

Action Plan Developed Based on Verification Results of Management Strategy Committee

– Aiming to Accelerate the Medium-Term Management Plan,
Improve its Effectiveness and Further Enhance Corporate Value –



Accelerate the Medium-Term Management Plan 2023-2025 “Create the Next Generation” and Improve its Effectiveness



Member

- Internal director: Hiromi Edahiro, CEO & CFO; Akira Umada, COO; Atsushi Udoh, Director; Takeo Matsutani, Director
- Independent outside directors: Yoshiaki Kamoya and Hidehito Kotani
- Outside experts: Shosaku Murayama (Former Deputy Director-General at Bank of Japan) , Yukio Matsui (Former Astellas Pharma CCO)
- * Since April, the committee has held a total of seven meetings

Total commitment to good health

Specific and detailed strategies
and action plans for
"Create the Next Generation"

Ideal State of the Company :

"Best Partner" that contributes to "New Value Creation"

- Contributing to the maintenance of the healthcare provision system through the stable supply of pharmaceuticals
- Establish a strong position in pharmaceutical distribution by handling specialty products
- Innovations in mechanisms required for community healthcare design
- Establish a corporate culture that encourages employees to actively take on various challenges
- Continuous improvement of corporate value

Commitment/Passion
(Target, Roadmap)

Changes in the external environment

-  Declining birth rate and aging population over the medium to long term
-  Diversification of modalities
-  Progress in community-based integrated care systems
-  Environmental changes related to logistics
-  Continued global inflation trend

Specific strategies and action plans to
accelerate the Medium-Term Management
Plan and enhance its effectiveness

Medium-Term Management
Plan 2023-2025
"Create the Next
Generation"

Key perspectives

- Improvement of Capital Efficiency
- Enhancement of corporate governance
- Reform of human resource strategies and system

Policy formulated on the following

- Improve the profitability and productivity of each business
- Investment for growth
- Business portfolio
- Approach to cross-shareholdings and possession of assets for business purposes
- Capital allocation policy

Period

FY2025

FY2028

Aim to exceed the following targets in the fiscal year ending March 31, 2029 (Consolidated)

ROE more than 8%

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

*Approximately 6% as of the end of September 2024

Operating profit margin
more than 1.5%

DOE and cross-shareholding ratios are as follows

DOE more than 2%

(By March 2026)

Net assets of cross-shareholdings

less than 15% (March 2026)

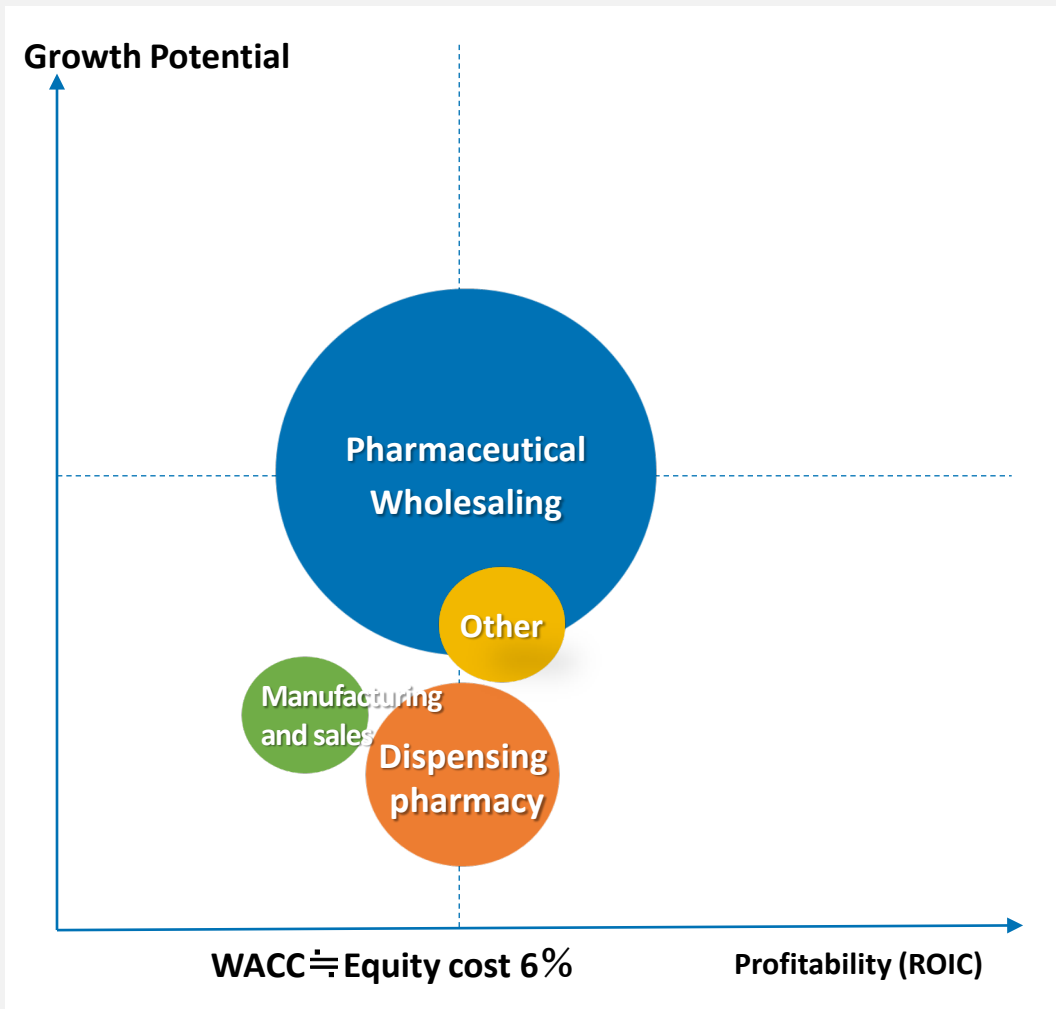
less than 10% (March 2029)

**Increase profits and actively return profits to shareholders
in order to achieve the above**

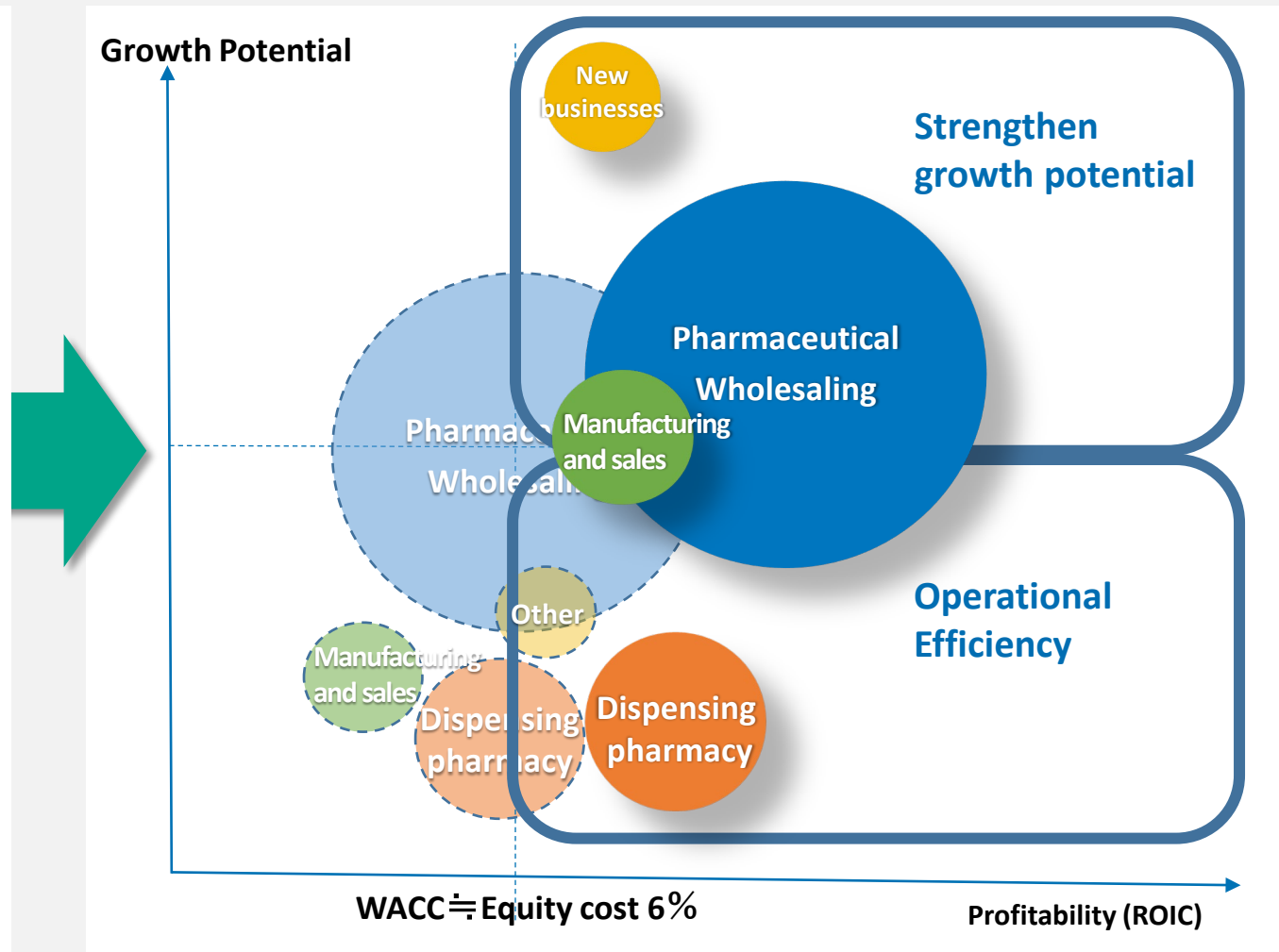


Allocate management resources to the pharmaceutical wholesaling business and new businesses according to their potential, with a view to achieving ROE of 8%

Current Portfolio (ROIC is average for the past three periods)



Target portfolio (fiscal year ending March 2029)





Pharmaceutical wholesaling business

- Enhancement of functions (logistics functions and full-line services) to secure competitive advantage in handling specialty products
- Improving productivity through quality improvement and reinforcement of sales and delivery systems (introduction of team system, etc.)
- Improving the profitability of customer support systems, Evolving and strengthening value-added business models

Dispensing pharmacy business

- Strengthen profitability by improving operational efficiency while making consolidation of subsidiaries, which we are currently working on as top priority
- Participate in community-based integrated care systems as a new business opportunity that also leverages our unique networks, including the Kyoso Mirai Group in Pharmacy network

Pharmaceutical manufacturing and sales business

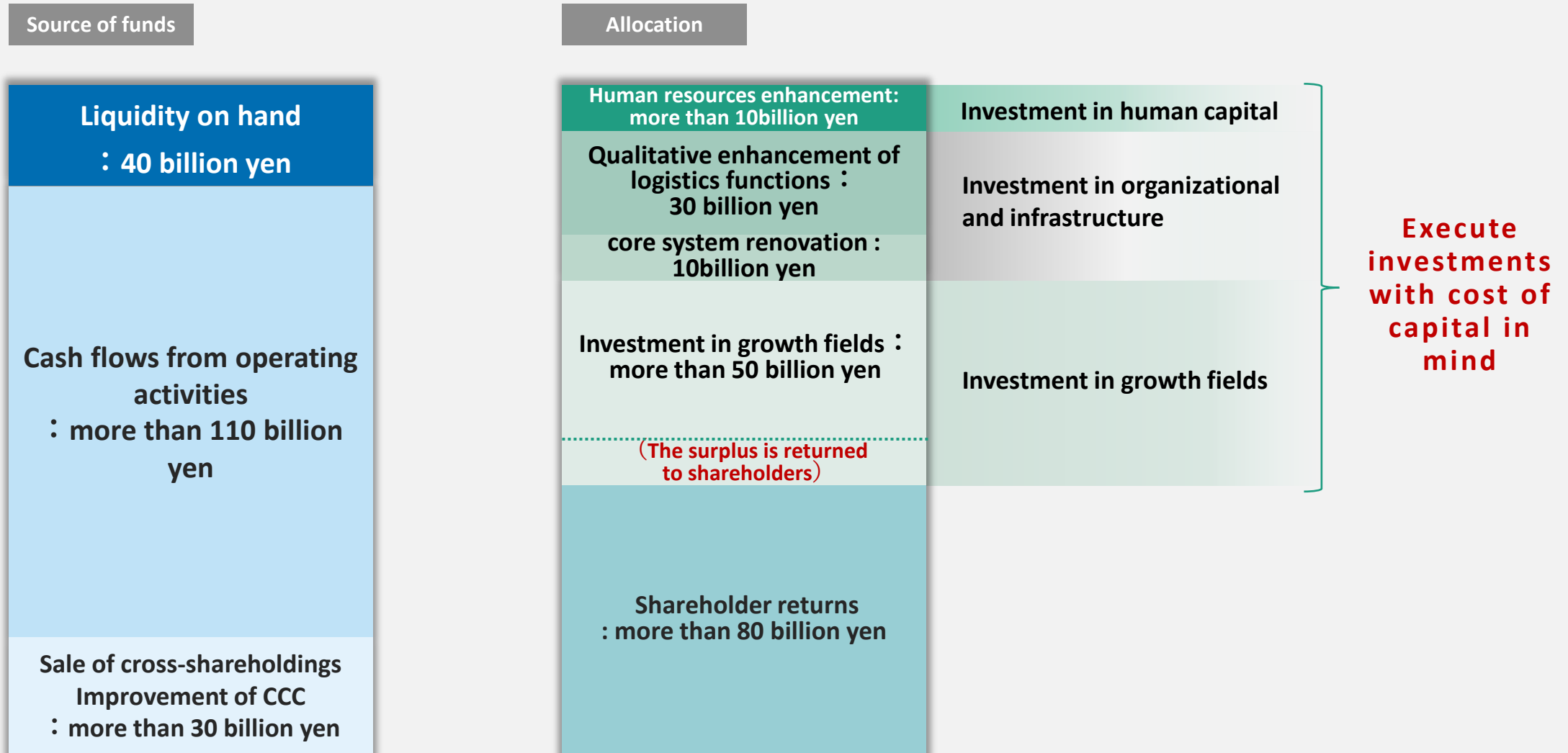
- Steadily promote the stable supply of generic drugs
- With regard to the CDMO (Contract Development and Manufacturing Organization) business, we will pursue the possibility of expanding the business, as it may lead to the establishment of a new business that is profitable on its own, along with strengthening the pharmaceutical wholesaling business by building and expanding full-line services for specialty products

New business

- Development of services and systems that can contribute to the creation of new value for patients, medical institutions, pharmacies, local governments, and pharmaceutical companies through innovation realized through the reorganization and integration of existing customer support systems and the functions of system-related subsidiaries in the TOHO HOLDINGS Group and alliances with external parties
- Building new businesses in areas other than prescription pharmaceuticals



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



Roadmap for strategy realization

