

# **FY2024**

## **(Fiscal Year Ended March 31, 2025)**

# **Financial Results Presentation**

**May 15, 2025**



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.



## Agenda

1. **Financial Highlights for the Fiscal Year Ended March 31, 2025**
2. **Financial Forecast for Fiscal Year Ending March 31, 2026**
3. **Medium- and Long-term Management Strategy**



## **1. Financial Highlights for the Fiscal Year Ended March 31, 2025**

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# Consolidated Results for the Fiscal Year Ended March 2025

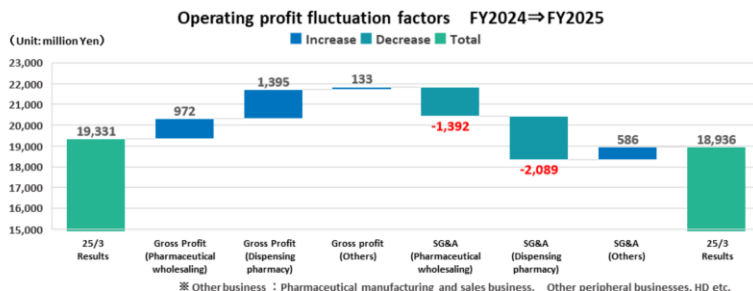


(Unit: million Yen)	FY ended March 2024		FY ended March 2025			(Reference) Forecast		
	Results	% of net sales	Results	% of net sales	YoY change (%)	Forecast (Revised January 15, 2025)	% of net sales	達成率 (%)
Net sales	1,476,712		1,518,495		2.83	1,492,000		101.8
Gross profit	119,148	8.07	121,648	8.01	2.10	120,200	8.06	101.2
SG&A	99,817	6.76	102,711	6.76	2.90	102,000	6.84	100.7
Operating profit	19,331	1.31	18,936	1.25	-2.04	18,200	1.22	104.0
Ordinary profit	21,787	1.48	20,716	1.36	-4.92	20,100	1.35	103.1
Net profit*	20,657	1.40	19,844	1.31	-3.94	16,900	1.13	117.4

\*Profit attributable to owners of parent

## < Summary of Variance: FY2024 Actuals and FY2025 Plan >

- **Net sales** : Net sales increased in all businesses. Larger net sales than projected were thanks to the favorable performance of the pharmaceutical wholesaling business.
- **Gross profit** : Profit increased except for the pharmaceutical manufacturing and sales business (which saw a slight decline).
- **SG&A** : SG&A increased in pharmaceutical wholesaling business and Dispensing pharmacy business. SG&A ratio remained flat on a consolidated basis.
- **Operating profit** : Despite a decrease from the previous year, it exceeded the announced projection owing to our efforts to control SG&A expenses.
- **Net profit** : Despite a decrease from the previous year, it exceeded the announced projection owing to gain on the sale of real estates such as the land of HQ at Daizawa in Tokyo.



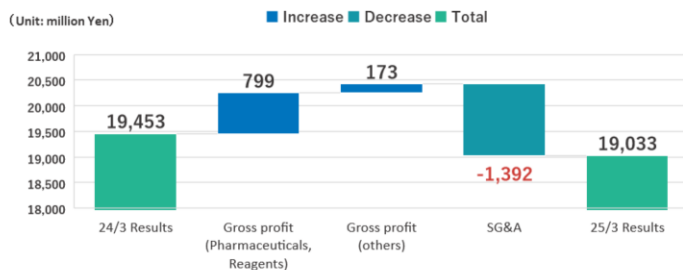
First, I would like to explain the financial highlights for the fiscal year ended March 31, 2025. This is the consolidated statement of income. Net sales amounted to 1,518,495 million yen, an increase of 2.83% from the previous year on a consolidated basis as a result of increased sales in all businesses. Gross profit also increased, but operating profit decreased by approximately 400 million yen from the prior year to 18,936 million yen owing to an increase in SG&A expenses in the pharmaceutical wholesaling and dispensing pharmacy businesses. A comparison between actual results and forecasts shows that net sales were higher than the forecast, while operating profit exceeded the forecast by 700 million yen as a result of SG&A expenses being controlled almost as planned. Although net income decreased from the previous year, it was 19,844 million yen, significantly higher than the revised forecast announced on January 15 this year, due to gains on the sale of real estate such as land of Daizawa Head Office. As shown in the lower left chart, gross profit increased in all business segments. SG&A expenses increased in the pharmaceutical wholesaling and dispensing pharmacy businesses, which placed downward pressure on operating profit. However, SG&A expenses decreased in the pharmaceutical manufacturing and sales and other peripheral businesses, and non-consolidated TOHO HOLDINGS, which contributed positively to operating profit.

# Results for the Fiscal Year Ended March 2025 (Pharmaceutical wholesaling business)



(Unit: million Yen)	FY ended March 2024		FY ended March 2025			(Reference) Forecast		
	Results	% of net sales	Results	% of net sales	YoY change (%)	Forecast	% of net sales	達成率 (%)
Net sales	1,424,488		1,463,520		2.74	1,437,000		101.8
Gross profit	83,537	5.86	84,509	5.77	1.16	82,400	5.73	102.6
SG&A	64,083	4.50	65,475	4.47	2.17	65,300	4.54	100.3
Operating profit	19,453	1.37	19,033	1.30	-2.16	17,100	1.19	111.3

Operating profit fluctuation factors FY2024⇒FY2025



<Summary of Variance: FY2024 Actuals and FY2025 Plan>

- **Net sales** : Sales of limited-handling products for selected wholesalers continued to grow. (25.7% increased from the previous year). \*Excluding COVID-19-related products. Net sales increased owing partly to the less decrease than expected in COVID-19 drug sales. The announced projection was also achieved.
- **Gross profit** : Despite efforts to negotiate single-item unit prices in line with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies, the gross profit margin deteriorated slightly owing to soaring purchase costs.
- **SG&A** : Rise in personnel costs and delivery service outsourcing costs.
- **Operating profit** : Despite a decrease from the previous year, it exceeded the announced projection.

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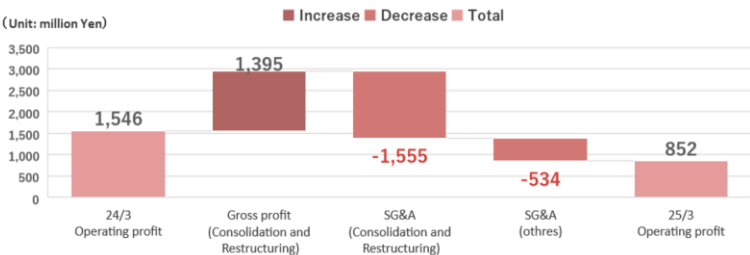
Let me explain the results for the pharmaceutical wholesaling business, using this slide. Net sales increased 2.74% year on year to 1,463,520 million yen. Despite a significant decline in sales of COVID-19-related products, net sales increased thanks to continued growth in sales of specialty products and other limited-handling products for selected wholesalers. Net sales also exceeded the forecast because the overall market performance was stronger than initially projected and the impact of the lower COVID-19 drug sales was less than initially projected. Gross profit advanced 1.16% year on year to 84,509 million yen. Despite efforts to negotiate unit prices per product in accordance with the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies, the gross margin deteriorated by roughly 0.09 percentage points to 5.77% owing to higher purchasing costs and an increase in the composition ratio of specialty products. SG&A expenses rose 2.17% year on year to 65,475 million yen. The SG&A ratio was 4.47%, more or less the same as in the previous year, as a result of continued efforts to curb expenses by improving operational efficiency, which offset increases in personnel costs and delivery service outsourcing costs due to rising prices. As a result, operating profit slid 2.16% year on year to 19,033 million yen. The operating profit margin stood at 1.3%, slightly worse than in the preceding year, but both operating profit and the operating profit margin exceeded the forecasts.

# Results for the Fiscal Year Ended March 2025 (Dispensing pharmacy business)



(Unit: million Yen)	FY ended March 2024		FY ended March 2025			(Reference) Forecast		
	Results	% of net sales	Results	% of net sales	YoY change (%)	Forecast	% of net sales	達成率 (%)
Net sales	93,789		95,553		1.88	96,700		98.8
Gross profit	31,894	34.01	33,289	34.84	4.37	34,200	35.37	97.3
SG&A	30,348	32.36	32,437	33.95	6.88	31,700	32.78	102.3
Operating profit	1,546	1.65	852	0.89	-44.89	2,500	2.59	34.1

Operating profit fluctuation factors FY2024⇒FY2025



## <Summary of Variance: FY2024 Actuals and FY2025 Plan>

- Net sales, Gross profit** : Despite increased net sales and gross profit due to integration and reorganization, the announced projection was not achieved.
- SG&A** : One-time expenses incurred owing to merger and reorganization. Other fees paid (recruitment and staffing related expenses) increased.
- Operating profit** : Gross profit increased owing to merger and reorganization, but operating profit decreased hit by the temporary increase in expenses exceeding the increase in gross profit, and the announced projection was largely unachieved.

Now, I will explain the results of the dispensing pharmacy business. Net sales increased 1.88% year on year to 95,553 million yen. Gross profit jumped 4.37% year on year to 33,289 million yen. In the dispensing pharmacy business, in order to implement the transformation of the dispensing pharmacy business, which is a key measure of the Medium-Term Management Plan, we pressed ahead with the merger and reorganization of operating companies.

As a result of this merger and reorganization, both sales and profits increased from the previous year. On the other hand, SG&A expenses rose 6.88% year on year to 32,437 million yen because of one-time expenses associated with the merger and reorganization as well as increases in recruitment and staffing related expenses. Consequently, operating profit plunged 44.89% year on year to 852 million yen, well below the announced forecast.



## **2. Financial Forecast for Fiscal Year Ending March 31, 2026**

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Next, I will explain the forecast for the fiscal year ending March 2026.

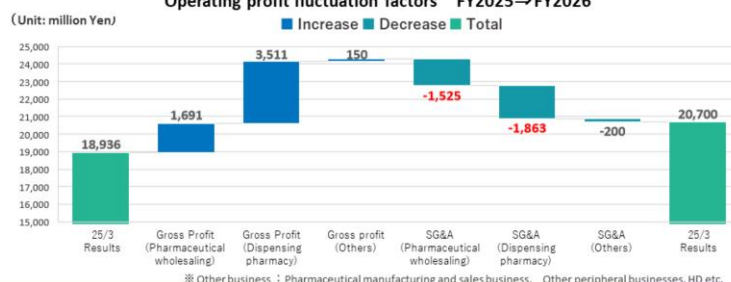
## Forecast for the Fiscal Year Ending March 2026 (Consolidated)



(Unit: million Yen)	FY ended March 2025		FY ending March 2026		
	Results	% of net sales	Forecast	% of net sales	YoY change (%)
Net sales	1,518,495		1,572,000		3.52
Gross profit	121,648	8.01	127,000	8.08	4.40
SG&A	102,711	6.76	106,300	6.76	3.49
Operating profit	18,936	1.25	20,700	1.32	9.32
Ordinary profit	20,716	1.36	22,600	1.44	9.09
Net profit*	19,844	1.31	15,700	1.00	-20.88

\*Profit attributable to owners of parent

### Operating profit fluctuation factors FY2025⇒FY2026



### <Summary of Variance: FY2025 Actuals>

- **Overall** : Including the effect of consolidation of non-consolidated companies under the dispensing pharmacy business.
- **Net sales** : Increase across all business segments.
- **Gross profit** : Increase across all business segments.
- **SG&A** : Increase in the pharmaceutical wholesaling and dispensing pharmacy businesses, but strive for optimization to control the SG&A ratio.
- **Operating profit** : Increase from the previous year.
- **Net profit** : Decline from the previous year due to absence of gain on the sale of cross-shareholdings. (Net profit for the prior year included gain on such sales of 6.4 billion yen (before tax).)

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This is the consolidated earnings forecasts for the next fiscal year. We expect net sales to grow 3.52% year on year to 1,572 billion yen, operating profit to climb 9.32% to 20.7 billion yen, and net income to tumble 20.88% to 15.7 billion yen. Both net sales and gross profit are expected to increase in all business segments. Although SG&A expenses are likely to increase in the pharmaceutical wholesaling and dispensing pharmacy businesses, we expect operating profit to grow year on year thanks to our efforts to keep the SG&A ratio at the same level as in the previous year. The reason net income is forecast to fall is that while gain on the sale of cross-shareholdings was recorded in the prior year, such gain is not anticipated in the next fiscal year.



## Forecast for the Fiscal Year Ending March 2026 (Pharmaceutical wholesaling business)



(Unit: million Yen)	FY ended March 2025		FY ending March 2026		
	Results	% of net sales	Forecast	% of net sales	YoY change (%)
Net sales	1,463,520		1,511,000		3.24
Gross profit	84,509	5.77	86,200	5.70	2.00
SG&A	65,475	4.47	67,000	4.43	2.33
Operating profit	19,033	1.30	19,200	1.27	0.88

Operating profit fluctuation factors FY2025⇒FY2026



### <Summary of Variance: FY2025 Actuals>

- **Net sales** : Sales of limited-handling products for selected wholesalers expected to continue growing. However, the growth rate likely to be in line with the market growth forecast, partly owing to difficulty in forecasting COVID-19 drug sales.
- **Gross profit** : Gross profit margin expected to dip as the impact of category changes and rising wholesale prices forecast to be higher than in the previous year.
- **SG&A** : Despite efforts to optimize operations by improving operational efficiency, personnel costs, delivery service outsourcing costs, and repair costs expected to rise, resulting in a year-on-year increase.
- **Operating profit** : Likely to be higher than in the previous year supported by net sales increase.

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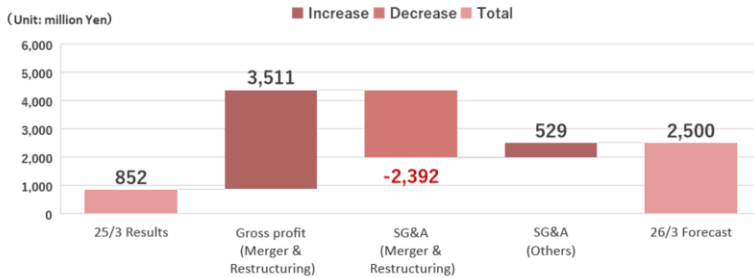
This is the full-year forecast for the pharmaceutical wholesaling business. We expect net sales to increase 3.24% year on year to 1,511 billion yen, gross profit to rise 2% to 86.2 billion yen, and operating profit to inch up 0.88% to 19.2 billion yen. The reason for our projection of a 3.24% increase in net sales is that despite the difficulty in forecasting COVID-19 drug sales deriving from the “off-year” NHI drug price revisions implemented in April 2025, sales of limited-handling products for selected wholesalers will likely continue performing well. Gross profit is expected to increase in line with higher sales, but with the impact of category changes and rising wholesale prices anticipated to be stronger than in the previous year, the gross profit margin will likely decrease slightly. SG&A expenses are expected to increase 2.33% from the previous year owing to continued increases in personnel costs, delivery service outsourcing costs, and renovation costs resulting from rising prices, but we plan to limit the SG&A ratio to below the previous year’s level by streamlining and optimizing operations. As a result, we expect operating profit to be slightly higher than in the previous year.

# Forecast for the Fiscal Year Ending March 2026 (Dispensing pharmacy business)



(Unit: million Yen)	FY ended March 2025		FY ending March 2026		
	Results	% of net sales	Forecast	% of net sales	YoY change (%)
Net sales	95,553		102,500		7.27
Gross profit	33,289	34.84	36,800	35.90	10.55
SG&A	32,437	33.95	34,300	33.46	5.74
Operating profit	852	0.89	2,500	2.44	193.43

Operating profit fluctuation factors FY2025⇒FY2026



## < Summary of Variance: FY2025 Actuals >

- **Net sales, Gross profit** : Increase due to integration and reorganization
- **SG&A** : Incurrence of one-time expenses for increasing number of stores and reorganization due to mergers. Decrease of other SG&A expenses, including fees such as recruitment and staffing related expenses.
- **Operating profit** : Significant increase in operating profit due to merger and reorganization and the reduction of associated expenses and other SG&A expenses.

This is the full-year forecast for the dispensing pharmacy business. We expect net sales to increase 7.27% year on year to 102.5 billion yen, gross profit to gain 10.55% to 36.8 billion yen, and operating profit to soar 193.43% to 2.5 billion yen. Both net sales and gross profit will likely increase owing in part to the merger and reorganization. Meanwhile, although one-time expenses associated with the increasing number of stores due to merger and reorganization will continue to be booked as SG&A expenses, we plan to keep SG&A expenses at an appropriate level by reducing recruitment and staffing related expense and other fees paid, and aim to achieve a significant increase in operating profit.



### 3. Medium- and Long-term Management Strategy

- (1) Initiatives to Achieve the Target Business Portfolio
- (2) Creating Innovation through Alliances
- (3) Improvement of Capital Efficiency
- (4) Sustainability Management
- (5) Capital Allocation • Shareholder Returns

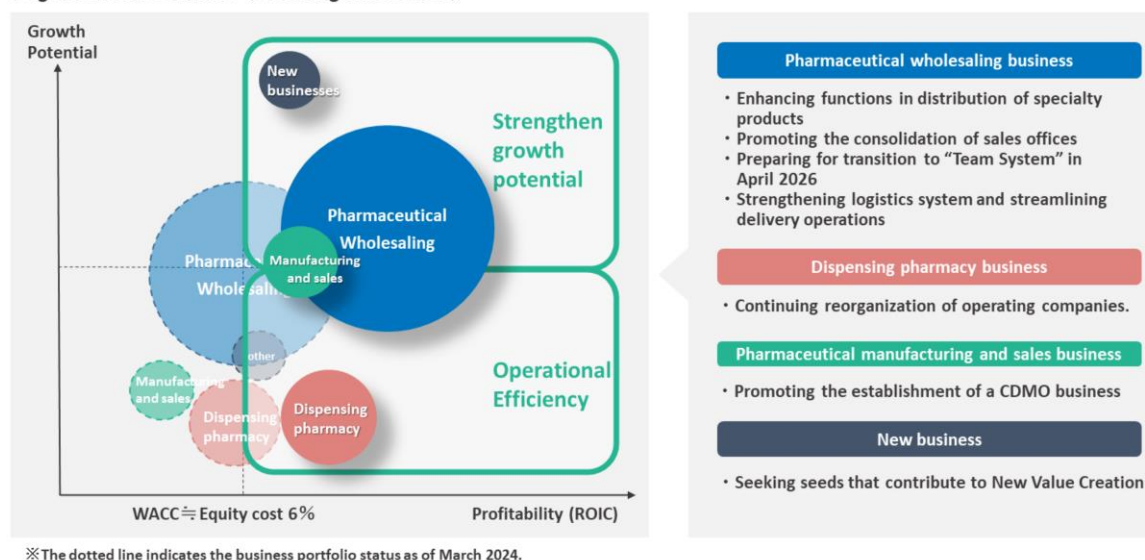
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I will now talk about the specific progress of the medium- to long-term management plan from the five perspectives listed on this slide.



## (1) Initiatives to Achieve the Target Business Portfolio

Target Business Portfolio (FY ending March 2029)



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As for the business portfolio transformation outlined in the action plan announced in November last year, we are promoting growth strategies in each business to achieve ROE of 8% and working to produce good results as soon as possible. This slide shows specific initiatives in each business to achieve the target business portfolio. In particular, in our core pharmaceutical wholesaling business, we are promoting various measures as explained later to strengthen our functions in specialty product distribution, which is the top priority in our growth strategy, while at the same time aiming for improved growth and profitability by consolidating sales offices and strengthening and streamlining logistics, sales, and delivery systems. In the dispensing pharmacy business, we are continuing to merge subsidiaries to increase profitability. In the pharmaceutical manufacturing and sales business, in order to develop it as the Company's growth driver following the pharmaceutical wholesaling business, we promoted the setup of a CDMO business and started initiatives which contribute to improving its profitability. As described below, we have established the Haneda Packaging Center and plan to take various measures to further expand the CDMO business. With regard to new businesses, it is difficult to expect a significant contribution from them to earnings by the fiscal year ending March 31, 2029. However, we aim to improve profitability by developing new customer support systems and introducing new businesses other than prescription pharmaceuticals. Simultaneously, we are searching for seeds that will contribute to new value creation as a major source of earnings in the fiscal year ending March 31, 2029 and beyond.



## (2) Creating Innovation through Alliances

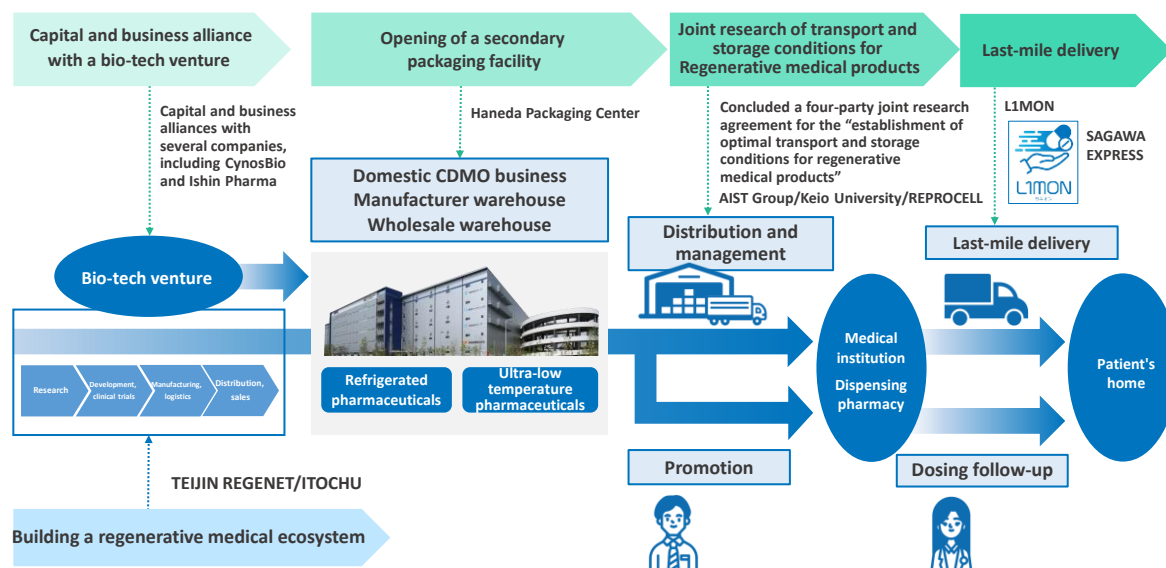
Specialty products, Full-Line service	<ul style="list-style-type: none"><li>• CynosBio: Distribution consignment of regenerative medical product "Sakracy®" through capital and business alliance.</li><li>• Ishin Pharma: Establishment of a regenerative medical product supply chain through capital and business alliance.</li><li>• AIST Group/Keio University/REPROCELL : Joint Research on "Establish Optimal Transport and Storage Conditions for Regenerative Medical Products".</li><li>• SAGAWA EXPRESS : Last-mile delivery service for specialty products.</li><li>• TEIJIN REGENET/ITOCHU : Building a regenerative medical ecosystem.</li></ul>
Advancement of logistics infrastructure	<ul style="list-style-type: none"><li>• WACON: Joint development of new constant-temperature transportation products.</li><li>• Blue innovation : Delivery using drones and robots.</li><li>• T2 : R&amp;D and demonstration of overall transportation of pharmaceuticals using autonomous trucks.</li><li>• JR Central/JR West : Demonstration of pharmaceutical transportation using the Shinkansen bullet train.</li></ul>
Community healthcare design/customer support system	<ul style="list-style-type: none"><li>• PHARUMO : Development of new products that contribute to community medical DX. Start of offering its cloud-based picking audit system "EveryPick".</li></ul>
DX	<ul style="list-style-type: none"><li>• One Capital : Engagement of a DX advisory team.</li><li>• AIST/Japan Advanced Institute of Science and Technology : Creating a next-generation call center.</li></ul>

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As for the creation of innovation through alliances with the aim of transforming our business portfolio, we have, as shown in this slide, formed many alliances from the previous fiscal year to the current fiscal year. In particular, we will promote capital and business alliances with bio-tech ventures with a view to strengthening our capabilities in specialty product distribution, and collaboration with partners in building a full-line service delivery system, reinforcing logistics infrastructure, community healthcare design, customer support systems, and DX, respectively, to transform our business portfolio and expand our foundation to ensure sustainable growth in the medium to long term. Among others, collaboration with AIST, Keio University, REPROCELL, and SAGAWA EXPRESS to strengthen the handling of specialty products, upgrading of logistics systems through collaboration with WACON and a variety of other companies, and the building of a Regenerative Medical Ecosystem through collaboration with TEIJIN REGENET and ITOCHU will be the infrastructure supporting medium- to long-term growth of the Company's pharmaceutical wholesaling business. Another example of alliances with Group companies which is expected to produce synergies is the alliance with PHARUMO. We aim to develop new products that contribute to community healthcare DX within the framework of community healthcare design. Furthermore, as the investment in One Capital will not only promote DX in the Company but also contribute to the search for new business seeds, we will further strengthen our partnership.

### (3) Improvement of Capital Efficiency

: Toward the expansion of "full-line service" functions for specialty products



We disclosed the launch of full-line services as a major initiative in the Medium-Term Management Plan formulated in 2023. Now, we are finally able to present specific measures to put it into action. Full-line services, as defined by the Group, are a system for providing bio-tech ventures in Japan and abroad and overseas pharmaceutical manufacturers, which supply specialty products, with the services required by them in the entire process, from product R&D through manufacturing to distribution. The Group is actively pursuing business tie-ups with bio-tech ventures through active investments. Latest examples are investments in CynosBio and Ishin Pharma. CynosBio already markets regenerative medical products, and the Company distributes them under contract. Ishin Pharma will soon launch regenerative medical products, and the Company plans to take charge of their storage and distribution. In the future, in order to support bio-tech ventures that intend to put their regenerative medical products on the market, we will work together with TEIJIN REGENET and ITOCHU and build a Regenerative Medicine Ecosystem. Also, in the same facility as TBC DynaBASE, which is in a good location and has the most advanced functions in the industry, we opened the Haneda Packaging Center equipped with secondary packaging functions in addition to wholesale and manufacturer warehousing functions. Furthermore, we conducted joint research on storage and distribution technologies for regenerative medical products with AIST, Keio University, REPROCELL, and launched L1MON, a last-mile service aimed at improving access to medical care for patients, utilizing SAGAWA EXPRESS's delivery network. In this way, we are building a system to provide a wide range of services for the handling of specialty products, including not only biomedical products but also regenerative medical products.



### (3) Improvement of Capital Efficiency : Strengthening full-line service capabilities through TBC DynaBASE



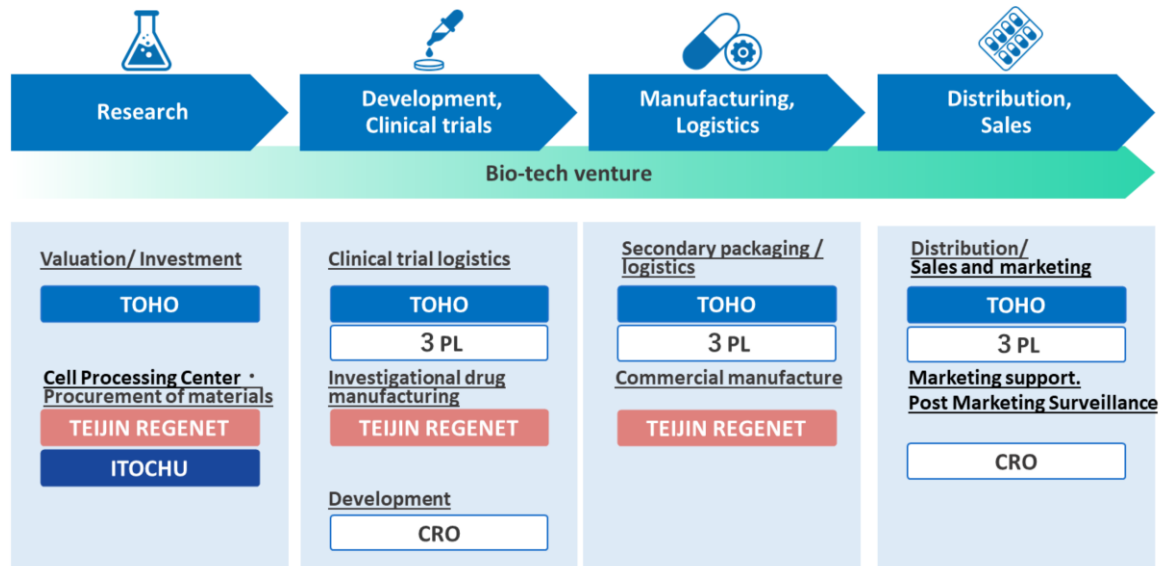
\*Bio-tech venture developing regenerative medical products for the treatment of epidermolysis bullosa, a hereditary chronic skin disease designated as an intractable disease

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Let me talk a little bit more about the new features of TBC DynaBASE, an important development for the Group. One of the major challenges facing Japan's healthcare system today is dealing with the so-called drug loss and drug lag, in which the supply of drugs already on the market overseas is disrupted in Japan. Taking advantage of its location near Haneda Airport, TBC DynaBASE will provide overseas pharmaceutical manufacturers, especially those of specialty pharmaceuticals whose market is expected to grow in the future, with secondary packaging services and manufacturer warehouses for the Japanese market in the same facility. Combining this with the wholesale warehouse, we have established a one-stop supply chain within the same facility. Compared with the conventional process, where each function is located in a separate area, the new system has the advantage of shortening lead time and reducing vibration. We believe that this will ensure us superiority in the handling of biomedical products, regenerative medical products, etc. As part of these efforts, through a capital and business alliance with Ishin Pharma, we will handle everything from shipment decisions to storage and distribution of regenerative medical products.

(3) Improvement of Capital Efficiency: Building a regenerative medicine ecosystem



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For bio-tech ventures engaged in R&D of regenerative medical products, it is a major challenge to individually prepare the necessary facilities, equipment, and other functions at each stage of development for the launch of products. As a solution to this challenge, we are working with TEIJIN REGENET and ITOCHU to establish a support system covering areas from research to distribution and sales, or the Regenerative Medical Ecosystem, as shown here. By leveraging the strengths of each of the three companies, the Regenerative Medical Ecosystem aims to establish a one-stop service system that encompasses R&D of regenerative medical products, business planning, investigational drug manufacturing, product manufacturing, and distribution. Through this service, the Company aims to establish a competitive advantage in distribution in the bio-tech venture community. At the same time, we also aim to contribute to profits from this platform itself, and we are considering developing this into a new business. As shown in this diagram, regarding 3PLs for clinical trial logistics, CROs for development, etc. the Company will find the best partners in the future and create a system that can meet all the needs of bio-tech ventures.

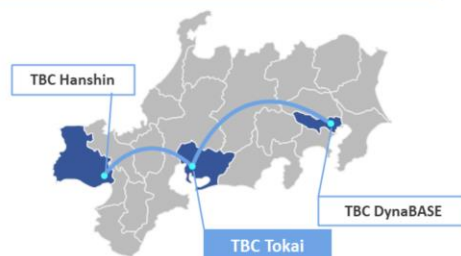


### (3) Improvement of Capital Efficiency: Enhancing logistics functions



#### TBC Tokai : Establishment of a new logistics center in Komaki City, Aichi

- By establishing distribution centers in Tokyo, Nagoya, and Osaka, we will eliminate the workload saturation at distribution centers in East and West (mainly TBC DynaBASE and TBC Hanshin) and cope with future increases in distribution volume.
- A comprehensive center with a wholesale warehouse for prescription pharmaceuticals, a warehouse for manufacturers, and a reagents warehouse is planned.
- Unlike existing centers, new automation technology will be introduced in anticipation of a shrinking workforce.
- Targeting operation start in 2027



#### ISO9001 (Quality Management System)

##### Six prescription pharmaceuticals logistics centers have obtained ISO 9001 certification

TBC Tokyo acquired certification for the first time in 2008, and all major distribution centers handling prescription pharmaceuticals have since acquired certification.

- |                      |                        |   |
|----------------------|------------------------|---|
| • TBC Saitama (2016) | • TBC Hiroshima (2021) | • TBC Kyushu (2024)                         |
| • TBC Hanshin (2018) | • TBC DynaBASE (2022)  | • TBC Sapporo (Planning to acquire in 2025) |

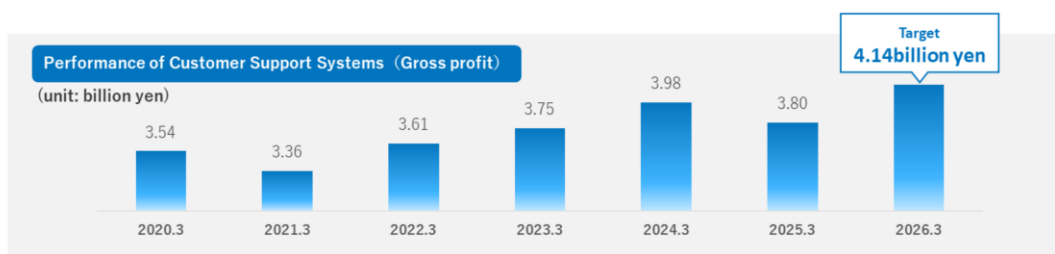
As for important matters related to the enhancement of logistics functions, a new distribution center, TBC Tokai, is scheduled to be established in Komaki City, Aichi Prefecture. By establishing this center, we will have distribution centers in Tokyo, Nagoya, and Osaka. This will eliminate the workload saturation at distribution centers in the East and West, TBC DynaBASE and TBC Hanshin among others, and enable us to cope with future increases in distribution volume. This center will be an integrated center comprised of a wholesale warehouse for prescription pharmaceuticals, a manufacturers' warehouse, and a warehouse for reagents, and equipped with the latest technology to address the shrinking workforce. Specifically, we plan to introduce a new automation technology that the existing centers do not have and start operation in 2027. TBC Tokai will make a significant contribution to strengthening logistics functions, which is one of the key issues in our growth strategy for the pharmaceutical wholesaling business. So, we are firmly committed to completing it.

TBC Tokyo is our first distribution center that acquired ISO900 certification for its quality management system in 2008. Since then, all of our prescription pharmaceutical distribution centers have acquired the certification. This is another strength of the Company's logistics function.



### (3) Improvement of Capital Efficiency: Customer support business

- Developing new customer support businesses through alliances, etc.
- Operational improvement of existing customer support systems
- Review of existing customer support systems based on profitability



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In the customer support business, we are thoroughly reviewing our portfolio of in-house developed products and are aiming to increase earnings by growing systems and services with a promising future among existing ones and aggressively building alliances. As for in-house developed products, we will launch a new cloud version of LXMATE Helios this fiscal year, as well as expand the Byouin-Navi PR service and Initial Examination Reservation Service. In terms of alliances with outside parties, we will focus on collaboration with PHARUMO, with which we formed a business alliance last year, and aim to increase earnings by strengthening sales of PHARUMO's cloud-based picking audit system, EveryPick, and at the same time, work together with PHARUMO to introduce new services. In addition, while strengthening our products through a technology alliance with GMO Reserve Plus, we will pursue the possibility of growth as a new business. Gross profit in the customer support business was 3.8 billion yen in FY2024 due to delays in the introduction of certain products, but it is expected to be 4.14 billion yen this fiscal year due to the above initiatives.

### (3) Improvement of Capital Efficiency: Dispensing pharmacy business



#### Promote whole-of-operating company projects to establish community healthcare design

- Training of human resources specialized in home medical care
- **Promotion of Advance Care Planning (ACP)**
- Further promotion of online medication guidance (Pharmacy DX)
- Strengthening of product sales functions in preparation for the advancement of self-medication
- Participation in regional formulary introduction project in cooperation with the pharmaceutical wholesaling business
- Strengthening of functions as a disaster base pharmacy and construction of a model store

**Continue opening new pharmacies and closing existing ones with an emphasis on profitability**

▶ FY2024: 15 stores were opened, 32 stores were closed

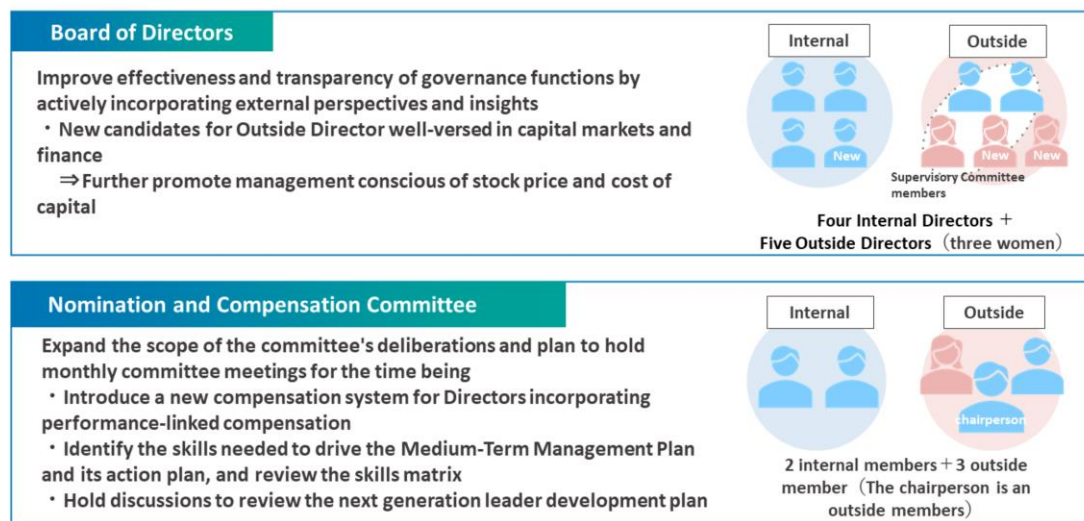
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In the dispensing pharmacy business, our top priority is to proceed with the integration of subsidiaries under the PharmaCluster umbrella, as clearly indicated in the action plan announced last year. As promised in the current Medium-Term Management Plan, we will consolidate the operating subsidiaries under the PharmaCluster umbrella into four companies by the end of March 2026, and to consolidate them into one company after that. We will simultaneously promote the initiatives shown in the slide as a whole-of-operating company project towards community healthcare design. In particular, we plan to aggressively pursue the strengthening of product sales functions and the introduction of formulary in preparation for the advancement of self-medication, as this is an area where we can take advantage of collaboration between the dispensing pharmacy business and a Group company eKenkoshop and the wholesaling business. In line with our policy of increasing the profitability of the dispensing pharmacy business toward our target business portfolio, we will continue to open and close pharmacies with an emphasis on profitability.

#### (4) Sustainability Management: Enhancement of corporate governance (1)



Improve effectiveness and transparency of governance functions by actively incorporating external perspectives and insights



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I will move on to the next topic, governance enhancement, which is an important pillar of sustainability management. Receiving the cease and desist order in violation of the Antimonopoly Act, the Company has been working on governance enhancement, placing the highest priority on compliance and risk management. In order to further strengthen its governance functions, the Company is working to improve the effectiveness and transparency of its governance functions by actively incorporating external perspectives and knowledge. First, we will change the composition of the Board of Directors. At the General Meeting of Shareholders in June of this year, we will select one internal member and two external members as new members, so that the majority of the members will be external members. In particular, by selecting new candidates for Outside Directors well versed in capital markets and finance, we will further promote management that takes stock prices and capital costs into consideration, as declared in the action plan announced last November. Next, the Nomination and Compensation Committee also has a majority of Outside Directors and is chaired by an Outside Director. The Committee is expanding the scope of its deliberations to further enhance the governance of particularly important matters such as the nomination and compensation of Directors. For the time being, it plans to meet every month. Since the end of last year, it had discussed a new Director compensation system that incorporates performance-linked compensation, and the new system was approved at the Board of Directors meeting held yesterday. It also discussed and identified the Director skills needed to drive the Medium-Term Management Plan and reviewed the skills matrix. In the future, the Committee plans to discuss a review of our next-generation leader development plan.

(4) Sustainability Management: Enhancement of corporate governance (2)



**Governance Enhancement Special Committee**  
(Newly established in August 2024, 8 meetings held so far)

Identify problems in the Company's governance structure and discuss solutions  
An interim report submitted to the Board of Directors on February 7 The committee to continue until this summer

< Measures taken based on the interim report >

**1. Strengthening of group governance functions**  
The Group Governance Department newly established to manage 49 subsidiaries

**2. Strengthening of group compliance functions**  
The Compliance Department newly established, the internal reporting system made more effective, and governed by the Compliance Department independently from the executive body.

Outside

chairperson

Comprised of one external lawyer and two outside directors. The chairperson is external lawyer.

**Transformation Promotion Steering Committee**

Consists of three internal Directors, one Outside Director, and one external expert; meets quarterly to monitor progress in promoting transformation in accordance with the Medium-Term Management Plan

- The first meeting of the committee held on April 7; review overall progress

**Investment Committee**

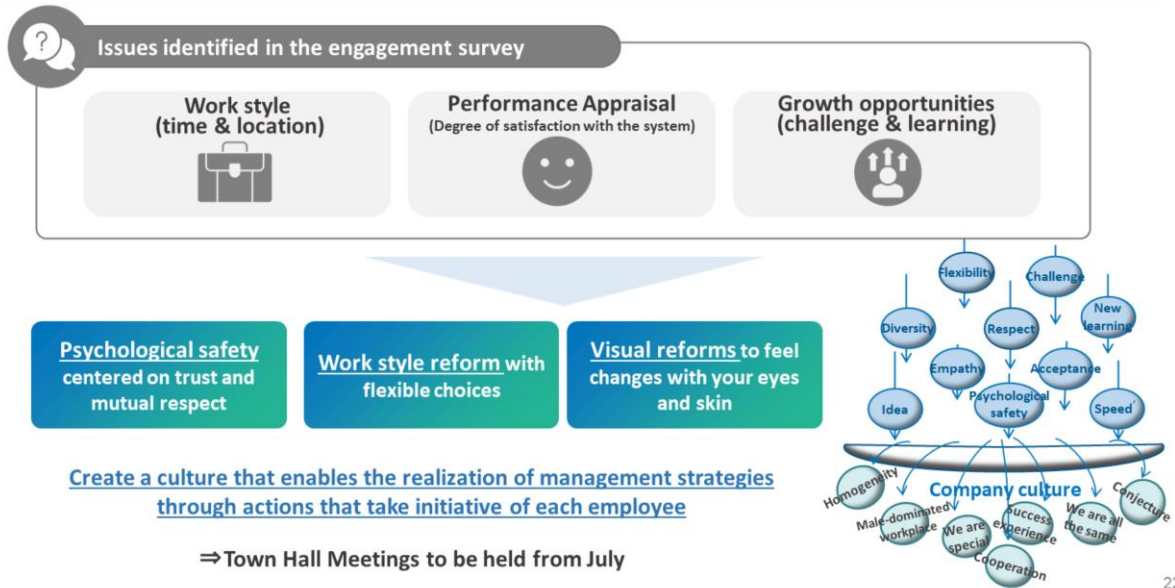
In addition to internal committee members, one Outside Director and two outside experts (in healthcare administration and clinical development) participating as observers, contributing to disciplined investment execution

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The Governance Enhancement Special Committee consisting of only external members was established in August 2024. It has held eight meetings to date and is scheduled to continue through this summer. On February 7 of this year, we received an interim report from the Committee, and based on it, we are taking measures to strengthen governance. Specifically, The Group Governance Department was established for the purpose of strengthening the Group governance function. Also, in order to strengthen the Group compliance function, the Compliance Promotion Department was established, and the internal reporting system has been made more effective. In addition, the position of Chief Governance Officer, or CGO, has newly been established to oversee various initiatives to strengthen governance, and Director Matsutani has assumed the position. External members also participate in the Transformation Promotion Steering Committee and the Investment Committee to ensure steady promotion of transformation and the execution of disciplined investment, respectively, based on the action plan of the Medium-Term Management Plan.



#### (4) Sustainability Management: Human capital management



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In February this year, we conducted an engagement survey of all Group employees. The response rate was high, and the results confirmed that there is a very high level of demand from our employees for change in our personnel system and workplace environment, as well as the issues we are facing. Among these issues, we believe that we must give top priority to the three issues of working styles, evaluation, and growth opportunities. In addition to implementing measures to address these issues as soon as possible, we plan to hold a so-called town hall meeting, i.e., direct dialogues with all Group employees, based on the results of the engagement survey. We will gather direct opinions from employees at the meeting as well, and incorporate them into the Company's transformation. In this regard, corporate culture is important. Throw out old rules, customs and ideas and replace them with new ones. The management team and I will take the lead in doing this. Each and every employee will take initiative, thereby creating a culture that enables the realization of management strategies. To that end, we will establish psychological safety based on trust and mutual respect, reform work styles to allow flexible choices, and promptly implement visual reforms that enable people to see and feel change. We will then formulate and implement drastic measures to address the three issues identified in the recent engagement survey. This is a necessary process in becoming a company in which each and every employee can demonstrate his or her maximum performance and in achieving the goals set in the action plan. Also from the perspective of human capital management, we will proceed with reforms while investing in necessary areas.

## (5) Capital allocation ・ Shareholder returns: Shareholder return policy



### FY 2025

Annual dividend : 90yen (Interim: 45yen, Year end : 45yen, 25yen dividend increase from 65yen last fiscal year)

Share buyback : 3,000,000shares/ 10billion yen

#### Medium-term dividend policy

- Projected DOE of 2.1% for the fiscal year ending March 2026. Achieve the mid-term management plan's DOE target of 2%
- Aim for stable and continuous dividend increases in line with profit growth

#### Medium-term share buyback policy

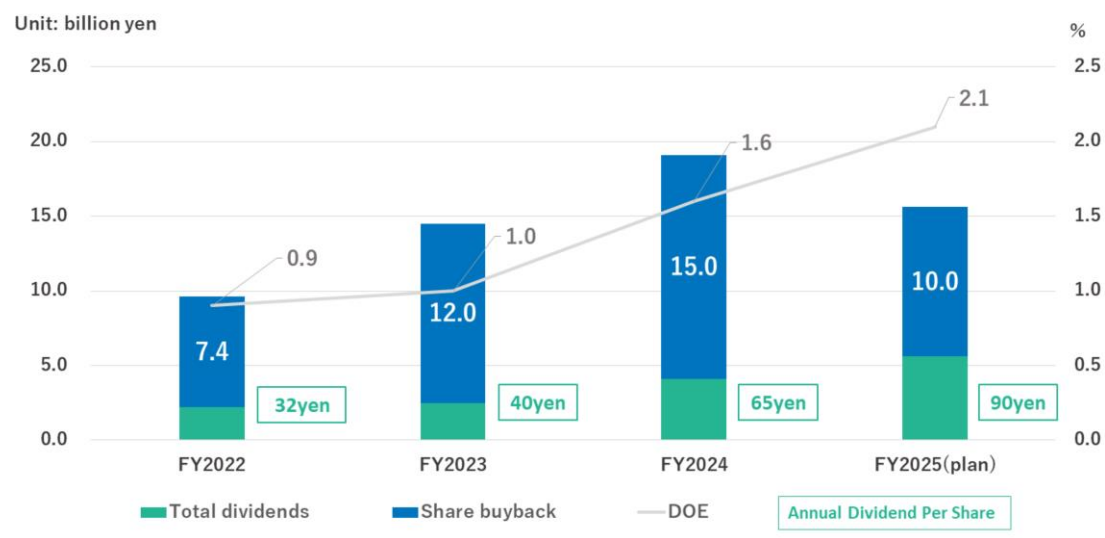
- The target amount of ¥30 billion in the current mid-term management plan was achieved.
- Flexibly implement share buyback while maintaining balance with total dividends, with an eye to achieving ROE of 8% and shareholder returns of 80 billion yen or more as set forth in the action plan

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This is our shareholder return policy for FY2025. Annual dividends per share will be increased by 25 yen to 90 yen, and 3 million shares of treasury stock will be repurchased for 10 billion yen. This level of dividends is expected to bring DOE to 2.1% at the end of FY2025, achieving the target of 2% set in the Medium-Term Management Plan. With regard to share buybacks, the total amount of repurchased shares during the period under the Medium-Term Management Plan is expected to reach 37 billion yen, also achieving the target of 30 billion yen set in the Medium-Term Management Plan. Our medium-term dividend policy and share buyback policy remain unchanged. We aim to steadily and continuously increase dividends in line with earnings growth. As for share buybacks, we aim to achieve ROE of 8% and return more than 80 billion yen to shareholders, as set out in the action plan. We will flexibly implement these measures while maintaining a balancing with the total amount of dividends.

(5) Capital Allocation • Shareholder Returns: Trends in dividends and share buyback



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For reference, the annual dividend per share, total amount of dividends, treasury stock acquisition and DOE from the fiscal year ended March 31, 2023 onward are shown in this chart. You may find that we are steadily increasing the level of shareholder returns in line with the policy of the Medium-Term Management Plan.



## (5) Capital Allocation • Shareholder Returns: Cross-shareholding



In order to improve capital efficiency and make effective use of funds, we will proceed with the sale of cross-shareholdings to achieve the following targets:

- less than 15% (March 2026)
- less than 10% (March 2029) ※ Ratio to consolidated net assets

### Status of Cross-Shareholdings (As of March 31, 2025)

- Cross-shareholding balance: 41.6 billion yen (Listed shares 32.7 billion yen, Unlisted shares 8.9 billion yen)
- Consolidated net assets: 256.9 billion yen
- Ratio to consolidated net assets: 16.2%

Required sales amount in the fiscal year ending March 31, 2026 to achieve the target of less than 15% **3.1 billion yen** ※ Estimated value as of the end of March 2025

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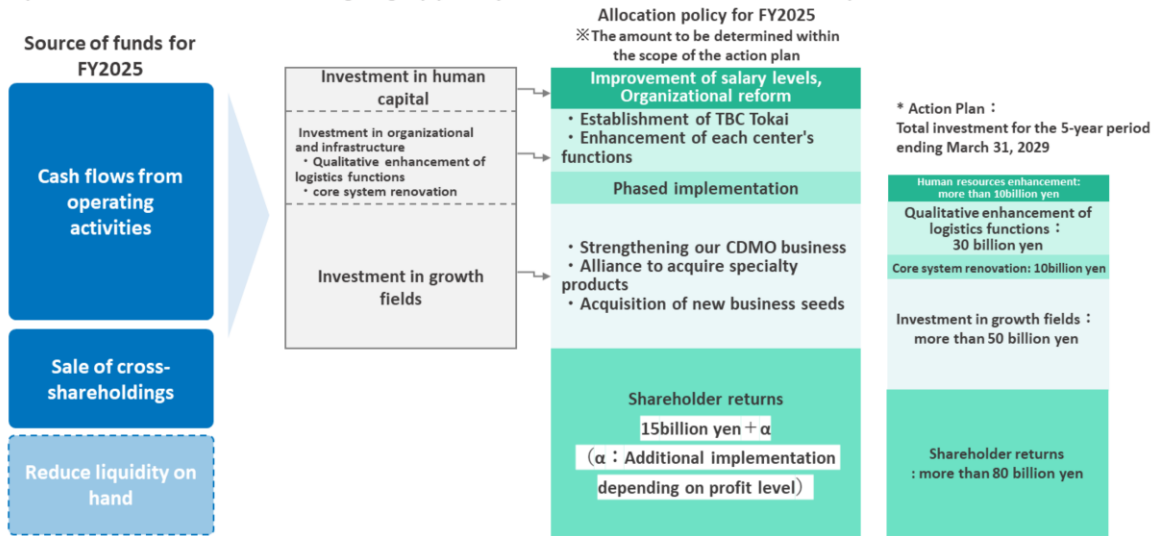
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As announced, we strive to reduce our cross-shareholdings to less than 15% of consolidated net assets by the fiscal year ending March 31, 2026 and less than 10% by the year ending March 31, 2029. The status of cross-shareholdings as of the end of March 2025 is shown in the slide. In order to reduce cross-shareholdings to less than 15% of consolidated net assets by the end of March 2026, it is estimated that we need to sell 3.1 billion yen worth of cross-shareholdings during this fiscal year. As a result of our efforts to sell cross-shareholdings so as not to impair our business, our remaining cross-shareholdings are shares in important business partners. We will proceed with the sale after thoroughly communicating with each business partner and reaching a consensus.

(5) Capital Allocation • Shareholder Returns: Capital allocation (FY2025 Policy)



Adequate returns to shareholders while giving top priority to business investment with cost of capital in mind



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The final topic is our capital allocation policy for FY2025. Funds for investment will be secured from the sale of cross-shareholdings based on operating cash flows, and liquidity on hand will be used as necessary. These will be distributed and allocated to human capital investment, organization and infrastructure investment, and growth investment. In terms of human capital investment, we need funds to raise salary levels and reform human resource-related systems. In terms of organization and infrastructure investment, we plan to proceed with the renovation of core systems as planned. In order to strengthen the quality of logistics functions, funds will be required for the establishment of TBC Tokai and so on. As for the growth investment required to reform the business portfolio, we plan to use the funds to strengthen the CDMO business by building functions such as the Haneda Packaging Center, to form an alliance for specialty products such as the establishment of the Regenerative Medicine Ecosystem, and to acquire seeds for new businesses by accelerating collaboration with One Capital. We plan to give priority to business investments that take capital costs into account and to implement appropriate shareholder returns while striking a balance between dividend increases and share buybacks.

That’s all for our explanation.



## References

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# Balance Sheet (Consolidated)

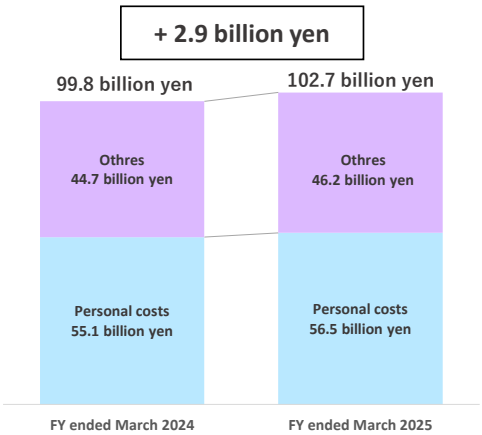


(Unit: million Yen)

	FY ended March 2024		FY ended March 2025			Major factors behind the increase or decrease
	Sum	Proportion (%)	Sum	Proportion (%)	Incr. or decr.	
Current assets	597,888	77.30	548,946	75.95	-48,942	Increase in merchandise and finished goods of 3,679 Decrease in cash and deposits of 46,437 Decrease in accounts receivable - trade of 5,955
Non-current assets	175,538	22.70	173,858	24.05	-1,680	Decrease in investments securities of 5,217
Total assets	773,427	100.00	722,805	100.00	-50,622	
Current liabilities	471,305	60.94	424,008	58.66	-47,297	Decrease in notes and accounts payable-trade of 40,349
Non-current liabilities	52,684	6.81	41,899	5.80	-10,785	Decrease in bonds payable of 9,010
Total liabilities	523,990	67.75	465,907	64.46	-58,082	
Net assets	249,437	32.25	256,897	35.54	7,460	Increase in retained earnings of 9,185 Decrease in treasury shares of 2,088 Decrease in valuation difference on available-for-sale securities of 3,680
Total liabilities and net assets	773,427	100.00	722,805	100.00	-50,622	



<Year on Year>



**Others +1.5 billion yen**

Pharmaceutical wholesaling business : +0.41 billion yen

- Commission expenses +0.74 billion yen
- Repair costs +0.25 billion yen
- Rent expenses on real estate - 0.49 billion yen

Dispensing pharmacy business : +1.09 billion yen

- Commission expenses +0.25 billion yen
- Provision of allowance for doubtful accounts etc. +0.17 billion yen
- Rent expenses on real estate +0.15 billion yen
- Non-deductible temporary paid consumption tax expense due to increased net sales +0.13 billion yen

**Personal costs +1.4 billion yen**

Pharmaceutical wholesaling business : +0.44 billion yen

Dispensing pharmacy business : +0.99 billion yen

## Cash Flow



(Unit: million Yen)

	FY ended March 2024	FY ended March 2025	Major factors for FY ended March 2025
Cash and cash equivalents at the beginning of period	81,839	128,673	
Operating activities	59,934	-26,675	Profit before income taxes: 28,056 Depreciation: 5,929 Increase in trade payables: -40,755 Income taxes paid: -10,143 Decrease (increase) in inventories: -3,489
Investment activities	9,091	-4,180	Purchases of property, plant and equipment: 2,980 Proceeds from sale of investment securities: 7,933 Payments into time deposits: -5,131 Payments into long-term time deposits: -4,000 Purchase of property, plant and equipment: -4,056 Purchase of investment securities: -1,536 Purchase of shares of subsidiaries and associates: -934
Financing activities	-22,195	-20,364	Decrease in short-term borrowings: -1,269 Purchase of treasury shares: -15,004 Dividends paid: -3,017
Cash and cash equivalents at the end of period	128,673	78,226	Increase (FY ended March 2025): -50,446

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Pharmaceutical wholesaling business  
Composition of Sales by Category and Contract Rate



【 Composition of sales by category 】

	April 2023-March 2024	April 2024-March 2025
Drugs for premium to promote the development of new drugs and eliminate off-label use	36.8%	40.4%
Patented drugs, others	39.5%	39.7%
Long-listed original drugs	14.3%	9.7%
Generic drugs	9.4%	10.2%

【 Contract rate 】

	2021/3	2022/3	2023/3	2024/3	2025/3
Value Basis	100.0%	100.0%	98.6%	99.5%	99.4%



## Total commitment to good health



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