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**Disclosure on the Internet accompanying
the Notice of the 73rd Annual General Meeting of Shareholders**

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The aforementioned content is posted on the website of TOHO HOLDINGS ("the Company") (<https://ir.tohohd.co.jp/en/stock/meeting.html>) and is provided to the shareholders via the Internet, pursuant to laws and regulations and Article 14 of the Articles of Incorporation of the Company.

TOHO HOLDINGS CO., LTD.

System to Ensure Proper Execution of Business and Status of Operation of the System

The following descriptions outline the decisions made with respect to the system to ensure that the Directors' execution of duties complies with laws and regulations and the Articles of Incorporation, and other systems to ensure the proper execution of business of the Company.

Pursuant to the provisions of the Companies Act, the Company has established the following "Basic Policies for the Internal Control System," and will faithfully comply with the Basic Policies in order to ensure the legality and efficiency of the Company's business and to manage risks. In response to changes in social and economic conditions and other environments surrounding the Company, the Company will review the Basic Policies and seek to improve and enhance the Basic Policies.

(1) System to ensure that the Directors execute their duties in compliance with laws and regulations and the Articles of Incorporation

1) Under the "Kyoso Mirai Group Ethical Code" (hereinafter referred to as the "Ethical Code"), the Company has formulated the ethical standards and a code of conduct that must be followed in compliance with laws and regulations, as well as social norms. All employees (including Directors, Corporate Officers and employees) of the Kyoso Mirai Group act in accordance with this Ethical Code.

2) Pursuant to the provisions of laws and regulations, the Articles of Incorporation, the Board of Directors Rules, etc., the Board of Directors makes decisions on the Company's execution of business and monitors and supervises the execution of business of group companies.

3) In order to ensure that the execution of duties of each Director will be supervised by the Board of Directors, each Director properly reports to the Board of Directors on the status of business execution by the Company and group companies and the Directors mutually monitor and supervise each other's execution of duties.

4) By executing duties in compliance with laws and regulations, the Articles of Incorporation, the Board of Directors Rules, Decision-Making (*Ringi*) Rules, etc., the Directors ensure proper decision-making and the execution of duties.

5) Pursuant to the provisions of the Financial Instruments and Exchange Act, the Directors establish and continuously operate and assess the system in which internal control over financial reporting of group companies is effectively and appropriately conducted, and ensure the reliability and appropriateness of the financial reporting of the Company group.

6) In order to ensure that the execution of duties by each Director of the Company group will follow laws and regulations, the Articles of Incorporation, and various rules, the Company has established a whistle-blowing desk to receive whistleblowers' reports internally (Toho Hotline) and externally, and ensures that whistle-blowers will not be treated disadvantageously.

(2) System to ensure that the execution of duties by employees will be in compliance with laws and regulations and the Articles of Incorporation

1) In order to ensure that employees execute their duties while always being conscious of compliance, the Company strives so that the Ethical Code will be practically and fully applied under the control and supervision of the Group Management Committee. In particular, the Company makes efforts for maintaining and strengthening the system to ensure compliance with laws and regulations related to pharmaceutical affairs, laws and regulations for securing fair competition such as the Antimonopoly Act, strict control of corporate information and personal information, etc., and for providing employees with education and enlightening employees about the system.

2) The Company fully ensures that the business will be executed and managed in a proper manner through the office organization. If any problem arises, the Company will make a disposition in a proper and strict manner in accordance with the rules of employment and immediately take measures to prevent any recurrence of such problem.

3) In order to ensure that the execution of duties by employees of the Company group complies with laws and regulations, the Articles of Incorporation, and various rules, the Company has established a whistle-blowing desk to receive whistleblowers' reports internally (Toho Hotline) and externally, and ensures that whistle-blowers will not be treated disadvantageously. Through these efforts, the Company tries to ensure that the whistle-blowing system will be effectively and smoothly operated.

4) By periodically conducting internal audits, the Company checks whether the execution of duties by employees of the Company group complies with laws and regulations, the Articles of Incorporation, and various rules, and maintains and strengthens the proper execution of duties.

(3) System to preserve and control information concerning the Directors' execution of their duties

1) The Company properly preserves and controls the documents (including electronic records) related to the Directors' execution of their duties and other important information in accordance with laws and regulations and the "Document Handling Rules."

2) By undergoing audits conducted by the Audit and Supervisory Committee Members, the Company ensures the appropriateness of the creation, preservation, and control of information concerning the Directors' execution of duties.

(4) Rules and other systems related to the control of the risk of loss

1) Pursuant to the "Risk Management Basic Rules," the Company promotes the establishment of the Company group's risk management system, and makes efforts for early detection and understanding of any actual or potential risks that come to exist within the Company group, and for taking proper measures for such risks.

2) Through the Group Compliance Risk Management Committee, Group Disaster Countermeasure Committee, etc., the Company provides the Group Management Committee with risk information, and makes efforts for maintaining and improving the risk management system by taking appropriate measures.

3) If any unexpected circumstance occurs to the Company group, a task force will be established at the Company or a business operating company. The task force will be directed by the President (or a person appointed by the President) and take swift actions to organize a system to minimize damage and to maintain and establish the supply system for pharmaceuticals.

4) In order to maintain the normal operation of the computer processing systems, the Company introduced a back-up system by maintaining multiple data centers and has properly established a system in preparation for accidents.

(5) System to ensure that the Directors execute their duties in an efficient manner

1) As the basis for the system to ensure the Directors execute their duties in an efficient manner, the Company holds the Board of Directors meeting on a specified date each month, and extraordinary meetings of the Board of Directors as necessary. The Board of Directors meeting deliberates important issues related to business management, passes resolutions for such issues, and supervises the Directors' execution of their duties, etc.

2) The Group Management Committee sufficiently examines in advance any matters to be discussed and reported to the Board of Directors, so that the Company will be able to maintain the efficient and practical operation of the Board of Directors meeting.

3) In order to ensure that the Directors execute their duties in an efficient manner, the Company stipulates the "Organizational Rules," "Rules on Division of Duties," and "Rules on Duties and Authorities," appoints a person in charge of each set of rules, and formulates procedures for the enforcement of each set of rules.

4) Through the Board of Directors meeting, the Company periodically checks the progress of the Company group's business activities based on a medium-term management plan and an annual management plan.

(6) System to ensure the proper business execution of the Company group

1) System under which the Directors, etc., of subsidiaries report to the Company about matters related to the execution of their duties

The Company has established decision-making standards for business execution by subsidiaries. Any business execution that is considered important under the standards will be discussed at and reported to the Group Management Committee, and where necessary, discussed at and reported to the Board of Directors meeting. Subsidiaries are required to make reports pursuant to the "Affiliates Management Rules," for the purpose of subsidiary management.

2) Rules and other systems concerning the management of the risk of loss of subsidiaries

In order to properly address the "management risk" referred to in the "Risk Management Basic Rules," the Company has established the Group Compliance Risk Management Committee, for the purpose of promoting group-wide risk management.

3) System to ensure that the Directors, etc., of subsidiaries execute their duties in an efficient manner
Pursuant to the basic policies stipulated in the "Affiliates Management Rules," the Company has established the reporting system for the purpose of subsidiary management, and the Group Management Committee discusses important issues related to subsidiaries.

4) System to ensure that the Directors, etc., and employees of subsidiaries execute their duties in compliance with laws and regulations and the Articles of Incorporation

a. For the purpose of securing proper business execution, the Company ensures that subsidiaries will fully comply with the rules of conduct in accordance with the ethical standards prescribed in the Ethical Code.

b. Through internal audits periodically conducted by the Company, the Company audits the business of subsidiaries in order to ensure the proper business execution of subsidiaries.

(7) System related to certain employees to be assigned to assist with the duties of the Audit and Supervisory Committee

- 1) Where necessary, the Company appoints certain employees to be assigned to assist with the duties of the Audit and Supervisory Committee.
- 2) When the Company appoints certain employees to be assigned to assist with the duties of the Audit and Supervisory Committee, matters related to the appointment, transfer, and other personnel affairs of such employees will be determined through discussion with the Audit and Supervisory Committee or with the Full-time Audit and Supervisory Committee Member.

(8) Matters concerning reports to the Audit and Supervisory Committee

- 1) The Audit and Supervisory Committee Members attend important decision-making meetings including the Board of Directors meetings or inspect minutes and other materials thereof as necessary, and receive reports on important matters from the Directors and employees of the Company group.
- 2) If there is any significant event that may cause considerable damage to the Company, such as a violation of laws and regulations and the Articles of Incorporation, the Directors and any equivalent employees will immediately report such event to the Audit and Supervisory Committee or to the Full-time Audit and Supervisory Committee Member.
- 3) Decision-making documents (*Ringi* documents) are forwarded to the Audit and Supervisory Committee Members immediately after the final decision has been made on the decision-making documents.

(9) System to ensure that any person who has made a report to the Audit and Supervisory Committee will not be treated disadvantageously on the grounds of having made such report

When any of the officers and employees of the Company group has made a report to the Audit and Supervisory Committee or to the Full-time Audit and Supervisory Committee Member, it is prohibited to treat him/her disadvantageously on the grounds of having made such report, and all the officers and employees of the Company will be fully familiarized with such prohibition.

(10) Matters related to the advance payment or reimbursement procedures for expenses incurred for the Audit and Supervisory Committee Members' execution of their duties, and other policies concerning the processing of expenses or obligations incurred for the Audit and Supervisory Committee Members' execution of their duties

- 1) The Company bears the expenses necessary for the audits conducted by the Audit and Supervisory Committee, including expenses for lawyers, certified public accounts, consultants, etc., exclusively hired by the Audit and Supervisory Committee.
- 2) In addition to the expenses described above, the Company also bears any other expenses necessary for the Audit and Supervisory Committee Members' execution of their duties.

(11) Other systems to ensure that the Audit and Supervisory Committee will conduct the audits in an effective manner

- 1) The Representative Director exchanges opinions and communicates with the Audit and Supervisory Committee, by holding periodical meetings with the Audit and Supervisory Committee to discuss various issues, including issues to be addressed by the Company, the status of improvement of the environment for the Audit and Supervisory Committee's audits, and important issues related to the audits.
- 2) The Audit and Supervisory Committee periodically receives reports from the Accounting Auditors about plans, methods and results of the accounting audits, and exchanges information with the Accounting Auditors, for the purpose of conducting audits in an efficient manner.
- 3) The Internal Audit Division provides the Audit and Supervisory Committee with internal audit results, internal audit information and other necessary information, and maintains close collaboration with the Audit and Supervisory Committee. Furthermore, the Audit and Supervisory Committee may request investigation on audit matters and other relevant issues to the Internal Audit Division as necessary.
- 4) The Company assures the Audit and Supervisory Committee Members that the Audit and Supervisory Committee Members are entitled to conclude a consultancy contract with lawyers who are dedicated to the Audit and Supervisory Committee, in addition to the corporate lawyers hired by the Company.

The following outlines the operational status of the internal control system, pursuant to the basic policies described above, during the fiscal year under review.

(1) Efforts to ensure the properness and efficiency of business execution

The Company holds the Board of Directors meeting, in principle once a month, and the Group Management Committee meeting, in principle twice a month, in order to sufficiently deliberate business plans and other important management-related issues from the perspective of properness and efficiency. Out of the 16 Directors (excluding those who are Audit and Supervisory Committee Members) of the Company, 3 Directors are Outside Directors, and out of the 3 Directors who are Audit and Supervisory Committee Members of the Company, 2 Directors are Outside Directors who are Audit and Supervisory Committee Members. The Outside Directors and Outside Audit and Supervisory Committee Members attend important meetings, including the meetings referred to above, and express their opinions, etc., where necessary and on a timely basis. In addition, the Company has established rules which require important issues to be reported to the Audit and Supervisory Committee or to the Full-time Audit and Supervisory Committee Member and operates the framework under which the decision-making documents (*Ringi* documents) are forwarded to the Audit and Supervisory Committee Members and other information necessary for audits is transmitted to the Audit and Supervisory Committee Members.

(2) Compliance promotion and risk management system

The Company has established the "Risk Management Basic Rules" under which the Group Compliance Risk Management Committee, chaired by the person designated by the president, deliberates on important issues concerning the promotion of compliance and risk management of the Company and the Company group, and adopts the policy resolution.

In order to promote compliance, the Company conducts educational training and awareness-raising activities using the "Ethical Code" to increase awareness and knowledge among employees not only of the Company but also of the Company group.

Taking it seriously that one of the employees of TOHO PHARMACEUTICAL CO., LTD., the Company's consolidated subsidiary, was indicted in December 2020 on suspicion of violating the Antimonopoly Act in relation to an open competitive bidding for drugs ordered by the Japan Community Health care Organization, the president of the Company himself undertakes the role of chairman of the Group Compliance and Risk Management Committee, taking the initiative to strengthen compliance with laws and regulations.

Specific examples of initiatives are as follows:

- Top management ensures at a group morning meeting on TV held every month that all the employees of the Company group should comply with the Antimonopoly Act.
- We have enhanced the content of the training program for new MS employees regarding the Antimonopoly Act and the fair competition code for prescription pharmaceuticals wholesaling, and implement it periodically, expanding the target to managers, the entire sales staff, and executives at the Head Office.
- At five regional Sales Departments under the Sales and Marketing Division of TOHO PHARMACEUTICAL CO., LTD., the head of the Legal Department of the Company provided a compliance seminar to sales managers, including heads of Sales Department and General Managers, focusing on compliance with the Antimonopoly Act.
- The lawyer who belongs to the Legal Department of the Company has provided training on the Antimonopoly Act to senior management of five wholesale subsidiaries of TOHO PHARMACEUTICAL CO., LTD., and will continue to provide such training in the future.

In terms of risk management, the Company regularly conducts interviews within the Company and with the Company group regarding the occurrence of risks that may affect business activities, reports the results to the Group Compliance and Risk Management Committee and the Group Management Committee, and takes appropriate countermeasures.

The Company has also developed an internal reporting system with internal and external reporting contacts with the aim of early detection and prevention of violations of laws and regulations, misconduct, etc., as well as enhancement of self-purification.

(3) Group management system

In terms of the management of the Company's group companies, the Company organizes the reporting system for the management of subsidiaries, and has established the system in which important issues are discussed with the Group Management Committee, pursuant to the "Affiliates Management Rules." The Group Audit Office, as the Company's internal audit division, conducts internal audits of group companies, in accordance with audit plans.

(4) Efforts to ensure the effectiveness of audits

The Company's Audit and Supervisory Committee Members, including the Outside Directors, attend important meetings such as the Board of Directors meetings and the Group Management Committee meetings, to obtain information regarding business execution and management and information relevant to the effectiveness of the internal control system. Furthermore, in order to ensure the effectiveness of audits, the Company has ensured close cooperation, including a system where the Audit and Supervisory Committee Members receive reporting on a periodical and occasional basis from, and exchange opinions with, the Accounting Auditor and the Group Audit Office, as well as a system where the Audit and Supervisory Committee Members periodically hold meetings and exchange opinions with the Representative Director, the head of each division and other employees.

Consolidated Statement of Changes in Shareholders' Equity

(April 1, 2020 - March 31, 2021)

(In millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	10,649	49,271	165,745	-15,785	209,881
Changes of items during the consolidated fiscal year					
Dividends from surplus			-2,468		-2,468
Profit attributable to owners of parent			4,989		4,989
Purchase of treasury stock				-2	-2
Disposal of treasury stock		-0		3	3
Change in the scope of consolidation		108	731		840
Reversal of revaluation reserve for land			-126		-126
Net changes of items other than shareholders' equity during the consolidated fiscal year					
Total changes of items during the consolidated fiscal year		107	3,126	1	3,236
Balance as of March 31, 2021	10,649	49,378	168,872	-15,784	213,117

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance as of April 1, 2020	25,469	-4,507	20,961	166	231,009
Changes of items during the consolidated fiscal year					
Dividends from surplus					-2,468
Profit attributable to owners of parent					4,989
Purchase of treasury stock					-2
Disposal of treasury stock					3
Change in the scope of consolidation					840
Reversal of revaluation reserve for land					-126
Net changes of items other than shareholders' equity during the consolidated fiscal year	3,037	126	3,163	-3	3,160
Total changes of items during the consolidated fiscal year	3,037	126	3,163	-3	6,396
Balance as of March 31, 2021	28,506	-4,380	24,125	162	237,405

(Note) Reported amounts are rounded down to the nearest million yen.

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

1) Consolidated subsidiaries

- Number of consolidated subsidiaries: 19
- Names of principal consolidated subsidiaries:

TOHO PHARMACEUTICAL

Kyushu Toho

SAYWELL

Koyo

SQUARE-ONE

Toho System Service

Pharma Cluster

Pharma-Daiwa

J. Mirai Medical

Shimizu Pharmacy

Pharma Mirai

Seiko Medical Brain

VEGA PHARMA

Cure

Aobado

Kosei

KYOSOMIRAI PHARMA

Tokyo Research Center of Clinical Pharmacology

ALF

KYOSOMIRAI PHARMA, which was a non-consolidated subsidiary in the previous fiscal year, has been included in the scope of consolidation from the fiscal year under review owing to its increasing importance.

2) Non-consolidated subsidiaries

- Names of principal non-consolidated subsidiaries:

Nextit Research Institute, Inc.

- Reason for exclusion from the scope of consolidation:

The non-consolidated subsidiary is excluded from the scope of consolidation, because its business size is small, it does not have a significant impact on the total assets, net sales, consolidated net income or loss, and retained earnings, etc., and its overall impact is negligible.

(2) Application of the equity method

1) Number of affiliates to which the equity method is applied: 1

- Names of principal companies:

SAKAI MEDICINES CO., LTD.

2) Non-consolidated subsidiaries and affiliates to which the equity method is not applied:

- Names of principal non-consolidated subsidiaries:

Nextit Research Institute, Inc.

- Names of principal affiliates:

Wakaba

- Reason for exclusion from the scope of application of the equity method:

The non-consolidated subsidiary and affiliate to which the equity method is not applied is excluded from the scope of application of the equity method, because it does not have a significant impact on the consolidated net income or loss, and retained earnings, etc., and they are overall negligible.

(3) Fiscal year, etc. of consolidated subsidiaries

The last day of the fiscal year of consolidated subsidiaries is the same as the day of the consolidated settlement.

(4) Accounting standards

1) Standards and methods for the valuation of securities

Held-to-maturity bonds: Amortized cost method (Straight-line method)

Other securities

- Securities with fair value: The fair value method based on the market price, etc., as of the last day of the consolidated fiscal year (All valuation differences are reported as a component of net assets, with the cost of securities sold calculated according to the moving-average method.)
- Securities without fair value: The cost method using the moving-average method.
As for investments in limited liability investment partnerships and other similar partnerships (considered as securities according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the most recent available financial report of the partnership, according to the reporting date stipulated in the partnership contract, is recorded.

2) Valuation standards and valuation method for inventories: The cost method using the moving-average method is used for the 4 consolidated subsidiaries (TOHO PHARMACEUTICAL, Kyushu Toho, SAYWELL and Koyo) (The method of writing down the book value due to decreased profitability). KYOSOMIRAI PHARMA uses the first-in, first-out method.

The cost method using the last cost method is used for other consolidated subsidiaries (The method of writing down the book value due to decreased profitability).

3) Depreciation method for fixed assets

i) Property, plant and equipment (excluding lease assets)

The fixed-rate method is applied (However, the straight-line method is applied for buildings (excluding auxiliary facilities of buildings) acquired on or after April 1, 1998 and for auxiliary facilities of buildings and structures acquired on or after April 1, 2016).

Principal useful lives are as follows:

Buildings and structures:	8-50 years
Vehicles and transport equipment:	4-6 years
Others:	5-15 years

ii) Intangible assets (excluding lease assets)

The straight-line method. However, the straight-line method over the internal useful life (five years) is used for computer software for internal use.

iii) Lease assets

Lease assets pertaining to finance lease transactions, without transferring the ownership of the leased assets to the lessee.

The straight-line method with no residual value is applied and the lease term is considered to be the useful life.

4) Standards for reporting significant allowances and provisions

i) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover bad-debt losses on accounts receivable, loans, etc. In cases of ordinary receivables, the amount calculated using the loan loss ratio is provided, and in cases of specific receivables such as doubtful accounts, the recoverability is individually assessed and the estimated irrecoverable amount is provided.

ii) Provision for bonuses

The reserve for the payment of bonuses to employees and officers who perform duties as employees is provided, based on the estimated amount of bonuses payable for the consolidated fiscal year under review.

iii) Provision for directors' bonuses

The reserve for the payment of bonuses to directors is provided, based on the estimated amount of bonuses payable for the consolidated fiscal year under review.

iv) Provision for sales returns

The estimated amount of losses associated with future sales returns is provided to cover possible losses on sales returns.

v) Provision for loss on the Antimonopoly Act

To prepare for the occurrence of losses related to the Antimonopoly Act, an estimated amount is recorded as of the end of consolidated fiscal year under review.

5) Other significant matters for preparation of consolidated financial statements

i) Accounting treatment method for retirement benefits

When calculating retirement benefit obligations and costs, seven consolidated subsidiaries (Pharma-Daiwa, J. Mirai Medical, Pharma Mirai, VEGA PHARMA, KYOSOMIRAI PHARMA, Tokyo Research Center of Clinical Pharmacology and ALF) are subject to the application of the simplified method, under which the hypothetical amount required to be paid for all employees upon their retirement for personal reasons as of the end of the fiscal year is considered to be the amount of retirement benefit obligations.

In line with the full transition to the defined contribution pension system, the Company and two consolidated subsidiaries (TOHO PHARMACEUTICAL and Toho System Service) have introduced an interim measure for compulsory retirees, who were employed at the time of the transition. Under the interim measure, part of the retirement benefits payable for past services rendered by the employees is paid as a retirement lump-sum payment. Accordingly, the retirement benefit obligations as of the end of March 2021 are provided to cover the payment of the retirement benefits for the employees. Because the actuarial differences are minor, they are treated as costs in each year when actuarial differences arise.

ii) Depreciation method and period of goodwill and negative goodwill

Goodwill, and negative goodwill that comes to exist by March 31, 2010, are evenly depreciated over 5 or 10 years.

iii) Accounting treatment method of consumption taxes, etc.

For the accounting treatment of consumption taxes, etc., the tax-exclusion method is adopted.

2. Change in the Presentation Method

Changes resulting from the application of “Accounting Standard for Disclosure of Accounting Estimates” Effective from the consolidated fiscal year under review, “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) is applied, and “3. Notes on Accounting Estimates” is stated in Notes to Consolidated Financial Statements.

3. Notes on Accounting Estimates

(1) Valuation of stocks of non-consolidated subsidiaries and affiliates without fair value

1) The amount recorded in the consolidated financial statements for the consolidated fiscal year under review

Investment securities: 3,346 million yen

2) Information contributing to understand the content of accounting estimates

The Group adopts the cost method using the moving-average method for stocks of its non-consolidated subsidiaries and affiliates without fair value. When the net asset value per share is lower than 50% of the acquisition cost, it will be examined for impairment loss. In examining the necessity of impairment loss, the Group obtains the business plan and other necessary information from the investee, prepares an investment recovery plan of the Group in consideration of its past performance, and determines whether or not the net asset value can be recovered within a reasonable period of time. The Company’s policy is not to record an impairment loss if the Company has a viable and reasonable plan to recover the value of the investment and the recoverability of the investment is supported by sufficient evidence even if the net asset value is lower than 50% of the acquisition cost.

The key assumptions in the investment recovery plan are the sales growth rate and gross profit margin. In formulating the investment recovery plan, the sales growth rate and the gross profit margin will reflect the past performance and the effects of specific support measures, and targets without specific support measures will be adjusted to a reasonable and practicable level by being stressed.

The key assumptions of estimates of the sales growth rate and gross profit margin are highly uncertain. If the Company is unable to achieve its investment recovery plan due to changes in the sales growth rate and gross profit margin, it may record impairment loss of stocks of non-consolidated subsidiaries and affiliates without fair value.

(2) Provision for loss on the Antimonopoly Act

1) The amount recorded in the consolidated financial statements for the consolidated fiscal year under review

Provision of allowance for loss related to the Antimonopoly Act: 4,213 million yen; provision for loss related to the Antimonopoly Act: 4,213 million yen

2) Information contributing to understand the content of accounting estimates

Provision for loss related to the Antimonopoly Act is recorded in order to prepare for payments for estimated losses that may be incurred in the future concerning suspected violation of the Antimonopoly Act in relation to bidding to supply prescription pharmaceuticals to Japan Community Health care Organization (JCHO).

These payments mainly consist of surcharges that are ordered to be paid as a result of investigations by the Japan Fair Trade Commission (JFTC) and penalties that are claimed under contracts with JCHO based on the results of investigations by JFTC as well as the results of trials.

The amount of surcharges that may be incurred in the future is estimated for the transactions during the three years before June 2020 based on the status of the investigation by the JFTC and the opinions of our legal counsel. The penalty amount that may be incurred in the future is estimated for the transactions during the four years before June 2020 based on the terms and conditions with JCHO, the progress of the ongoing lawsuit, the status of the investigation by JFTC and the opinions of our legal counsel.

However, since these estimates are subject to uncertainties depending on the intention of the authorities and counterparties, additional recording or reversal of provision for loss related to the Antimonopoly Act could eventually be necessary due to an unpredictable change in precondition, etc.

4. Notes to the Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 62,725 million yen

(2) Assets provided as security and obligations pertaining to security

1) Assets provided as security

Fixed-term deposits	165 million yen
Buildings	1,504 million yen
Land	4,002 million yen
Investment securities	2,695 million yen
Total	8,367 million yen

2) Obligations pertaining to security

Notes payable and accounts payable	18,762 million yen
Long-term loans payable (including those to be reimbursed within 1 year)	1,792 million yen
Total	20,555 million yen

(3) Guarantee obligations

Bank guarantee obligations 277 million yen

(4) Land revaluation

Pursuant to the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998) and the "Act for Partial Revision of the Act on Revaluation of Land" (Act No. 19 of March 31, 2001), land for business use has been revaluated, and the amount obtained by deducting the "deferred tax liabilities pertaining to revaluation" from the revaluation differences is reported as the "revaluation reserve for land" in the net assets section.

Revaluation method

The calculation is based on the land tax ledger referred to in Article 2, Item (3) of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation March 31, 2002

The difference between the fair value of the revaluated land as of the end of the consolidated fiscal year under review and the book value after the revaluation of the revaluated land

612 million yen

5. Notes to Consolidated Profit and Loss Statement

Provision for loss on the Antimonopoly Act

On December 9, 2020, TOHO PHARMACEUTICAL, our consolidated subsidiary, was criminally indicted by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act in relation to bidding to supply prescription pharmaceuticals to Japan Community Health care Organization (JCHO), and prosecuted by the Tokyo Prosecutors' Office. As a result, payment of fines, surcharges and penalties may be required in the future. As estimated losses that may be incurred in the future, provision of allowance of 4,213 million yen for losses related to the Antimonopoly Act is recorded as extraordinary losses for the consolidated fiscal year under review.

6. Notes to the Consolidated Statement of Changes in Shareholders' Equity

(1) Types and total number of shares issued, and types and number of treasury shares

Type of shares	Number of shares at the beginning of the fiscal year under review	Number of increased shares during the fiscal year under review	Number of decreased shares during the fiscal year under review	Number of shares at the end of the fiscal year under review
Shares issued				
Common stocks	78,270 thousand shares	—	—	78,270 thousand shares
Total	78,270 thousand shares	—	—	78,270 thousand shares
Treasury shares				
Common stocks (Notes)	7,759 thousand shares	2 thousand shares	1 thousand shares	7,759 thousand shares
Total	7,759 thousand shares	2 thousand shares	1 thousand shares	7,759 thousand shares

- (Notes)
1. The treasury shares of common stocks increased by 2 thousand shares, consisting of an increase of 1 thousand shares due to the stock acquisition for no consideration associated with restricted stock compensation and an increase of 1 thousand shares due to purchase of common stocks representing less than one unit.
 2. The treasury shares of common stocks decreased by 1 thousand shares due to the exercise of stock options.

(2) Subscription rights to shares, etc.

Company name	Breakdown	Type of target shares	Number of target shares (Thousand shares)				Balance as of the end of the consolidated fiscal year under review (Million yen)
			Beginning of the consolidated fiscal year under review	Increase	Decrease	End of the consolidated fiscal year under review	
Filing company	Euro-yen convertible corporate bonds due 2023 with subscription rights to shares (Notes 1 and 2)	Common stocks	5,973	—	—	5,973	—
	Share acquisition rights as stock options (Notes 3)	Common stocks	80	—	1	78	162
Total			6,054	—	1	6,052	162

- (Notes)
1. The above number of the target shares of share acquisition rights is the number of shares calculated based on the presumption that the subscription rights to shares options have been exercised.
 2. For the convertible bonds with share subscription rights, the all-inclusive method is used.
 3. The decrease of 1 thousand shares in the number of target shares of share acquisition rights as stock options is attributable to exercise of the rights.

(3) Dividends from surplus

1) Dividends from surplus, paid during the consolidated fiscal year under review

Resolution	Types of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2020	Common stocks	1,410 million yen	20 yen	March 31, 2020	June 10, 2020
Meeting of the Board of Directors held on November 6, 2020	Common stocks	1,057 million yen	15 yen	September 30, 2020	December 4, 2020

(Note) Dividends per share based on the resolution adopted at the Meeting of the Board of Directors held on May 14, 2020 include 5 yen of commemorative dividend for the 10th anniversary of the transition to a holding company.

2) Dividends for which the record date falls during the consolidated fiscal year under review but for which the effective date is in the next consolidated fiscal year

Resolution	Types of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2021	Common stocks	1,057 million yen	15 yen	March 31, 2021	June 9, 2021

(Note) It is planned that retained earnings will be the divided resource.

7. Notes to Financial Instruments

1. Status of financial instruments

(1) Policies toward financial instruments

According to the Company group's policy, only products with a high level of safety, such as fixed-term deposits, are used for fund management, and loans from banks and other financial institutions and bond issuance are used as its primary means of fund procurement. The Company group enters into derivative transactions for the purpose of hedging the risk of interest rate fluctuations, and not for speculative purposes.

(2) Contents and risks of financial instruments and risk management system

Notes and accounts receivable, which are trade receivables, are exposed to customer credit risk. With respect to such risk, the Company group maintains the system in which the schedule and balance are managed for each trade partner and the credit status of major trade partners is monitored where necessary, pursuant to the Company group's accounts receivable management rules.

Regarding the shares considered as investment securities by the Company group, the shares are mainly those of the companies with which the Company group has a business relationship. Although the shares are exposed to the risk of market price fluctuations, the finance division periodically checks the market prices in order to control the risk.

The notes and accounts payable, which are trade payables, will become due within one year.

Regarding borrowings, the Company group uses a short-term borrowing method mainly for the purpose of procuring funds for business transactions, or as a short-term bridge loan to be borrowed until investment funds are procured by means of long-term loans payable; the Company group uses long-term loans payable and

corporate bonds mainly for the purpose of making capital investments. The Company group uses long-term loans payable mainly at fixed interest rates to mitigate the risk of interest rate fluctuations.

The finance division is responsible for the execution and management of derivative transactions, and when executing a derivative transaction, approval is obtained in advance pursuant to internal rules for the execution of derivative transactions, as well as hedged borrowing. The Company group enters into derivative transactions only with financial institutions with a high credit rating, in order to reduce the credit risk. The Company group did not engage in derivative transactions in the consolidated fiscal year under review.

Trade payables and borrowings are exposed to liquidity risk. The Company group controls the risk by ensuring that each company prepares monthly cash flow plans, and by taking other measures.

(3) Supplementary information on the fair value, etc., of financial instruments

The fair value of financial instruments is based on market prices or reasonable calculations in the absence of market prices. Since various assumptions and factors are reflected in estimating said value, different assumptions and factors could result in a different value.

2. Fair value, etc., of financial instruments

The amounts reported in the consolidated balance sheet, fair values, and differences between them as of March 31, 2021 are as follows. The following table excludes any items for which the fair values are extremely difficult to identify (See (Note 2)).

(Unit: Million yen)

	Amount reported in the consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	93,086	93,086	—
(2) Notes and accounts receivable-trade	285,579	285,579	—
(3) Purchase rebates receivable	12,795	12,795	—
(4) Investment securities Other securities	62,313	62,313	—
(5) Notes and accounts payable-trade	356,968	356,968	—
(6) Bonds payable	20,043	19,800	-243
(7) Long-term loans payable	21,674	21,680	5

(Note 1) Method for calculating fair values of financial instruments and matters concerning investment securities

(1) Cash and deposits, (2) Notes and accounts receivable-trade, and (3) Purchase rebates receivable

Because these items are settled on a short-term basis and their fair values are almost equal to the book values, the book values are used as fair values.

(4) Investment securities

The fair values of shares are based on the prices on exchanges, and the fair values of bonds are based on the prices on exchanges or prices presented by financial institutions.

The notes to the securities for each holding purpose are as follows.

1) Other securities

(Unit: Million yen)

Category	Type	Acquisition cost	Amount reported in the consolidated balance sheet	Difference
Item for which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Shares	20,630	61,611	40,980
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Others	12	25	12
	Subtotal	20,643	61,636	40,993
Item for which the amount reported in the consolidated balance sheet is no more than the acquisition cost	Shares	937	677	-260
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	937	677	-260
Total		21,580	62,313	40,733

(Note) If the fair value as of the end of the consolidated fiscal year decreases by approximately 50% or more of the acquisition cost, an impairment loss is reported. If the fair value decreases by approximately 30-50% of the acquisition cost, the average of the fair values at the end of each month during the past one year is calculated, and if the average fair value decreases by 30% or more of the acquisition cost, an impairment loss is reported.

2) Other securities sold during the consolidated fiscal year (From April 1, 2020 to March 31, 2021)

(Unit: Million yen)

Category	Sales value	Total profit on sales	Total loss on sales
Shares	7,002	4,462	—
Bonds	—	—	—
Others	—	—	—
Total	7,002	4,462	—

(5) Notes and accounts payable-trade

Because these items are settled on a short-term basis and their fair values are almost equal to the book values, the book values are used as fair values.

(6) Corporate bonds

The fair values of corporate bonds are calculated based on their market prices.

(7) Long-term loans payable

The fair values of long-term loans payable are calculated by the method in which the total amount of the principal and interest is discounted by an assumed interest rate that would be applicable to a new equivalent borrowing.

(Note 2) Financial instruments for which the fair values are extremely difficult to identify

(Unit: Million yen)

Category	Amount
Unlisted stocks, etc.	20,236

The above financial instruments are not included in "(4) Investment securities" because it is extremely difficult to identify their fair values as no quoted market price is available and it is impossible to estimate their future cash flows.

(Note 3) The reimbursement schedule of monetary claims and securities with a maturity date, after the consolidated settlement date

(Unit: Million yen)

Category	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Deposits	92,579	—	—	—
Notes and accounts receivable-trade	285,579	—	—	—
Purchase rebates receivable	12,795	—	—	—
Securities and investment securities				
Held-to-maturity bonds	—	10	—	—
Other securities	70	1	—	—

(Note 4) The reimbursement schedule of corporate bonds, long-term loans payable, lease obligations and other interest-bearing debts, after the consolidated settlement date

(Unit: Million yen)

Category	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Corporate bonds	—	20,000	—	—
Long-term loans payable	2,666	17,460	1,092	454

8. Notes to Rental Real Property

Notes are omitted because the total amount of rental real property has little significance.

9. Notes to Per Share Information

(1) Net assets per share: 3,364.65 yen

(2) Net income per share: 70.77 yen

10. Notes to Significant Subsequent Events

Not applicable.

Statement of Changes in Shareholders' Equity

(April 1, 2020 - March 31, 2021)

(In millions of yen)

	Shareholders' Equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for reduction entry of land	General reserve	Retained earnings brought forward	
Balance as of April 1, 2020	10,649	46,177	3,938	50,115	664	1,523	6,336	70,453	78,977
Changes of items during the fiscal year									
Dividends from surplus								-2,468	-2,468
Net income								10,245	10,245
Reversal of revaluation reserve for land								-126	-126
Reversal of reserve for reduction entry of land						-9		9	
Purchase of treasury stock									
Disposal of treasury stock			-0	-0					
Net changes of items other than shareholders' equity during the fiscal year									
Total changes of items during the fiscal year			-0	-0		-9		7,659	7,650
Balance as of March 31, 2021	10,649	46,177	3,937	50,114	664	1,513	6,336	78,113	86,627

	Shareholders' Equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance as of April 1, 2020	-15,825	123,916	30,751	-4,484	26,266	166	150,349
Changes of items during the fiscal year							
Dividends from surplus		-2,468					-2,468
Net income		10,245					10,245
Reversal of revaluation reserve for land		-126					-126
Reversal of reserve for reduction entry of land							
Purchase of treasury stock	-2	-2					-2
Disposal of treasury stock	3	3					3
Net changes of items other than shareholders' equity during the fiscal year			2,492	126	2,619	-3	2,616
Total changes of items during the fiscal year	1	7,651	2,492	126	2,619	-3	10,268
Balance as of March 31, 2021	-15,823	131,568	33,244	-4,357	28,886	162	160,617

(Note) Reported amounts are rounded down to the nearest million yen.

Notes to Non-consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Standards and methods for the valuation of securities

Shares of subsidiaries and affiliates: The cost method using the moving-average method.

Other securities

- Securities with fair value: The fair value method based on the market price, etc., as of the last day of the fiscal year (All valuation differences are reported as a component of net assets, with the cost of securities sold calculated according to the moving-average method.)
- Securities without fair value: The cost method using the moving-average method.
For investments in an investment limited partnership or other similar partnerships (Securities as defined in Article 2, paragraph 2 of the Securities Exchange Law), the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

(2) Depreciation method for fixed assets

1) Property, plant and equipment (excluding lease assets)

The fixed-rate method is applied (However, the straight-line method is applied for buildings (excluding auxiliary facilities of buildings) acquired on or after April 1, 1998 and for auxiliary facilities of buildings and structures acquired on or after April 1, 2016).

Principal useful lives are as follows:

Buildings and structures:	8-50 years
Apparatus and equipment:	5-15 years

2) Intangible assets

The straight-line method. However, the straight-line method over the internal useful life (five years) is used for computer software for internal use.

3) Lease assets

Lease assets pertaining to finance lease transactions, without transferring the ownership of the leased assets to the lessee.

The straight-line method with no residual value is applied and the lease term is considered to be the useful life.

4) Long-term prepaid expenses

Evenly depreciated.

(3) Standards for reporting significant allowances and provisions

1) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover bad-debt losses on accounts receivable, loans, etc. In cases of ordinary receivables, the amount calculated using the loan loss ratio is provided, and

in cases of specific receivables such as doubtful accounts, the recoverability is individually assessed and the estimated irrecoverable amount is provided.

2) Provision for bonuses

The reserve for the payment of bonuses to employees and officers who perform duties as employees is provided, based on the estimated amount of bonuses payable for the fiscal year under review.

3) Provision for directors' bonuses

The reserve for the payment of bonuses to directors is provided, based on the estimated amount of bonuses payable for the fiscal year under review.

4) Provision for retirement benefits

In line with the full transition to the defined contribution pension system in April 2005, the Company has introduced an interim measure for compulsory retirees, who were employed at the time of the transition. Under the interim measure, part of the retirement benefits payable for past services rendered by the employees is paid as a retirement lump-sum payment. Accordingly, the retirement benefit obligations as of the end of March 2021 are provided to cover the payment of the retirement benefits for the employees. Because the actuarial differences are minor, they are treated as costs in each year when actuarial differences arise.

(4) Accounting treatment method of consumption taxes, etc.

For the accounting treatment of consumption taxes, etc., the tax-exclusion method is adopted.

2. Change in presentation method

Changes resulting from the application of "Accounting Standard for Disclosure of Accounting Estimates" Effective from the fiscal year under review, "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) is applied, and "3. Notes on Accounting Estimates" is stated in Notes to Non-consolidated Financial Statements.

3. Notes on Accounting Estimates

Valuation of stocks of non-consolidated subsidiaries and affiliates without fair value

1) The amount recorded in the financial statements for the fiscal year under review

Investment securities: 3,351 million yen

2) Information contributing to understanding the content of accounting estimates

This is the same as stated in Notes to Consolidated Statements, "3. Notes on Accounting Estimates (1)

Valuation of stocks of non-consolidated subsidiaries and affiliates without fair value."

4. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment:	19,390 million yen
(2) Assets provided as security and obligations pertaining to security	
Assets provided as security	
Buildings	158 million yen
Land	440 million yen
Total	599 million yen
Obligations pertaining to security	
Long-term loans payable (including those to be reimbursed within 1 year)	770 million yen
Total	770 million yen

The following assets are provided as security pertaining to notes payable and accounts payable-trade of subsidiaries including TOHO PHARMACEUTICAL.

Fixed-term deposits	165 million yen
Buildings	452 million yen
Land	1,925 million yen
Investment securities	2,695 million yen
Total	5,238 million yen

(3) Guarantee obligations

Guarantee obligations to banks	6,941 million yen
Guarantee obligations to accounts payable	654 million yen

(4) Monetary receivables and monetary obligations to affiliates

Short-term monetary receivables	23,505 million yen
Long-term monetary receivables	5,304 million yen
Short-term monetary obligations	44,853 million yen

(5) Land revaluation

Pursuant to the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998) and the "Act for Partial Revision of the Act on Revaluation of Land" (Act No. 19 of March 31, 2001), land for business use has been revaluated, and the amount obtained by deducting the "deferred tax liabilities pertaining to revaluation" from the revaluation differences is reported as the "revaluation reserve for land" in the net assets section.

Revaluation method

The calculation is based on the land tax ledger referred to in Article 2, Item (3) of the "Order for Enforcement of the Act on Revaluation of Land" (Cabinet Order No. 119 of March 31, 1998).

Date of revaluation March 31, 2002

The difference between the fair value of the revaluated land as of the end of the fiscal year under review and the book value after the revaluation of the revaluated land.

661 million yen

5. Notes to the Non-consolidated Profit and Loss Statement

Amount of transactions with affiliates

Amount of business transactions

Business revenue

11,079 million yen

Amount of transactions other than business transactions

565 million yen

6. Notes to the Non-consolidated Statement of Changes in Shareholders' Equity

Number of treasury shares

Type of shares	Number of shares at the beginning of the fiscal year under review	Number of increased shares during the fiscal year under review	Number of decreased shares during the fiscal year under review	Number of shares at the end of the fiscal year under review
Common stocks (Notes)	7,747 thousand shares	2 thousand shares	1 thousand shares	7,748 thousand shares

(Notes) 1. The treasury shares of common stocks increased by 2 thousand shares, consisting of an increase of 1 thousand shares due to the stock acquisition for no consideration associated with restricted stock compensation and an increase of 1 thousand shares due to purchase of common stocks representing less than one unit.

2. The treasury shares of common stocks decreased by 1 thousand shares due to the exercise of stock options.

7. Notes to Deferred Tax Accounting

Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Accrued enterprise tax	93
Provision for bonuses	22
Allowance for doubtful accounts	790
Investment securities	870
Stocks of subsidiaries and affiliates	1,470
Other noncurrent liabilities	30
Impairment loss	109
Asset retirement obligations	587
Stock options	34
Restricted stock compensation	13
Others	84
<hr/> Subtotal of deferred tax assets	4,107
Valuation reserve	-4,107
<hr/> Total of deferred tax assets	-
Deferred tax liabilities	
Reserve for reduction entry of land	-667
Valuation differences on available-for-sale of securities	-14,807
Valuation differences of securities resulting from merger of subsidiaries	-429
Asset retirement obligations	-542
Investment securities returned from retirement benefit trust	-147
Others	-6
<hr/> Total of deferred tax liabilities	-16,601
<hr/> Net amount of deferred tax liabilities	-16,601

8. Notes concerning Related Party Transactions

Subsidiaries and affiliates, etc.

Attribute	Company name, etc.	Ownership ratio of voting rights, etc. (%)	Relationship with related party	Transaction content	Transaction amount (million yen)	Item	Balance as of the end of the fiscal year (million yen)
Subsidiary	TOHO PHARMACEUTICAL	Ownership Direct 100.0 %	Conclusion of business management contract Financial support Leasing of real estate properties Interlocking officers	Lending of funds	3,312	Loans (CMS loans)	18,507
				Interest income (Notes 1)	156		
				Business advisory fee (Notes 2)	1,214		
				Real estate rental income (Notes 3)	2,246		
				Dividend income (Notes 4)	7,061		
Subsidiary	Kyushu Toho	Ownership Direct 100.0 %	Financial support Interlocking officers	Deposits of funds	-571	Deposits (CMS deposits)	5,374
				Interest due (Notes 1)	41		
Subsidiary	SAYWELL	Ownership Direct 100.0 %	Financial support Interlocking officers	Deposits of funds	6	Deposits (CMS deposits)	18,304
				Interest due (Notes 1)	109		
Subsidiary	SQUARE-ONE	Ownership Direct 100.0 %	Financial support	Debt guarantees (Notes 5)	4,063	—	—
Subsidiary	Pharma Mirai	Ownership Direct 100.0 %	Financial support	Deposits of funds	2,462	Deposits (CMS deposits)	14,338
				Interest due (Notes 1)	68		

(Notes) Terms of transactions and the policy for determining the terms of transactions

1. Interest rates are determined through discussion pursuant to the Company's rules, taking into consideration market interest rates, etc. A transaction amount represents a net increase or net decrease during the fiscal year.
2. The amount of business advisory fee is determined based on the costs associated with business advisory.
3. The amount of the real estate rental income is determined through discussion based on current conditions of transactions in the neighboring areas.

4. The amount of the dividend income is determined based on prescribed dividend standards.
5. The Company has provided debt guarantees for borrowings from banks.

9. Notes to Per Share Information

(1) Net assets per share	2,275.25yen
(2) Net income per share	145.29 yen

10. Notes to Significant Subsequent Events

Not applicable.