorporating external evaluations. Furthermore, a majority of our Board of Directors consists of outside directors, which makes for a sophisticated governance function where outside perspectives are necessarily included in discussions and decision-making. At the same time, a shift in mindset within the Company is also crucial in terms of reforming the organization. I believe the ideal shape reform should take involves respecting the culture and convictions of TOHO HOLDINGS that have been cultivated on the front lines, while also offering outside insights and collaborating with colleagues within the Company to drive changes that contribute to enhancing corporate value over the medium to long term.



Saito: I often get the chance to talk about M&A and investment opportunities, and while I sense the Company as a whole has a proactive mindset, I still feel we need to further align the various understandings of processes and approaches to risk-taking. I would like us to engage in even more in-depth discussions about striking the right balance between risks and opportunities, which is the cornerstone of the investment strategy.

Kotani: I couldn't agree more. Nothing is certain when it comes to investments, and identifying the right investment targets calls for diversity in which people with differing opinions can talk about things frankly. Diversity doesn't simply mean differences in gender or nationality; it means being able to genuinely engage with disparate ways of thinking. My goal is for the Board of Directors to take the lead in realizing this sort of diversity and serve as a model for the entire Company. I believe that real change will begin to take root among employees only when the Board can discuss things without reservation, regardless of whether we are internal or outside directors, and thus achieve the diversity we are aiming for.

Message for shareholders and investors

Kotani: TOHO HOLDINGS is moving from a stage of establishing a supervisory framework, including the oversight of subsidiary management and investment governance, to the stage of putting that framework into practice and delivering results. Although I am an outside director, I approach my duties with a sense of ownership as a member of the management team. I will continue to support growth for TOHO HOLDINGS going forward so that it can become a Company that contributes more than ever to Japan's healthcare system and to patients, exceeding the expectations of shareholders and investors.

Goto: The Board of Directors also serves as a forum for over-seeing management. So I intend to support sound management decisions from the perspective of a lawyer and certified public accountant going forward. I will continue to do my utmost to contribute not only to a defensive approach to governance but also to a proactive, offensive approach aimed at enhancing corporate value.



Haga: The stable supply of pharmaceutical products, which TOHO HOLDINGS has set forth as its social mission, is a unique value proposition that the Company ought to continue to value moving forward. Transforming businesses and organizations involves initiatives to support the further evolution of this fundamental value proposition and create new corporate value. Investing in human capital is also crucial here. As an outside director, I hope to help transform the Company into a more robust organization.

Saito: My role is to always keep in mind the perspectives of shareholders and investors, strive to enhance corporate value in a way that meets their expectations, and aim for the resulting rise in stock price. As an outside director of the Company, I have attended numerous investor relations meetings with institutional investors both in Japan and overseas, and heard their feedback firsthand. Moving forward, in my role as a bridge between the capital markets and management, I intend to further deepen the dialogue with shareholders and investors and contribute to the growth of TOHO HOLDINGS.

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Risk Management

Basic Views

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

Risk Management Committee

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

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

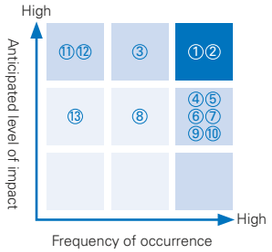
- Establishing basic policies and regulations on management risks
- Identifying and assessing risks and reviewing the management framework
- Risk management awareness activities and training

Identifying Risks

The committee has newly identified risks following comprehensive discussions concerning risks facing the Company. We reported on these newly identified material risks for the Group, along with the process of identifying them, at the Risk Management Committee meeting in March 2026.

Identification Process

1. **Risk identification**
   Extracting risks from TOHO HOLDINGS, the various departments of TOHO PHARMACEUTICAL, the dispensing pharmacy business, and the pharmaceutical manufacturing and sales businesses
2. **Risk assessment and prioritization (mapping)**
3. **Identification of material risks**
4. **Regular management by the Risk Management Committee**



Anticipated level of impact (operating profit)

- Large: Loss of 1 billion yen or more
- Medium: Loss of 100 million yen or more and less than 1 billion yen
- Small: Loss of less than 100 million yen

Frequency of occurrence

- High: Monthly to once every few months
- Medium: Approximately once a year
- Low: Once every few years

Material Risks and Response Measures

Among the re-identified risks, we are taking steps and drafting policies to address the issues listed below. We will also promptly address the remaining issues and implement response measures.

Risk	Possible events	Department or committee responsible	Response measure
① Market	Increased costs due to inflation and exchange rate fluctuations, difficulty in passing on prices, etc.	Corporate Strategy Division, Risk Management Committee	· Price negotiations aligned with the Guidelines for the Improvement of Commercial Transaction · Reduction of indirect material costs · Business process reform
② Regulatory reforms	Changes in profit structure due to National Health Insurance (NHI) drug price system revision, etc.	Corporate Strategy Division, Risk Management Committee	· Acquiring distribution rights for specialty pharmaceuticals · Concentrating resources on high-growth and high-profit products
③ Medical safety	Dispensing errors, medical accidents, contamination with counterfeit drugs, etc.	Dispensing pharmacy business, Pharmaceutical Information Department, Risk Management Committee	· Introduction of dispensing audit systems at pharmacies · Compliance with the Good Distribution Practice (GDP) Guidelines
④ Quality	Inadequate quality control of pharmaceuticals, etc.	Quality Assurance Department, Pharmaceutical manufacturing and sales business	· Introduction of a 24/7 temperature monitoring system · Quality control and validation based on Good Quality Practice (GQP) and Good Manufacturing Practice (GMP) Guidelines
⑤ Human capital	Difficulties in recruiting staff, reliance on specific individuals for tasks, an aging workforce, rising wage levels, etc.	General Affairs and Human Resources Division, Risk Management Committee	· Review of the personnel evaluation system · Operational efficiency improvements through digital transformation
⑥ Contracts	Inappropriate contract execution, failure to fulfill rights and obligations, etc.	Legal Department, Risk Management Committee	· Thorough legal compliance and risk management · Implementation of a contract management system
⑦ Compliance	Violations of laws and regulations, harassment, internal misconduct, misconduct by business partners, etc.	Compliance Promotion Department, Legal Department, Compliance Committee	· Regular compliance training · Establishment of a whistleblowing system
⑧ Reputation	Scandals involving management, inappropriate posts on social media, etc.	Corporate Strategy Division, Risk Management Committee	· Establishment of a sound governance system · Formulation of guidelines on social media use
⑨ Occupational safety and accidents	Breach of the duty of care, workplace accidents, traffic accidents, health problems, etc.	General Affairs and Human Resources Division, Risk Management Committee	· Prevention of excessively long work hours through the introduction of a full-flex system and other measures
⑩ Credit	Credit instability, bankruptcy, bad debts, etc., of business partners	Sales Division, Administration Division, Risk Management Committee	· System-driven management of compliance risk · Implementation of trade credit investigations
⑪ Stable supply and business continuity	Supply chain disruption, increased logistics costs, equipment failure, etc.	Logistics Division, General Affairs and Human Resources Division, Risk Management Committee	· Complete redundancy of core systems · Centralized information management
⑫ Natural disasters	Large-scale natural disasters, pandemics, and climate change, etc.	Corporate Strategy Division, Kyoso Mirai Group Disaster Countermeasures Committee, Sustainability Promotion Committee	· Installation of in-house generators · Deployment and maintenance of emergency vehicles
⑬ Information and cyber security	Cyberattacks, system failures, and information leaks, etc.	Logistics and Systems Planning Division, Information Security Committee	· Periodic vulnerability assessments · Formulation of guidelines for preventing information leaks

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Business Continuity Plan (BCP)

Cybersecurity

Basic Views

The Group considers the protection of information assets held by our business partners and the Group, as well as the assurance of cybersecurity, to be a critical management responsibility.

To counter unexpected unauthorized access and increasingly sophisticated cyber threats, we are implementing multi-layered organizational and technical measures, including the consolidation of the Group network's connection points to the outside and the establishment of a system for continuous monitoring and immediate response. We are committed to ensuring strict compliance with laws and regulations and raising security awareness throughout the Company, thereby living up to the public trust placed in us as a Company that supports medical care and well-being.

Information Security Committee

To strengthen our information security management, we have established a governance system centered on the Information Security Committee.

Through regular committee meetings, we review and evaluate our system for promoting security and the status of various measures, and implement a Plan-Do-Check-Act (PDCA) cycle that enables us to promptly take corrective actions and provide feedback on identified issues.

▶ Examples of Initiatives

To maintain a robust security infrastructure, we are pursuing the following specific initiatives.

Technological countermeasures (response to unknown and advanced threats)

We are currently introducing next-generation endpoint detection and response (EDR) security software and a 24/7, 365-day managed detection and response (MDR) monitoring and immediate response service provided by a specialized vendor across all Company computers and servers (approximately 7,000 units), and have begun phased implementation. We also continue to take prompt corrective actions based on periodic vulnerability assessments.

Human countermeasures (raising security awareness in the organization)

In addition to security training for all employees, we regularly conduct real-life simulation drills of targeted email attacks to enhance the organization's overall defense capabilities and initial response capacity.

Disaster Countermeasures

Basic Views

To fulfill our mission as a social infrastructure that ensures the stable nationwide delivery of prescription pharmaceuticals and other medical products, we prioritize ensuring the safety of our employees and their families and maintaining a stable supply of pharmaceuticals through the implementation of our BCP during natural disasters and pandemics. In preparation for large-scale disasters, we are strengthening our systems in terms of both physical infrastructures and operational procedures—installing in-house generators, maintaining complete redundancy for core systems, and keeping emergency vehicles ready for use. We work closely with local communities, government agencies, and medical institutions to protect people's lives and health by ensuring an uninterrupted supply of pharmaceuticals even in times of crisis.

Kyoso Mirai Group Disaster Countermeasures Committee

As an effective coordinating body overseeing the Group's overall disaster prevention and mitigation systems, we hold regular committee meetings twice a year to monitor and evaluate the implementation of BCPs and disaster prevention plans at all Group companies and branch offices.

Key initiatives

- Establishing and strengthening command-and-control and communication systems to ensure the rapid deployment of a disaster response headquarters in the event of a large-scale disaster
- Company-wide implementation and operation of a safety confirmation system
- Promoting the conclusion of disaster response agreements with local governments and conducting periodic drills

▶ Example of Initiative

Response to the 2026 Kumamoto Earthquake

Following the Kumamoto Earthquake in July 2026, which recorded a maximum seismic intensity of 7, a disaster response headquarters was automatically established in accordance with the provisions of our BCP. Although some products at TBC Kyushu and Kyushu Toho sales offices and dispensing pharmacies were damaged, there were no casualties, and we maintained a stable supply of pharmaceuticals and other products. Furthermore, we promptly initiated relief activities, such as delivering drinking water to affected locations the very next day.

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Compliance

Basic Views

The Company has established the Compliance Promotion Regulations to ensure that officers and employees of the Group (employees, career staff, temporary employees, special temporary employees, loaned employees, contract employees, part-time employees) comply with laws and regulations, respect social norms, conduct corporate activities with fairness, transparency, and a high sense of ethics, as well as to ensure management that fulfills its social responsibilities. We are committed to conducting our activities based on laws and ethics. To this end, we have established a Code of Conduct embodying our ethical standards along with annual goals, collectively known as our Compliance Program, which we continuously strive to implement.

Compliance Committee

The Company established the Compliance Committee to ensure fair and sound business practices, driving and overseeing compliance across the entire Group. The committee, chaired by the Chief Governance Officer (CGO) tasked with governance, reviews and decides on the following matters, reporting on its activities and on the status of the whistleblowing system to the Board of Directors, ensuring proper oversight by the Board.

❶ Establishing basic compliance policies and regulations
❷ Reviewing compliance progress
❸ Deliberating on and formulating responses to compliance violations and preventative measures
❹ Overseeing the Compliance Promotion Department
❺ Updating the Board of Directors regularly on the whistleblowing system

Whistleblowing system

We view our whistleblowing system as a key tool for preventing misconduct, detecting it early, and correcting it quickly, and have been working to enhance the system's effectiveness.

On April 1, 2025, the Company established a Compliance Promotion Department to serve as a dedicated unit for its internal whistleblowing channel, and also began utilizing an external lawyer as a contact point outside the Company to strengthen and enhance the system. We have put in place a system that allows business partners to report claims, in addition to the in-house reporting channel, which is accessible to a wide range of Group personnel—including employees, career staff, temporary employees, contract employees, part-time employees, dispatched workers, and retired employees—as well as to the personnel of our contractors. Our aim with these two channels is to detect issues early. In terms of reporting methods, in addition to phone and email, we have established the TOHO Hotline as a system for reporting directly via the intranet. All channels allow for anonymous reporting.

Furthermore, we make the protection of the whistleblowers our top priority. Their privacy and the privacy of those who cooperate with investigations, as well as the details of reports, are strictly safeguarded. Our internal regulations strictly prohibit dismissal, unfavorable treatment, or retaliation based on the fact that a report was made, establishing a system that allows stakeholders to report concerns without fear of retaliation.

The department handles a wide range of issues, including not only serious violations of laws and regulations warranting criminal or administrative penalties, but also violations of internal company policies, harassment and other human rights violations, and concerns regarding conduct in the workplace, and takes appropriate corrective measures. Through these efforts, we strive to maintain and improve a healthy work environment where all stakeholders can work without concern.

To raise awareness and gain more in-depth understanding of the system, we also regularly conduct online sessions for all directors and hold training programs for managers. As part of our efforts to further enhance the effectiveness of the whistleblowing system, we have introduced a leniency program and taken other measures.

Reports in FY2025

In FY2025, we received 76 whistleblowing reports from within the Company and one from outside. We promptly investigated all 77 reports and addressed them with corrective measures. The reports contained no serious legal violations.

Compliance training

To conduct sound business operations, it is important that all officers and employees have correct knowledge and a high awareness of compliance. The Group requires all officers and employees to take compliance training on important laws, regulations and rules, among other matters to be understood in conducting business activities.

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

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

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

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Directors

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Directors



Hiromi Edahiro

Representative Director, President and CEO

As CEO, Edahiro demonstrates strong leadership, steering the Group's management to advance the initiatives outlined in our Medium-Term Management Plan and achieve our goals. At the same time, building on the continuous, long-term relationships with our business partners—which are critical to the nature of the pharmaceutical wholesaling business—he is driving initiatives aimed at ensuring the Company's sustainable growth and maximizing corporate value over the medium to long term.



Akira Umada

Senior Executive Managing Director and COO, responsible for the Pharmaceutical Wholesaling Business

As COO, Umada oversees the overall operations of the Group. At the same time, in his role as President of TOHO PHARMACEUTICAL, he leverages the extensive knowledge and experience he gained while serving as head of sales for the Group's core pharmaceutical wholesaling business. He is driving business growth and strengthening the profit base as outlined in the Medium-Term Management Plan, including through establishing a more sophisticated sales and marketing system and improving profitability in the wholesaling business.



Manako Haga

Outside Director

Haga has extensive knowledge and experience in financial accounting, business planning, building business processes, and human capital management, and draws on this background to provide advice and recommendations to facilitate sound decision-making and exercise effective oversight from a professional and independent perspective on the Board of Directors and the Nomination and Compensation Committee.



Masahiko Ito

Outside Director

Ito draws on his extensive experience as a corporate executive, including serving as Representative Director at Fujikura Ltd., as well as expertise in corporate governance he gained by serving as an outside director at other companies and through other roles, to provide advice and recommendations for appropriate decision-making and exercise highly effective oversight from a professional and independent perspective on the Board of Directors and the Nomination and Compensation Committee.



Hidehito Kotani

Outside Director, Audit and Supervisory Committee Member

Kotani draws on his extensive knowledge of the pharmaceutical, medical device, and medical IT industries, as well as his experience as a corporate executive, to provide appropriate advice and recommendations from an objective and multidimensional perspective at Board of Directors and Audit and Supervisory Committee meetings and to conduct highly effective oversight and audits. As Chair of the Nomination and Compensation Committee, he also leads efforts to clarify the processes for nominating and determining remuneration for directors and other executives.



Takeo Matsutani

Executive Managing Director and CGO, responsible for the Pharmaceutical Manufacturing and Sales Business

Matsutani has held key positions at Group subsidiaries, including President and Representative Director, and possesses extensive experience as a corporate executive, as well as experience serving as the head of corporate planning and business development at the Company. Furthermore, as CGO, he has led efforts to enhance compliance and establish a more sophisticated risk management system, helping to further shore up the management foundation supporting sustainable growth for the Group.



Shuzo Kono

Executive Managing Director, in charge of Transformation, responsible for the Dispensing Pharmacy Business and Other Peripheral Businesses

As the person responsible for driving transformation, Kono takes the lead in the Group-wide implementation of growth and efficiency strategies as well as other practical initiatives outlined in the Medium-Term Management Plan. At the same time, he is leveraging the insights and experience he gained as the President and Representative Director of a Group subsidiary to contribute to steady transformation and the establishment of a business foundation for sustainable growth.



Chie Goto

Outside Director, Audit and Supervisory Committee Member

Goto draws on her professional expertise in corporate law and accounting as a lawyer and certified public accountant, as well as her experience serving as an outside director at another company, to provide appropriate advice and recommendations from an objective and multidimensional perspective at Board of Directors meetings and to conduct highly effective oversight and audits. As Chair of the Audit and Supervisory Committee, she also leads efforts to reinforce the Group's audit system from an independent standpoint.



Miho Saito

Outside Director, Audit and Supervisory Committee Member

Saito possesses extensive knowledge in formulating investment strategies and managing investment risks in light of capital market trends, and leveraging these insights and her many years of experience as an investor, she provides appropriate advice and recommendations from an objective and multidimensional perspective at Board meetings and Audit and Supervisory Committee meetings and conducts highly effective oversight and audits.

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Skill Matrix

To achieve the Group's sustainable growth and enhance corporate value over the medium to long term, we have identified seven criteria regarding the knowledge and experience expected of directors, based on the strategies and various initiatives set forth in the Medium-Term Management Plan.

Name	Position	Gender	Attendance at Board of Directors and Audit and Supervisory Committee meetings in FY2025 (Number of times attended/ Number of times held)		Expertise and Experience						
			Board of Directors meetings	Audit and Supervisory Committee meetings	Corporate Management	Finance & Accounting / Capital Markets	Human Resource and Organizational Development / Sustainability	Legal Affairs & Risk Management	Sales Strategy / Logistics	Business Development / DX	Knowledge of Pharmaceutical Administration and Policy
Hiromi Edahiro	Representative Director, President and CEO	Male	13/13 (100%)	—	●	●				●	●
Akira Umada	Senior Executive Managing Director and COO	Male	13/13 (100%)	—	●		●		●		●
Takeo Matsutani	Executive Managing Director and CGO	Male	13/13 (100%)	—	●		●	●	●	●	●
Shuzo Kono	Executive Managing Director, in charge of Transformation	Male	10/10 (100%)*1	—	●				●	●	●
Manako Haga	Outside Director	Female	10/10 (100%)*1	—	●	●	●				
Masahiko Ito	Outside Director	Male	—*2	—*2	●		●		●	●	
Hidehito Kotani	Outside Director Audit and Supervisory Committee Member	Male	13/13 (100%)	9/9 (100%)	●	●			●	●	●
Chie Goto	Outside Director Audit and Supervisory Committee Member	Female	13/13 (100%)	9/9 (100%)		●	●	●			
Miho Saito	Outside Director Audit and Supervisory Committee Member	Female	10/10 (100%)*1	6/6 (100%)*1	●	●	●				

*1. As the individual was appointed at the 77th Annual General Meeting of Shareholders on June 27, 2025, the number of meetings held and attendance status are provided following their appointment.
*2. As the individual was appointed at the 78th Annual General Meeting of Shareholders on June 26, 2026, they were not in office during the period covered by this table.

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https://www.tohohd.co.jp/en/company/directors/

Corporate Officers

Makoto Kawamura
Senior Executive Corporate Officer
General Manager of Corporate Strategy Division and Corporate Planning Department

Yasuo Sakae
Executive Corporate Officer and CFO
General Manager of Administration Division

Shigeki Nakata
Executive Corporate Officer

Kengo Ogawa
Corporate Officer
Deputy General Manager of Administration Division

Kazuki Shimizu
Corporate Officer
General Manager of General Affairs and Human Resources Division, and General Affairs Department

Aya Komai
Corporate Officer
General Manager of Compliance Promotion Department

Aiko Noshiro
Corporate Officer
General Manager of Corporate Communications Department, Corporate Strategy Division

Takuya Narikawa
Corporate Officer
General Manager of Supply Chain Management Department

Takeshi Sakamoto
Corporate Officer
General Manager of Logistics and System Planning Division and Logistics Planning Department

Wataru Tani
Corporate Officer
General Manager of Human Resources Department, General Affairs and Human Resources Division

Kaoru Kamo
Corporate Officer

Tomoji Hashiba
Corporate Officer
Deputy General Manager of Corporate Strategy Division (in charge of Pharmaceutical Wholesaling Business)

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Financial Summary

(Millions of yen)

	2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3	2024.3	2025.3	2026.3
Operating Results											
Net sales	1,308,474	1,231,046	1,213,342	1,222,199	1,263,708	1,210,274	1,266,171	1,392,117	1,476,712	1,518,495	**1,553,364**
Cost of sales	1,182,429	1,121,182	1,099,149	1,110,152	1,148,354	1,110,961	1,157,484	1,277,750	1,357,564	1,396,847	**1,430,947**
Gross profit	125,928	109,993	114,172	112,042	115,415	99,372	108,687	114,366	119,148	121,648	**122,416**
Selling, general and administrative expenses	97,309	95,749	95,155	96,258	97,825	95,069	96,159	98,000	99,817	102,711	**105,815**
Operating profit	28,618	14,244	19,016	15,783	17,590	4,303	12,527	16,365	19,331	18,936	**16,601**
Ordinary profit	34,493	19,844	25,045	21,452	23,732	10,289	18,182	19,176	21,787	20,716	**16,631**
Profit attributable to owners of parent	21,771	14,225	14,384	13,863	16,230	4,989	13,379	13,630	20,657	19,844	**17,327**
Financial Position											
Total assets	641,877	598,155	645,799	663,727	670,827	683,181	702,376	715,288	773,427	722,805	**740,781**
Net assets	174,656	188,271	207,772	213,848	231,009	237,405	241,281	242,916	249,437	256,897	**271,560**
Cash Flows											
Cash flows from operating activities	2,381	16,062	51,978	13,428	10,815	8,768	16,341	–9	59,934	–26,675	**19,243**
Cash flows from investing activities	–4,942	–6,294	–12,448	–7,649	–15,664	680	–11,032	4,315	9,091	–4,180	**822**
Cash flows from financing activities	–10,134	–9,900	–3,754	5,329	9,479	–680	–4,473	–13,060	–22,195	–20,364	**–16,346**
Free cash flow	–2,561	9,767	39,529	5,779	–4,849	9,448	5,308	4,306	69,025	–30,855	**20,065**
Cash and cash equivalents at end of period	27,854	27,721	63,671	75,382	80,013	88,882	90,014	81,839	128,673	78,226	**83,286**
Capital Investment/Depreciation											
Capital investment	6,959	9,326	9,406	4,053	14,604	6,000	4,480	3,309	4,162	6,402	**11,215**
Depreciation	4,721	4,483	4,498	4,869	5,198	6,424	6,634	6,119	6,244	5,929	**6,056**
Major Indicators											
Gross profit margin (%)	9.62	8.93	9.41	9.17	9.13	8.21	8.58	8.22	8.07	8.01	**7.88**
Operating profit margin (%)	2.19	1.16	1.57	1.29	1.39	0.36	0.99	1.18	1.31	1.25	**1.07**
Return on equity (ROE) (%)	13.12	7.84	7.27	6.58	7.30	2.13	5.60	5.64	8.40	7.85	**6.56**
Ratio of ordinary profit to total assets (ROA) (%)	5.55	3.20	4.03	3.28	3.56	1.52	2.61	2.71	2.93	2.77	**2.27**
Equity-to-asset ratio (%)	27.20	31.45	32.15	32.19	34.41	34.73	34.30	33.93	32.22	35.51	**36.62**
Price book-value ratio (PBR) (times)	0.95	0.85	0.83	0.88	0.69	0.60	0.54	0.65	0.92	1.09	**1.14**
Earnings per share (EPS) (yen)	316.51	207.12	209.84	207.71	233.34	70.77	189.70	196.70	320.14	313.20	**271.18**
Net assets per share (BPS) (yen)	2,544.58	2,736.30	3,030.58	3,135.45	3,273.86	3,364.65	3,415.50	3,623.81	3,969.20	4,099.71	**4,193.25**
Annual dividend per share (yen)	28.00	30.00	30.00	30.00	40.00	30.00	30.00	32.00	40.00	65.00	**165.00**
Shareholder Returns											
Dividend payout ratio (%)	8.85	14.48	14.30	14.44	17.14	42.39	15.81	16.27	12.49	20.75	**60.85**
Total return ratio (%)	23.81	14.49	18.63	86.72	34.73	42.41	15.82	70.35	70.41	96.46	**119.52**
Dividend on equity ratio (%)	1.17	1.14	1.04	0.97	1.25	0.90	0.88	0.91	1.05	1.61	**3.98**

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

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Non-financial Summary

HR-related data	2024.3	2025.3	2026.3	Target
Number of all employees	10,039	10,158	10,121	
male	5,263	5,248	5,120	
female	4,776	4,910	5,001	Consolidated
Ratio of female employees (%)	47.6	48.3	49.4	
Ratio of female managers (%)	20.9	21.2	21.2	
Ratio of female managers (%)	16.0	16.7	18.2	TOHO HOLDINGS
Number of new employees	77	71	100	
male	36	25	45	Consolidated
female	41	46	55	
Ratio of new hires who are females (%)	53.2	64.8	55.0	
Average length of service (year)	19.5	19.3	19.2	
male	22.6	22.4	22.4	TOHO HOLDINGS TOHO PHARMACEUTICAL
female	12.9	13.1	12.9	
Average annual salary (yen)	6,143,484	6,281,611	6,786,795	TOHO HOLDINGS
Average overtime hours per month (hours)	11 hours 4 minutes	10 hours 41 minutes	9 hours 38 minutes	TOHO HOLDINGS
Number of paid vacation days (days)	10.7	10.6	11.1	TOHO PHARMACEUTICAL
Ratio of paid vacation days (%)	45.4	45.6	48.2	
Ratio of males taking childcare leave (%)	42.6	46.7	78.9	
Number of users of the short-time attendance system for childcare	179	152	214	
male	1	1	2	Consolidated
female	178	151	212	
Number of users of nursing care leave system	12	14	17	
Ratio of persons with disabilities (%)	3.16	3.52	2.79	TOHO HOLDINGS
Ratio of persons with disabilities (%)	2.40	2.48	2.76	TOHO PHARMACEUTICAL

Data related to the environment	2024.3	2025.3	2026.3	Target
Greenhouse gas emissions (Scope 1) (t-CO_2e)	13,915	13,420	12,814	
Greenhouse gas emissions (Scope 2) Market-based (t-CO_2e)	14,825	9,118	7,073	
Greenhouse gas emissions (Scope 2) Location-based (t-CO_2e)	16,001	15,589	15,537	
Greenhouse gas emissions (Scope 3) (t-CO_2e)	2,106,013	1,992,206	1,520,156	TOHO HOLDINGS TOHO PHARMACEUTICAL SAYWELL KOYO Kyushu Toho TOHO SYSTEMS SERVICE
category 1 (Purchased goods and services)	2,086,402	1,964,191	1,488,437	
category 2 (Capital goods)	10,803	16,041	19,692	
category 3 (Fuel and energy-related activities not included in Scope 1 and 2)	4,538	4,486	4,389	
category 4 (Upstream transportation and distribution)	354	432	406	
category 5 (Waste generated in operations)	18	20	68	
category 6 (Business travel)	495	498	390	
category 7 (Employee commuting)	2,771	5,830	6,008	
category 13 (Downstream leased assets)	632	708	766	
Greenhouse gas emission reduction rate in Scope 1 and 2 (Compared to FY2019) (%)	29.7	44.9	51.4	

Governance data	2024.7	2025.7	2026.7	Target
Ratio of outside directors (%)	33.3	55.6	55.6	TOHO HOLDINGS
Ratio of female directors (%)	22.2	33.3	33.3	

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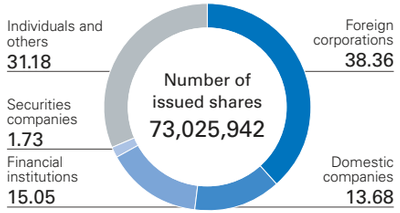
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Stock Information

Stock Information

Number of shares authorized	192,000,000
Number of issued shares	73,025,942
Number of shareholders	4,314

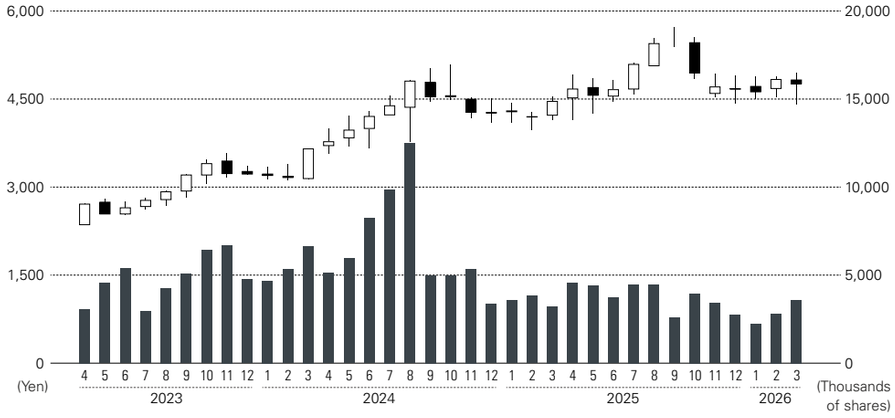
Share Distribution by Type of Shareholder (%)



Major Shareholders

	Number of Shares Held (Thousands)	Ratio (%)
STATE STREET BANK AND TRUST COMPANY 505018	9,646	14.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,332	11.33
Shionogi & Co., Ltd.	3,500	5.40
GOLDMAN SACHS & CO REG	2,801	4.32
3D WH OPPORTUNITY MASTER OFC – 3D WH OPP ORTUNITY HOLDINGS	2,400	3.70
Custody Bank of Japan, Ltd. (Trust Account)	1,622	2.50
Hiroyuki Kono	1,333	2.06
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Daiichi Sankyo Account Re-trust Trustee, Custody Bank of Japan, Ltd.	1,328	2.05
GOLDMAN SACHS INTERNATIONAL	1,296	2.00
TOHO HOLDINGS Employee Stock Ownership Plan	1,205	1.86

Share Prices/Trading Volume (monthly chart)



Corporate Information

Company Name	TOHO HOLDINGS CO.,LTD.
Registered Office	4-43-11, Daizawa, Setagaya-ku, Tokyo 155-8655, Japan
Head Office	Tokyo Midtown Yaesu, Yaesu Central Tower 9F 2-2-1, Yaesu, Chuo-ku, Tokyo 104-0028, Japan
Establishment	September 1948
Capital	10,649 million yen
Stock Listings	Tokyo Stock Exchange, Prime Market (Stock Code: 8129)
Employees	7,675 (Consolidated) (Securities report basis)

Group Companies (as of October 1, 2026)

TOHO PHARMACEUTICAL CO.,LTD.	Pharmaceutical wholesaling business
SAYWELL inc.	Pharmaceutical wholesaling business
KOYO Co., Ltd.	Pharmaceutical wholesaling business
Kyushu Toho Co., Ltd.	Pharmaceutical wholesaling business
PHARMA CLUSTER CO., LTD.	Dispensing pharmacy business
KYOSOMIRAI PHARMA CO., LTD.	Pharmaceutical manufacturing and sales business

Tokyo Research Center of Clinical Pharmacology Co., Ltd.	Support for clinical trial offices
ALF.Inc	Plan and sale of information processing equipment business
Nextit Research Institute, Inc.	Software development and sales, corporate and medical management consulting business
K.K.eHealthcare	Business related to medical information
Orphan Trust Japan Co., Ltd.	Business related to specialty pharmaceuticals

Editorial Policy

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

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

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

Covered Period
April 1, 2025 - March 31, 2026.

* Some information after April 1, 2026 is included.

Referenced Guidelines
International Financial Reporting Standards (IFRS) Foundation's Integrated Reporting Framework

Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation

Global Reporting Initiative Standards

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

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