

To Shareholders with Voting Rights:

Norio Hamada
President and Representative
Director
TOHO HOLDINGS CO., LTD.
5-2-1, Daizawa, Setagaya-ku,
Tokyo, Japan

**NOTICE OF
THE 68TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 68th Annual General Meeting of Shareholders of TOHO HOLDINGS CO., LTD. (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights, either by indicating whether you approve each of the proposals on the enclosed Voting Rights Exercise Form and returning the form to us, or through electromagnetic means (the Internet, etc.) by accessing the Voting Rights Exercise Website described in the form. Please review the Reference Documents for the General Meeting of Shareholders described hereinafter, and cast your vote by 5 p.m. on Tuesday, June 28, 2016 Japan time.

- 1. Date and Time:** Wednesday, June 29, 2016 at 10:00 a.m. Japan time
- 2. Place:** Sixth floor large conference room in the head office of the Company, located at 5-2-1, Daizawa, Setagaya-ku, Tokyo, Japan
- 3. Meeting Agenda:**
Matters to be reported:
 1. The Business Report, Consolidated Financial Statements for the Company's 68th Fiscal Year (April 1, 2015 - March 31, 2016) and results of audits by the Accounting Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company's 68th Fiscal Year (April 1, 2015 - March 31, 2016)

Proposals to be resolved:

- Proposal No. 1:** Partial Amendments to the Articles of Incorporation
- Proposal No. 2:** Election of sixteen (16) Directors (Excluding those who are Audit and Supervisory Committee Members)
- Proposal No. 3:** Election of three (3) Directors who are Audit and Supervisory Committee Members
- Proposal No. 4:** Establishment of the Amount of Remuneration, etc., of Directors (Excluding those who are Audit and Supervisory Committee Members)
- Proposal No. 5:** Establishment of the Amount of Remuneration, etc., of Directors who are Audit and Supervisory Committee Members
- Proposal No. 6:** Determination of the Amount and contents of Remuneration, etc. regarding subscription rights to shares as stock-based compensation stock options to Directors (excluding Directors who are Audit and Supervisory Committee Members)

- If you would like to exercise your voting rights via a proxy, the proxy must be another shareholder holding voting rights. You can designate only one (1) proxy.

- When attending the meeting, please bring the enclosed Voting Rights Exercise Form and submit it to the reception desk.
- Of the Appendix to this convocation notice, the "Notes to Consolidated Financial Statements" and the "Notes to Non-consolidated Financial Statements" are posted on the Company's website in accordance with laws and regulations and Article 14 of the Company's Articles of Incorporation; for this reason, these notes are not described in this convocation notice.
- The Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Auditors and the Accounting Auditor consist of the documents listed in this convocation notice and the "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" that are posted on the Company's website on the Internet.
- If there is any circumstance requiring correction of the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or Non-consolidated Financial Statements, we will notify you of the corrected matters by posting them on the Company's website on the Internet.
- The Company's website: <http://www.tohohd.co.jp/en/>

Information about the exercise of voting rights

If you wish to attend the General Meeting of Shareholders

Please submit the enclosed Voting Rights Exercise Form to the reception desk.

If you wish to exercise the voting rights in writing

Please indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it by postal mail.

Deadline The Form must arrive by 5 p.m. on Tuesday, June 28, 2016 Japan time.

If you wish to exercise the voting rights via the Internet

Please exercise the voting rights by accessing the Voting Rights Exercise Website (See below).

Deadline The voting rights must be exercised by 5 p.m. on Tuesday, June 28, 2016 Japan time.

- (Note)
1. If you exercise your voting rights twice, both in writing and via the Internet, the exercise via the Internet will be considered to be the valid exercise of the voting rights.
 2. If you exercise your voting rights more than once via the Internet, the last exercise of the voting rights will be considered to be the valid exercise of the voting rights.

How to exercise your voting rights via the Internet

Voting Rights Exercise Website <http://www.evote.jp/>

On the Voting Rights Exercise Website, please use the "login ID" and "temporary password" stated on the enclosed Voting Rights Exercise Form, and indicate your vote for or against the proposals, following the instructions shown on the screen (However, the Voting Rights Exercise Website will become temporarily unavailable from 2:00 a.m. to 5:00 a.m. each day).

Note

If you use a personal computer or smartphone

You may not be able to use the website depending on your Internet environment, in such cases as when you are using a firewall, an anti-virus software, or a proxy server for the Internet access.

If you use a mobile phone

Please use one of the following services: i-mode, EZweb, Yahoo! Keitai. For the purpose of ensuring the security, the exercise of the voting rights is compatible only with the devices that support the SSL communication and mobile phone information transmission.

* "i-mode," is a trademark or registered trademark of NTT DOCOMO, INC., "EZweb" is a trademark or registered trademark of KDDI CORPORATION, and "Yahoo!" is a trademark or registered trademark of Yahoo! Inc. (U.S.).

- In order to prevent third parties from making any unauthorized access (impersonation) or falsifying the content of the voting rights exercise, each shareholder who uses the Voting Rights Exercise Website will be required to change the "temporary password" on that website.
- Each time when a General Meeting of Shareholders is convened, a new "login ID" and a new "temporary password" will be notified to you.
- Any expenses related to the Internet use (such as fees payable to an Internet service provider and communication charges) must be borne by shareholders.

If you have any inquiry, please contact the help desk:

Mitsubishi UFJ Trust and Banking Corporation, Securities Agency Division (Help Desk)

Telephone: 0120-173-027 (Operating hours: 9:00 a.m. to 9:00 p.m. Japan time / Toll free)

Electronic Voting Rights Exercise Platform

If you are a nominal shareholder (including standing agent) such as a custodian-type trust bank, you can use the Electronic Voting Rights Exercise Platform operated by ICJ Co., Ltd., which is a joint venture company established by Tokyo Stock Exchange, Inc., etc. This platform can be used as one method for exercising the voting rights at the Company's General Meeting of Shareholders by electromagnetic means, instead of the exercise of the voting rights via the Internet described above, and you can use this platform only if you have made an application for the use of the platform in advance.

The end

(Attachment)

Business Report

[from April 1, 2015 to March 31, 2016]

1. Current Situation of the Corporate Group

(1) Business Conditions for the Current Fiscal Year

1) Business Progress and Results

The market for prescription pharmaceuticals in the consolidated fiscal year grew significantly year on year, helped by the sales growth of new drugs for the treatment of hepatitis C, which had been dramatically higher than the forecast since the third quarter of the fiscal year, and by sales contribution from new drugs such as orphan drugs, although it was affected by the steady penetration of healthcare cost containment measures, including the promotion of generics.

On the other hand, amid an increasingly aging population, the market environment is expected to change due to the operation of steady and sustainable medical insurance systems being ensured in the future, as well as measures being promoted to establish community comprehensive healthcare systems aimed at realizing effective and high-quality medical care.

Under these circumstances, and in response to rapid changes in the future business environment, as a distribution business group that is engaged in medical services, health and nursing care centered on two core businesses of pharmaceutical wholesaling and dispensing pharmacy, the group has made strenuous efforts to develop and propose various customer support systems in order to solve the problems facing patients and medical organizations, contributing to the establishment of a community comprehensive healthcare system, and promoting a shift to value-added service business models which offer value across a wide range of business areas.

Therefore, in June 2015, with the purpose of strengthening the group management system and enhancing its competitiveness, the group shifted from a pure holding company to an operating holding company.

In the pharmaceutical wholesaling business, we made efforts to secure appropriate profits and to reduce costs by strengthening the functions of the distribution centers and the call centers to further promote the “integrated reform in sales and distribution” aimed at reducing all operational costs from order to delivery and improving operational efficiency, and by promoting optimization of the workforce including the back-office divisions. In addition, we also focused on proposal activities for our own customer support systems.

In the dispensing pharmacy business, through facilities management closely related to community-based healthcare, we improved profitability by providing high levels of added value in response to the revision of dispensary fees and strived to reduce costs through standardizing store operations and consolidating operations at Head Office.

From these results, looking at the business results for the current consolidated fiscal year, both the sales contribution from new drugs, including drugs for the treatment of hepatitis C and orphan drugs, and an increasing number of contracts for our own customer support systems, particularly the voice-recognition electronic medication history recording support system “ENIFvoice SP” and “the first medical examination reception service” contributed to business results. In addition, thanks to the steady contributions made by other customer support services and the effects of reducing our selling, general and administrative expenses, as a result, net sales were 1,308,474 million yen (up 12.6% YoY), operating income was 28,618 million yen (up 185.7% YoY), ordinary income was 34,493 million yen (up 116.9% YoY), and net income attributable to shareholders of the parent company was 21,771 million yen (up 60.8% YoY).

◇Status of sales in each segment

The status of sales in each segment for the consolidated fiscal year under review was as follows:

Segment	Amount	Composition ratio	Increase/decrease compared to the previous fiscal year
Pharmaceutical wholesaling business	1,206,958 million yen	92.3%	13.0%
Pharmaceuticals	1,128,099 million yen	/	/
Reagents	60,712 million yen		
Medical devices	18,146 million yen		
Dispensing pharmacy business	99,776 million yen	7.6%	8.4%
SMO business	531 million yen	0.0%	43.3%
Information equipment sales business	1,208 million yen	0.1%	-13.4%
Total	1,308,474 million yen	100.0%	12.6%

(Note) Sales represent sales to external customers.

2) Status of Capital Investment

The total amount of the Company group's capital investments was 6,959 million yen. Major capital investments include the acquisition of the site for the Hiroshima Distribution Center and the acquisition of the day-care facility operated by a subsidiary company.

3) Status of Fund Procurement

In the consolidated fiscal year under review, no funds were procured by a capital increase, bond issue, or other similar method.

(2) Status of Assets and Profits and Losses

1) Trends of the Status of Business Performance and Assets of the Company Group

Item	The 65th fiscal year (ended March 31, 2013)	The 66th fiscal year (ended March 31, 2014)	The 67th fiscal year (ended March 31, 2015)	The 68th fiscal year (Consolidated fiscal year under review) (ended March 31, 2016)
Net Sales	Million yen 1,140,364	Million yen 1,189,627	Million yen 1,162,148	Million yen 1,308,474
Ordinary Income	Million yen 19,585	Million yen 18,303	Million yen 15,902	Million yen 34,493
Profit Attributable to Owners of Parent	Million yen 11,526	Million yen 10,407	Million yen 13,535	Million yen 21,771
Net Income per Share	159.21 yen	139.58 yen	181.83 yen	316.51 yen
Total Assets	Million yen 562,668	Million yen 580,137	Million yen 599,950	Million yen 642,698

2) Trends of the Status of Business Performance and Assets of the Company

Item	The 65th fiscal year (ended March 31, 2013)	The 66th fiscal year (ended March 31, 2014)	The 67th fiscal year (ended March 31, 2015)	The 68th fiscal year (the fiscal year under review) (ended March 31, 2016)
Net Sales	Million yen 6,151	Million yen 5,298	Million yen 11,935	Million yen 9,409
Ordinary Income	Million yen 5,059	Million yen 3,600	Million yen 10,216	Million yen 5,683
Net Income	Million yen 4,901	Million yen 3,518	Million yen 16,160	Million yen 6,053
Net Income per Share	67.69 yen	47.18 yen	217.05 yen	87.98 yen
Total Assets	Million yen 127,797	Million yen 134,203	Million yen 153,993	Million yen 153,394

(3) Status of Significant Parent Company and Subsidiary Companies (as of March 31, 2016)

1) Relationship with Parent Company

Not applicable.

2) Status of Material Subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
TOHO PHARMACEUTICAL	Million yen 300	% 100.00	Pharmaceutical wholesaling
Kyushu Toho	522	100.00 (100.00)	Pharmaceutical wholesaling
SAYWELL	95	100.00 (100.00)	Pharmaceutical wholesaling
Koyo	72	100.00 (100.00)	Pharmaceutical wholesaling
Godo Toho	45	100.00 (100.00)	Pharmaceutical wholesaling
Toho System Service	10	100.00	Information processing business
THINK-ONE	10	100.00	Management, leasing, and brokerage of real estate and personal property
SQUARE-ONE	100	100.00 (40.00)	Wholesaling of pharmaceuticals and medical materials
Pharma Cluster	10	100.00	Management services for dispensing pharmacy business companies
Pharma-Daiwa	100	100.00 (100.00)	Operation of dispensing pharmacies
J. Mirai Medical	100	100.00 (100.00)	Operation of dispensing pharmacies
Shimizu Pharmacy	67	100.00	Operation of dispensing pharmacies
Pharma Mirai	50	100.00 (100.00)	Operation of dispensing pharmacies
Seiko Medical Brain	30	100.00	Operation of dispensing pharmacies
VEGA PHARMA	10	100.00 (100.00)	Operation of dispensing pharmacies
Cure	5	100.00 (100.00)	Operation of dispensing pharmacies
Aobado	3	100.00	Operation of dispensing pharmacies
Kosei	3	100.00	Operation of dispensing pharmacies
Tokyo Research Center of Clinical Pharmacology	401	100.00	SMO
ALF	90	92.32 (0.83)	Manufacture and marketing of information processing equipment

(Note) Any indirect ownership reflected in a voting ownership ratio is enclosed in parentheses.

(4) Challenges to be Addressed

Under the pledge of “Total commitment to good health” as well as our mission statement “We shall live in harmony with society and our customers; together, we shall create new values through the provision of original service; and we shall contribute to the medical care and well-being of people around the world”, we always put our patients first and strive to create customer value to enhance their satisfaction, aiming to improve corporate value and establish our corporate brand in the market.

In order to establish and maintain sustainable social welfare systems to extend people’s healthy living years in the super-aging society, while the establishment of “community comprehensive healthcare systems” has been promoted, we will aim to contribute to ongoing collaboration between prevention, medical care and nursing care focusing on the pharmaceutical wholesaling business and dispensing pharmacy business. In addition, anticipating the rapidly changing environment and leading-edge issues in the medical care and pharmaceutical industries, we will strive to expand our customer base by exploring any underserved segments with more streamlined and high value-added pharmaceutical distribution while acknowledging the era of 80% generics, providing new drugs that require sophisticated management, including specialty drugs and orphan drugs that are regarded as mainstream new drugs to be launched in the market, and medical-related services, as well as developing new business models.

Furthermore, recognizing the public nature of our business as a medical care and healthcare company, we will promote further streamlining of our management structure with various measures aimed at optimizing the group as a whole and improving productivity. For total commitment to good health, we will aim to be a corporate group that is supported continuously by society.

(5) Principal Business (as of March 31, 2016)

Segment	Principal business
Pharmaceutical wholesaling business	Sales of pharmaceuticals, narcotic drugs, regents, etc., and sales of medical devices
Dispensing pharmacy business	Operation of insurance dispensing pharmacies, home-care support services, and sales of pharmaceuticals
SMO business	Support for trial sites
Information equipment sales business	Planning and sales of information processing equipment

(6) Principal Business Locations (as of March 31, 2016)

Company name	Business office	Location	
The Company	Head office	5-2-1, Daizawa, Setagaya-ku, Tokyo	
	Marunouchi office	1-9-2, Marunouchi, Chiyoda-ku, Tokyo	
	Subsidiary	SQUARE-ONE (Hokkaido) TOHO PHARMACEUTICAL (Tokyo) PharmaCluster (Tokyo) Toho System Service (Tokyo) THINK-ONE (Tokyo) Tokyo Research Center of Clinical Pharmacology (Tokyo) ALF (Tokyo) Shimizu Pharmacy (Tokyo) Aobado (Osaka) Kosei (Osaka) Seiko Medical Brain (Fukuoka)	
TOHO PHARMACEUTICAL (Pharmaceutical wholesaling business)	Head office	5-2-1, Daizawa, Setagaya-ku, Tokyo	
	Branch	Hokkaido and Tohoku	Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima
		Kitakanto Koshinetsu	Ibaraki, Tochigi, Gunma, Niigata, Yamanashi, and Nagano
		Shutoken	Saitama, Chiba, Tokyo, and Kanagawa
		Tokai and Hokuriku	Gifu, Shizuoka, Aichi, and Mie
	Distribution center	TBC Sapporo (Hokkaido), TBC Sano (Tochigi), TBC Saitama (Saitama), TBC Omiya (Saitama), TBC Tokyo (Tokyo), WILL Heiwajima (Tokyo), TBC Hanshin (Hyogo), TBC Okayama (Okayama), and TBC Kyushu (Kumamoto)	
Subsidiary	Godo Toho (Osaka) SAYWELL (Hiroshima) Koyo (Kagawa) Kyushu Toho (Fukuoka)		
PharmaCluster (Dispensing pharmacy business)	Head office	1-9-2, Marunouchi, Chiyoda-ku, Tokyo	
	Subsidiary	Pharma Mirai (Tokyo) Cure (Niigata) J. Mirai Medical (Osaka) VEGA PHARMA (Osaka) Pharma-Daiwa (Kumamoto)	

(7) Status of Employees (as of March 31, 2016)

1) Number of Employees of the Company Group

Number of employees	Increase/decrease from the previous consolidated fiscal year-end
7,969	Decreased by 445

- (Note) 1. The number of employees includes contract employees and employees re-employed after the mandatory retirement age.
2. The number of employees excludes temporary workers, etc.

2) Number of Employees of the Company

Number of employees	Increase/decrease from the previous fiscal year-end	Average age	Average number of years of continued service
86	Increased by 32	46 years and 10 months	16 years and 8 months

- (Note) 1. The number of employees includes contract employees and employees re-employed after the mandatory retirement age.
2. The number of employees excludes temporary workers, etc.
3. The number of employees excludes four (4) persons who were temporarily transferred to other companies.
4. The number of employees includes six (6) persons who were temporarily transferred to the Company from other companies.

(8) Status of Major Banks (as of March 31, 2016)

Bank	Borrowing
Mizuho Bank, Ltd.	3,205 million yen
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,210 million yen
Sumitomo Mitsui Banking Corporation	430 million yen

- (Note) The status of the banks from which the Company borrows money is described as the major banks for the Company group.

2. Matters Concerning Shares (as of March 31, 2016)

(1) Total number of shares authorized to be issued	192,000,000 shares
(2) Total number of shares outstanding	78,270,142 shares
(3) Number of shareholders	4,542 persons
(4) Major shareholders	

Shareholder name	Number of shares	Shareholding ratio
Shionogi & Co., Ltd.	(thousand shares) 4,650	(%) 6.78
Mitsubishi Tanabe Pharma Corporation	3,573	5.21
Astellas Pharma Inc.	2,000	2.92
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Daiichi Sankyo Account Re-trust Trustee, Trust & Custody Services Bank, Ltd.	1,637	2.39
TOHO HOLDINGS Employee Stock Ownership Plan	1,393	2.03
Hiroyuki Kono	1,330	1.94
Japan Trustee Services Bank, Ltd. (Trust Account)	1,224	1.78
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS – UNITED KINGDOM	1,151	1.68
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Mizuho Bank Account Re-trust Trustee, Trust & Custody Services Bank, Ltd.	1,126	1.64
DEUTSCHE BANK AG LONDON – PB NON – TREATY CLIENTS 613	1,092	1.59

- (Notes)
- Any fraction less than 1,000 shares is rounded off.
 - The Company holds 9,646,254 treasury shares, but is excluded from the major shareholders listed above. The Company's treasury shares are excluded in the calculation of the shareholding ratio.

3. Matters Concerning Subscription Rights to Shares, etc.

(1) Status of subscription rights to shares held by the Company's executives as of the last day of the consolidated fiscal year under review

Name (Issuance date)	Number of subscription rights to shares	Type and number of shares subject to subscription rights to shares	Amount to be paid in for subscription rights to shares	Exercise value of subscription rights to shares	Exercise period of subscription rights to shares	Number of persons holding subscription rights to shares
The first subscription rights to shares (September 24, 2013)	230	Common stocks 23,000 shares	1,505 yen per share	1 yen per share	From September 25, 2013 to September 24, 2043	8 Directors
The second subscription rights to shares (December 24, 2015)	101	Common stocks 10,100 shares	2,585 yen per share	1 yen per share	From December 25, 2015 to December 24, 2045	10 Directors (excluding outside directors) 3 outside directors

(Note) Principal exercise condition for subscription rights to shares
When a share option holder loses his/her position as a director, auditor, or corporate officer of the Company and is no longer in any such position, he/she can exercise, on or after the day when he/she has lost the position, the subscription rights to shares allocated to him/her based on the status that he/she has lost.

(2) Status of subscription rights to shares issued to the Company's employees, etc., during the consolidated fiscal year under review

Name (Issuance date)	Number of subscription rights to shares	Type and number of shares subject to subscription rights to shares	Amount to be paid in for subscription rights to shares	Exercise value of subscription rights to shares	Exercise period of subscription rights to shares	Number of persons to which subscription rights to shares are issued
The second subscription rights to shares (December 24, 2015)	49	Common stocks 4,900 shares	2,585 yen per share	1 yen per share	From December 25, 2015 to December 24, 2045	2 employees of the Company 17 executives and employees of the Company's subsidiaries

(Note) Principal exercise condition for subscription rights to shares
When a share option holder loses his/her position as a director, auditor, or corporate officer of the Company or the Company's subsidiary and is no longer in any such position, he/she can exercise, on or after the day when he/she has lost the position, the subscription rights to shares allocated to him/her based on the status that he/she has lost.

4. Matters Concerning Company's Executives

(1) Status of Directors and Auditors (as of March 31, 2016)

Position	Name	Areas of responsibility within the Company	Significant concurrent positions
Chairman of the Board and Representative Director	Hiroyuki Kono		
President and Representative Director	Norio Hamada		
Vice President and Director	Toshio Honma		
Executive Managing Director	Mitsuo Morikubo	General Manager, Development Division	
Executive Managing Director	Mamoru Ogino	General Manager, Administration Division; and General Manager, Finance Department	
Executive Managing Director	Katsuya Kato	General Manager, Corporate Planning Division; and General Manager, Corporate Planning Office	
Director	Takeo Matsutani		President and Representative Director of Kyushu Toho
Director	Hiromi Edahiro		President and Representative Director of TOHO PHARMACEUTICAL
Director	Atsuko Naitou	In charge of pharmaceutical affairs	
Director	Shunsuke Watanabe		Professor, Graduate School of International University of Health and Welfare
Director	Shosaku Murayama		President and Representative Director of iPS PORTAL, Inc. Outside Director of SCREEN Holdings Co., Ltd.
Director	Toru Nagasawa		Representative Lawyer, Nagasawa Law Offices Outside Auditor of GREE, Inc.
Director and Senior Adviser	Takaaki Matsutani		
Full-time Auditor	Hideyuki Shimizu		
Full-time Auditor	Takaho Hirano		
Full-time Auditor	Yoshio Matsumoto		
Full-time Auditor	Kazuo Takeda		

- (Notes)
1. Directors Mr. Shunsuke Watanabe, Mr. Shosaku Murayama, and Mr. Toru Nagasawa are Outside Directors. The Company appoints each of these Outside Directors as independent officers under the provisions of the Tokyo Stock Exchange, Inc., and the appointment has been reported to the Tokyo Stock Exchange, Inc.
 2. Auditors Mr. Yoshio Matsumoto and Mr. Kazuo Takeda are Outside Auditors. The Company appoints

each of these Outside Auditors as independent officers under the provisions of the Tokyo Stock Exchange, and the appointment has been reported to the Tokyo Stock Exchange.

3. At the 67th General Meeting of Shareholders held on June 26, 2015, Mr. Hiromi Edahiro, Ms. Atsuko Naitou, and Mr. Toru Nagasawa were newly appointed and took office as Directors.

4. Upon the conclusion of the 67th General Meeting of Shareholders held on June 26, 2015, Mr. Kazuyoshi Hatanaka resigned from the position of Auditor.

(2) Outline of Limitation of Liability Contracts

The Company amended its Articles of Incorporation at the 67th General Meeting of Shareholders held on June 26, 2015, and made a provision about limitation of liability contracts to be concluded with the Directors (excluding Executive Directors, etc.) and Auditors. Based on the Articles of Incorporation, the Company has concluded limitation of liability contracts with three Directors namely Mr. Shunsuke Watanabe, Mr. Shosaku Murayama, and Mr. Toru Nagasawa, and with all the Auditors. The content of the limitation of liability contracts is outlined as follows:

Limitation of liability contracts for the Directors (excluding Executive Directors, etc.) and Auditors

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded with the Directors (excluding Executive Directors, etc.) and Auditors contracts under which liability for the damage provided in Article 423, Paragraph 1 of the Companies Act is limited to the maximum amount prescribed in laws and regulations and the Company's Articles of Incorporation.

(3) Total Amount of Remuneration to Directors and Auditors

Category	Number of persons	Total amount of remuneration, etc.
Directors (of which Outside Directors)	13 (3)	470 million yen (31)
Auditors (of which Outside Auditors)	5 (3)	56 (29)
Total (of which Outside Officers)	18 (6)	527 (61)

(Note) 1. The total amount of remuneration, etc., of the Directors excludes employee salaries paid to the persons who hold both the position of Director and the position of employee.

2. At the 65th General Meeting of Shareholders held on June 27, 2013, a resolution was passed to the effect that the maximum amount of the remuneration to the Directors should be "no more than 500 million yen per year" (excluding, however, employee salaries).

3. At the 65th General Meeting of Shareholders held on June 27, 2013, a resolution was passed to the effect that the maximum amount of the remuneration to the Auditors should be "no more than 100 million yen per year."

4. The total amount of the remuneration, etc., includes the estimated amount of officers' bonuses payable for the fiscal year under review.

5. The total amount of the remuneration, etc., to the Directors includes the amount recorded as the cost for stock-based compensation stock options.

6. The above table includes one (1) Outside Auditor who resigned from office upon the conclusion of the 67th General Meeting of Shareholders held on June 26, 2015.

(4) Matters Concerning Outside Officers

1) Relationship between the Company and Significant Entities where Outside Officers Hold Concurrent Posts

- Mr. Shunsuke Watanabe, who is a Director, concurrently holds the post of professor at the Graduate School of International University of Health and Welfare. A consolidated subsidiary of the Company is selling prescription pharmaceuticals, etc., to the International University of Health and Welfare.

- Mr. Shosaku Murayama, who is a Director, concurrently holds the post of president and representative director of iPS PORTAL, Inc. and the post of outside director of SCREEN Holdings Co., Ltd. There is no special interest between iPS Portal or SCREEN Holdings and the Company.

- Mr. Toru Nagasawa, who is a Director, concurrently holds the post of representative lawyer of Nagasawa Law Offices and the post of outside auditor of GREE, Inc. There is no special interest between Nagasawa Law Offices or GREE and the Company.

2) Main Activities during the Fiscal Year under Review

Title	Name	Main activities
Outside Director	Shunsuke Watanabe	Participated in all 15 meetings of the Board of Directors held in the fiscal year under review, and provided opinions from a variety of perspectives, based on his extensive experience mainly as a former reporter for Nikkei and as a university professor.
Outside Director	Shosaku Murayama	Participated in all 15 meetings of the Board of Directors held in the fiscal year under review, and provided opinions from a variety of perspectives, mainly based on his knowledge accumulated at the Bank of Japan and his extensive experience as a corporate manager.
Outside Director	Toru Nagasawa	Participated in 9 of 10 meetings of the Board of Directors held after assuming office on June 26, 2015 and provided opinions from a variety of perspectives, mainly based on his expertise as a lawyer.
Outside Auditor	Yoshio Matsumoto	Participated in all 15 meetings of the Board of Directors and all 9 meetings of the Board of Corporate Auditors held in the fiscal year under review, and provided opinions from a comprehensive perspective for the Company's business management.
Outside Auditor	Kazuo Takeda	Participated in all 15 meetings of the Board of Directors and all 9 meetings of the Board of Corporate Auditors held in the fiscal year under review, and provided opinions from a comprehensive perspective for the Company's business management.

(Note) In the fiscal year under review, one written resolution of the Board of Directors was adopted, but this one written resolution is excluded from the aforementioned number of the meetings of the Board of Directors.

5. Matters Concerning Accounting Auditor

1) Name Ernst & Young ShinNihon LLC

2) Amount of Compensation, etc.

	Amount of payment
Amount of the Accounting Auditor's compensation, etc., for the fiscal year under review	97 million yen
Total amount of cash and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	156 million yen

(Note)1. After making a comparison between the audit plan and audit record for the previous fiscal year, and verifying the trends of the audit hours and the amount of compensation for the previous fiscal year, and as a result of examining the reasonableness of the expected audit hours and the amount of compensation for the fiscal year under review, the Board of Corporate Auditors gave its consent to the amount of the compensation, etc., to the Accounting Auditor.

2. Under the audit contract between the Company and the Accounting Auditor, there is no distinction between the amount of the audit fee for the audit under the Companies Act and the amount of the audit fee for the audit under the Financial Instruments and Exchange Act. For this reason, the amount of the audit fee for the audit under the Financial Instruments and Exchange Act is included in the amount shown above.

3) Policy Regarding Determination of Dismissal or Nonrenewal of Appointment of the Accounting Auditor

In the event that the Accounting Auditor is deemed to have met any of the grounds set forth in the items of Article 340, Paragraph 1 of the Companies Act, the Board of Corporate Auditors will consider the dismissal of the Accounting Auditor. In addition, if it is found that the Accounting Auditor has difficulty in executing its duties properly, if it is impossible to ensure such independence and eligibility of the Accounting Auditor as required under laws and regulations, etc., or if it is found necessary for any other reasons, the Board of Corporate Auditors will consider whether they should submit to the General Meeting of Shareholders a proposal for the dismissal or nonrenewal of the appointment of the Accounting Auditor.

4) Matters Concerning any Dispositions for Suspension of Practice that were Received by the Accounting Auditor during the Past 2 Years

Content of the disposition for suspension of practice that was announced by the Financial Services Agency on December 22, 2015

a. Subject of the disposition

Ernst & Young ShinNihon LLC

b. Content of the disposition

Suspension of operations related to the conclusion of new contracts, for three months from January 1, 2016 to March 31, 2016

c. Reason for the disposition

- False attestation due to negligence by employees

- The operation of the audit firm was grossly inappropriate

6. 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.

According to the provisions of the Companies Act, the Company has set up its "Basic Policy on Internal Control System" as described below, and faithfully carries out this policy in order to ensure the legality and efficiency of the Company's business operations and undertake risk management practices. Moreover, the Company reviews its Basic Policy in a timely manner, according to changes in the socioeconomic climate and other aspects of the environment surrounding the Company, and further improves and enhances its Basic Policy.

(1) System for Ensuring that Directors' Execution of their Duties is in Compliance with Laws and Regulations and the Articles of Incorporation

1) In the "Code of Ethics of the Kyoso Mirai Group" (hereinafter referred to as the "Code of Ethics"), the Company has set up the Code of Ethics and the Code of Conduct which are to be followed according to social norms as well as laws and regulations. All personnel (directors, auditors, executive officers and employees) of the Kyoso Mirai Group conduct themselves according to this Code of Ethics.

2) The Board of Directors makes decisions on the business execution of the Company and supervises and monitors the business execution of the Group, according to laws and regulations, the Articles of Incorporation, and the Board of Directors rules.

3) In order to ensure that the Board of Directors supervises the directors' execution of their duties, each director accurately reports the business execution of the Company and the Group to the Board of Directors, and supervises and monitors the execution of duties by other directors.

4) Directors execute their duties according to laws and regulations, the Articles of Incorporation, the Board of Directors rules, and the decision-making rules in order to ensure that decision making procedures are properly implemented and that business operations are properly executed.

5) Based on the Financial Instruments and Exchange Act, directors are continuously engaged in preparing, managing, and evaluating a system for implementing effective and proper internal control related to the Group's financial reporting in order to ensure the reliability and appropriateness of the contents of the Group's financial reports.

6) In order to ensure that directors execute their duties in compliance with laws and regulations, the Articles of Incorporation, and other rules, the Company provides an internal contact office (TOHO Hotline) and an external contact office that receive reports, and rigorously protects informants against retaliatory actions for filing such reports.

(2) System for Ensuring that Employees' Execution of their Duties is in Compliance with Laws and Regulations and the Articles of Incorporation

1) In order to ensure that employees always execute their duties consciously in relation to compliance, the Company puts the Code of Ethics into practice and makes employees fully aware of it, under the control and supervision of the Group Management Committee. The Company ensures that the compliance system is maintained and reinforced, especially concerning the Pharmaceutical Affairs Act and related laws and regulations, the Antimonopoly Law and other laws and regulations for establishing fair competition, and the strict management of corporate information and personal information. The Company is also focused on providing education and raising awareness about the importance of the compliance system.

2) The Company ensures that business operations are properly executed and managed through their reporting line. If a problem arises, it must be dealt with properly and strictly according to the rules of employment, and measures must be promptly taken to prevent the recurrence of similar cases.

3) In order to ensure that employees execute their duties in compliance with laws and regulations, the Articles of Incorporation, and other rules, the Company provides an internal contact office (TOHO Hotline) and an external contact office that receive reports, and rigorously protects informants against retaliatory actions for filing such reports. Through these, the Company ensures the smooth operation of an effective internal reporting system.

4) By conducting periodic internal audits, the Company confirms whether employees execute their duties in compliance with law and regulations, the Articles of Incorporation, and other rules, and ensures that the proper execution of their duties is maintained and reinforced properly.

(3) System for the Storage and Management of Information in Relation to the Execution of Duties by Directors

1) In accordance with the laws and regulations as well as the “Rules for the Management of Documents,” the Company properly stores and manages documents related to the execution of duties by directors (including electromagnetic records), and other important information.

2) The Company ensures the appropriateness of the contents concerning the creation, storage, and management of information in relation to the execution of duties by directors by having them audited by the auditors.

(4) Regulations for Management of Risk of Loss and Other Systems

1) The Company reinforces the risk-management system of the Group in accordance with the “Basic Rules on Risk Management” and deals with risks properly by early detecting and grasping those risks which emerged or may emerge in the Group.

2) The Company reports risk information to the Group Management Committee through the Group Compliance Risk Management Committee and the Group Disaster Prevention Committee, etc. in order to take appropriate actions and maintain and enhance the risk management system.

3) Upon the occurrence of an unexpected event within the Group, the Company establishes a special headquarters led by the President (or those assigned by the President) in-house or in other companies conducting business to take prompt actions, thereby organizing a system which will keep loss to a minimum, along with establishing and maintaining the delivery system of prescription pharmaceuticals.

4) In order to maintain the normal operation of its computer processing system, the Company locates multiple data centers and launches a backup system to properly build up a robust framework for accidents.

(5) System for Ensuring that the Duties of Directors are Exercised Efficiently

1) As a basis of the system for ensuring that the duties of Directors are exercised efficiently, the Board of Directors meeting is normally held on a monthly basis, and an extraordinary meeting is held when necessary. In these meetings, important matters concerning the management are deliberated and voted, and the business execution by the Directors is supervised.

2) The Company leaves it to the Group Management Committee in advance to take into full consideration the items referred to or reported to the Board of Directors in order to maintain the effective and substantial operation of the Board of Directors.

3) In order to ensure that the duties of Directors are exercised efficiently, the Company establishes the “Organization Regulations,” the “Regulation Concerning the Division of Duties,” and “Regulations for Authority of Duties,” designating a responsible party for each regulation and defining the details of responsibilities and execution procedures.

4) The Company holds the Board of Directors periodically to confirm the progress of business activities of the Group based on the Mid-term Management Plan and the Annual Management Plan.

(6) System for Ensuring Proper Operations within the Corporate Group

1) System for reporting to the Company on matters relating to the execution of duties by Directors of subsidiaries

- The Company establishes the criteria for decision making relating to the execution of business operations by subsidiaries, whereby the execution of important business operations is discussed at and reported to the Group Management Committee, and referred to and reported to the Board of Directors if necessary. The Company manages its subsidiaries by requiring its subsidiaries to report to the Company important matters related to management in accordance with the “Management Rules of the Affiliated Companies.”

2) Regulations and other systems with regard to managing the risk of loss for subsidiaries

- The Company establishes a Group Compliance Risk Management Committee and promotes risk management across the entire Group in order to deal properly with “Management Risks” described in the “Basic Policy of Risk Management.”

3) System for ensuring that the duties of directors of subsidiaries are exercised efficiently

- The Company, based on the basic policy on the “Management Rules of the Affiliated Companies,” develops a reporting system and manages its subsidiaries. Major items are discussed in the Group Management Committee.

4) System for ensuring that the duties of directors and employees of subsidiaries are executed in compliance with laws and regulations and the Articles of Incorporation.

- The Company requires its subsidiaries to strictly follow the Code of Conduct based on the ethical standards defined in the Code of Ethics, in order to ensure the proper business operations.

- The Company conducts periodic internal audits of the Company to perform operating audits for its subsidiaries, and ensure the appropriate execution of duties.

(7) System Related to Employees to Assist Duties of Auditors when Auditors Request them to Do So

- 1) The Company designates an employee to support the duties of auditors if necessary.
- 2) The Company, if it designates an employee to support the duties of auditors, makes decisions regarding the appointment, transfer, and other personnel issues after consultation with auditors.

(8) Matters Relating to Reporting to Auditors

- 1) Auditors attend important decision making meetings such as the Board of Directors to receive reports on important matters from directors and the Group's employees.
- 2) Directors and employees with the same authority report to auditors immediately after occurrence of important facts such as violation of laws and regulations and the Articles of Incorporation that may result in significant damage to the Company.
- 3) The decision-making document is submitted to auditors immediately after approval.

(9) System for Ensuring that the Informants who Submit Reports to Auditors are Protected against Retaliatory Actions for Filing Such Reports

The Company prohibits the Group's officers and employees who submit reports to auditors from being treated unfairly for filing such reports, and the Company makes the Group's officers and employees fully aware of this.

(10) Matters Relating to the Policy for Settlement of Expenses or Debts Arising from the Execution of Auditors' Duties, such as the Advancement or Indemnification of Expenses Arising from the Execution of the Auditors' Duties

- 1) The Company shall bear the expenses needed for audits by auditors such as the expenses of lawyers, certified public accountants, and consultants working only for the Board of Auditors.
- 2) In addition to the measures mentioned above, the Company shall also bear the expenses needed by auditors when executing their duties.

(11) Other Systems for Ensuring the Effective Execution of Audits by Auditors

- 1) The Representative Director regularly meets with the Board of Auditors and exchanges opinions on issues to be tackled by the Company, the progress in developing an environment for auditors to conduct audits, and crucial auditing issues, in an effort to deepen mutual understanding.
- 2) Auditors regularly receive reports on audit plans, methods, and results from the accounting auditor and exchange information to conduct efficient auditing.
- 3) The Internal Audit Division submits internal audit information and other necessary information to auditors to maintain close contact with auditors.
- 4) The Company ensures that auditors concludes an advisory contract not with a corporate lawyer but with a lawyer working only for the Board of Auditors, and uses the services of such lawyer.

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 13 Directors of the Company, 3 Directors are Outside Directors, and out of the 4 Auditors of the Company, 2 Auditors are Outside Auditors. The Outside Directors and Outside Auditors 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 Auditors and operates the framework under which the decision-making documents (*Ringi* documents) are forwarded to the Auditors and other information necessary for audits is transmitted to the Auditors.

(2) Compliance promotion and risk management system

The Company has established the "Risk Management Basic Rules." The Group Compliance Risk Management Committee, which is chaired by the person appointed by the Company's President, deliberates important issues related to compliance promotion and risk management within the Company and the Company's group

companies, and makes decisions on the policies concerning such issues.

In the context of compliance promotion, the Company periodically implements education, training and enlightenment activities using the “Code of Ethics”, and makes efforts for the improvement of awareness and knowledge, as well as for enlightenment activities for the Company's affiliates.

In the context of risk management, the Company periodically conducts interviews within the Company and the Company's group companies with respect to the status of risks that may affect business activities, reports on the interview results to the Group Compliance Risk Management Committee and the Group Management Committee in order to take proper measures.

With the purpose of ensuring early detection and prevention of any violation of laws and regulations, unlawful act, etc., and improving the self-cleansing mechanism, the Company also introduced the internal reporting system internally and has established internal and external contact offices.

(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 “Management Rules of the Affiliated Companies”. 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 Auditors, including the Outside Auditors, attend important meetings such as the Group Management Committee meeting and the Group Compliance Risk Management Committee, periodically exchange opinions with the President, and make efforts for checking the status of the execution of duties and improving the effectiveness of audits, by reviewing the internal decision-making documents (*Ringi* documents) for which the Directors have made final decisions. The Company's Auditors periodically or when necessary receive reports from and exchange information with the Accounting Auditor, and exchange opinions and maintain close collaboration with the Internal Audit Division with respect to the establishment, operational status, etc., of the internal control system.

7. Policies Concerning the Decisions on Dividends of Surplus

The Company considers shareholder returns as one of the important management priorities, and recognizes that it is the Company's responsibility to increase the earnings per share. In terms of the distribution of profits, the Company will make efforts for the enhancement of the internal reserve in order to strengthen the future profit base and in preparation for changes in market conditions. The Company, based on the policy of stable dividends, will also take into account any fluctuation of business performance in each period.

Regarding the dividend of surplus in the consolidated fiscal year under review, the Company expects that the amount of the year-end dividend will be 15 yen per share, up 2 yen from the initially-anticipated amount of the year-end dividend (13 yen per share), and the amount of the annual dividend will be 28 yen per share in total with the year-end dividend and the interim dividend (13 yen per share). For the next fiscal year, the Company expects that the amount of the interim dividend and the amount of the year-end dividend will be 15 yen each, and the amount of the annual dividend will be 30 yen per share.

At the 58th General Meeting of Shareholders held on June 29, 2006, a resolution was passed to the effect that the Company may decide its dividend of surplus, etc., by a resolution of the Board of Directors (Article 48 of the Articles of Incorporation).

Consolidated Balance Sheets

(As of March 31, 2016)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)	642,698	(Liabilities)	468,041
Current assets	474,715	Current liabilities	421,401
Cash and deposits	31,531	Notes and account payable-trade	390,349
Notes and accounts receivable-trade	331,248	Short-term loans payable	4,243
Securities	613	Current portion of long-term loans payable	2,643
Merchandise and finished goods	75,229	Lease obligations	2,147
Deferred tax assets	2,227	Income taxes payable	10,451
Purchase rebates receivable	14,607	Accrued expenses	2,237
Others	19,682	Provision for bonuses	3,489
Allowance for doubtful accounts	-425	Provision for directors' bonuses	76
Noncurrent assets	167,983	Provision for sales returns	453
Property, plant and equipment	84,569	Provision for loss on dissolution of employees' pension fund	170
Buildings and structures	31,696	Asset retirement obligations	5
Vehicles	29	Others	5,133
Land	43,981	Noncurrent liabilities	46,639
Lease assets	7,439	Bonds payable	15,056
Construction in progress	377	Long-term loans payable	5,384
Others	1,045	Lease obligations	5,365
Intangible assets	9,495	Deferred tax liabilities	15,373
Goodwill	6,722	Deferred tax liabilities for land revaluation	894
Others	2,773	Net defined benefit liabilities	1,713
Investments and other assets	73,917	Asset retirement obligations	1,095
Investments securities	65,846	Negative goodwill	75
Long-term loans receivable	1,652	Others	1,681
Deferred tax assets	485	(Net assets)	174,656
Others	8,479	Shareholders' equity	158,094
Allowance for doubtful accounts	-2,546	Capital stock	10,649
Total assets	642,698	Capital surplus	47,794
		Retained earnings	115,938
		Treasury stock	-16,287
		Accumulated other comprehensive income	16,495
		Valuation difference on available-for sale securities	20,764
		Revaluation reserve for land	-4,269
		Subscription rights to shares	67
		Total liabilities and net assets	642,698

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

Consolidated Profit and Loss Statement

(April 1, 2015 - March 31, 2016)

(In millions of yen)

Description	Amount	
Net sales		1,308,474
Cost of sales		1,182,429
Gross profit		126,045
Provision for sales returns		116
Gross profit-net		125,928
Selling, general and administrative expenses		97,309
Operating income		28,618
Non-operating income		
Interest and dividend income	1,242	
Information sales income	3,163	
Amortization of negative goodwill	26	
Equity in earnings of affiliates	58	
Others	2,208	6,699
Non-operating expenses		
Interest expenses	199	
Others	625	825
Ordinary income		34,493
Extraordinary income		
Gains on sales of noncurrent assets	933	
Gains on sales of investment securities	1,956	
Other	36	2,926
Extraordinary losses		
Loss on disposal of noncurrent assets	312	
Impairment loss	420	
Loss on valuation of investment securities	1,278	
Loss on valuation of stocks of subsidiaries and affiliates	281	
Others	12	2,305
Income before income taxes		35,114
Income taxes-current	13,436	
Income taxes-deferred	-93	13,343
Net income		21,771
Profit attributable to owners of parent		21,771

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

Consolidated Statement of Changes in Shareholders' Equity

(April 1, 2015 - March 31, 2016)

(In millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	10,649	47,814	95,862	-13,024	141,303
Changes of items during the consolidated fiscal year					
Purchase of shares of consolidated subsidiaries		-20			-20
Dividends from surplus			-1,734		-1,734
Profit attributable to owners of parent			21,771		21,771
Purchase of treasury stock				-3,263	-3,263
Reversal of revaluation reserve for land			39		39
Net changes of items other than shareholders' equity during the consolidated fiscal year					
Total changes of items during the consolidated fiscal year		-20	20,075	-3,263	16,791
Balance as of March 31, 2016	10,649	47,794	115,938	-16,287	158,094

	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, 2015	20,306	-4,276	16,030	37	157,371
Changes of items during the consolidated fiscal year					
Purchase of shares of consolidated subsidiaries					-20
Dividends from surplus					-1,734
Profit attributable to owners of parent					21,771
Purchase of treasury stock					-3,263
Reversal of revaluation reserve for land					39
Net changes of items other than shareholders' equity during the consolidated fiscal year	458	6	464	29	493
Total changes of items during the consolidated fiscal year	458	6	464	29	17,285
Balance as of March 31, 2016	20,764	-4,269	16,495	67	174,656

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

Non-consolidated Balance Sheet

(As of March 31, 2016)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)	153,394	(Liabilities)	41,314
Current assets	25,205	Current liabilities	9,543
Cash and deposits	12,273	Short-term loans payable	2,000
Prepaid expenses	103	Current portion of long-term loans payable	2,140
Deferred tax assets	86	Lease obligations	68
Other accounts receivable	1,240	Accounts payable-other	468
Short-term loans receivable	11,438	Accrued expenses	33
Others	63	Income taxes payable	318
Noncurrent assets	128,188	Accrued consumption taxes	5
Property, plant and equipment	36,338	Deposits received	4,411
Buildings	15,081	Provision for bonuses	51
Structures	562	Provision for directors' bonuses	45
Tools, furnitures and fixtures	67	Noncurrent liabilities	31,771
Land	20,316	Bonds payable	15,056
Lease assets	298	Long-term loans payable	1,560
Construction in progress	13	Lease obligations	251
Intangible assets	296	Deferred tax liabilities	13,465
Leasehold right	75	Deferred tax liabilities for land revaluation	894
Software	30	Provision for retirement benefits	4
Others	190	Provision for loss on guarantees	37
Investments and other assets	91,553	Asset retirement obligations	308
Investments securities	53,823	Others	193
Stocks of subsidiaries and affiliates	30,155	(Net assets)	112,079
Investment in capital of subsidiaries and affiliates	276	Shareholders' equity	89,677
Long-term loans receivable	6,529	Capital stock	10,649
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,836	Capital surplus	48,638
Long-term prepaid expenses	12	Legal capital surplus	46,177
Others	974	Other capital surplus	2,461
Allowance for doubtful accounts	-2,055	Retained earnings	46,716
		Legal retained earnings	664
		Other retained earnings	46,052
		Reserve for reduction entry of land	1,672
		General reserve	6,336
		Retained earnings brought forward	38,044
		Treasury stock	-16,327
		Valuation and translation adjustment	22,335
		Valuation difference on available-for-sale securities	26,582
		Revaluation reserve for land	-4,246
		Subscription rights to shares	67
Total assets	153,394	Total liabilities and net assets	153,394

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

Non-consolidated Profit and Loss Statement

(April 1, 2015 - March 31, 2016)

(In millions of yen)

Description	Amount	
Operating revenue		
Income of management guidance	1,109	
Income of real estate rent	2,158	
Dividend income	6,141	9,409
Operating expenses		5,182
Operating income		4,226
Non-operating income		
Interest and dividend income	1,411	
Information sales income	93	
Others	125	1,630
Non-operating expenses		
Interest expenses	108	
Others	65	173
Ordinary income		5,683
Extraordinary income		
Gains on sales of noncurrent assets	903	
Gains on sales of investment securities	2,246	3,149
Extraordinary loss		
Loss on disposal of noncurrent assets	73	
Impairment loss	100	
Loss on valuation of investment securities	1,278	
Loss on valuation of shares of subsidiaries and affiliates	281	
Others	0	1,734
Income before income taxes		7,098
Income taxes-current	707	
Income taxes-deferred	338	1,045
Net income		6,053

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

Statement of Changes in Shareholders' Equity

(April 1, 2015 - March 31, 2016)

(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		Other retained earnings			
						Reserve for reduction entry of land	General reserve	Retained earnings brought forward	
Balance as of April 1, 2015	10,649	46,177	2,461	48,638	664	1,191	6,336	34,167	42,359
Changes of items during the fiscal year									
Dividends from surplus								-1,734	-1,734
Net income								6,053	6,053
Provision of reserve for reduction entry of land						466		-466	
Reversal of reserve for reduction entry of land						-25		25	
Increase in reserve owing to tax rate change						40		-40	
Purchase of treasury stock									
Reversal of revaluation reserve for land								39	39
Net changes of items other than shareholders' equity during the fiscal year									
Total changes of items during the fiscal year						480		3,876	4,357
Balance as of March 31, 2016	10,649	46,177	2,461	48,638	664	1,672	6,336	38,044	46,716

	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, 2015	-13,063	88,583	26,107	-4,253	21,854	37	110,475
Changes of items during the fiscal year							
Dividends from surplus		-1,734					-1,734
Net income		6,053					6,053
Provision of reserve for reduction entry of land							
Reversal of reserve for reduction entry of land							
Increase in reserve owing to tax rate change							
Purchase of treasury stock	-3,263	-3,263					-3,263
Reversal of revaluation reserve for land		39					39
Net changes of items other than shareholders' equity during the fiscal year			474	6	481	29	510
Total changes of items during the fiscal year	-3,263	1,093	474	6	481	29	1,604
Balance as of March 31, 2016	-16,327	89,677	26,582	-4,246	22,335	67	112,079

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

Accounting Auditor's Audit Report on the Consolidated Financial Statements (duplicated copy)

Independent Auditor's Report
(English Translation)

May 17, 2016

To the Board of Directors
TOHO HOLDINGS CO., LTD.

Ernst & Young ShinNihon LLC

Koichiro Watanabe, CPA
Designated Limited Liability
Partner/Engagement Partner
Kiyonobu Takeuchi, CPA
Designated Limited Liability
Partner/Engagement Partner
Ryuhei Yamamura, CPA
Designated Limited Liability
Partner/Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4 of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheets, the consolidated profit and loss statement, the consolidated statement of changes in shareholders' equity and the notes to consolidated financial statements of TOHO HOLDINGS CO., LTD. (hereinafter referred to as the "Company") for the consolidated fiscal year from April 1, 2015 to March 31, 2016.

Management's Responsibility for Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit, from an independent perspective. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. Although the purpose of the audit is not expressly to express an opinion on the effectiveness of the internal control, in making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting procedures used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that we have obtained sufficient and appropriate audit evidence, which forms the basis for our opinions.

Auditors' Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the status of assets and profits and losses of the Company group consisting of TOHO HOLDINGS CO., LTD. and its consolidated subsidiaries during the period pertaining to the consolidated financial statements in conformity with corporate accounting principles generally accepted in Japan.

Relationship of Interest

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Accounting Auditor's Audit Report on the Non-consolidated Financial Statements (duplicated copy)

Independent Auditor's Audit Report
(English Translation)

May 17, 2016

To the Board of Directors
TOHO HOLDINGS CO., LTD.

Ernst & Young ShinNihon LLC

Koichiro Watanabe, CPA
Designated Limited Liability
Partner/Engagement Partner
Kiyonobu Takeuchi, CPA
Designated Limited Liability
Partner/Engagement Partner
Ryuhei Yamamura, CPA
Designated Limited Liability
Partner/Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2, Item (1) of the Companies Act, the non-consolidated financial statements, which consist of the non-consolidated balance sheets, the non-consolidated profit and loss statement, the non-consolidated statement of changes in shareholders' equity, the notes to non-consolidated financial statements and the supplementary schedules thereof of TOHO HOLDINGS CO., LTD. (hereinafter referred to as the "Company") for the 68th fiscal year from April 1, 2015 to March 31, 2016.

Management's Responsibility for Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of non-consolidated financial statements and the accompanying supplemental schedules in accordance with accounting standards generally accepted in Japan. This responsibility includes designing and operating internal controls, which management considers necessary for the preparation and fair presentation of non-consolidated financial statements and accompanying supplemental schedules that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and the accompanying supplemental schedules from an independent perspective, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit according to such plan to obtain reasonable assurance about whether the non-consolidated financial statements and the accompanying supplemental schedules are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and the accompanying supplemental schedules. The procedures selected and applied depend on the auditors' judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements and the accompanying supplemental schedules, whether due to fraud or error. Although the purpose of the audit is not expressly to express an opinion on the effectiveness of the internal control, in making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the non-consolidated financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate for the circumstances. An audit also includes evaluating the appropriateness of accounting procedures used and the reasonableness of

accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the accompanying supplemental schedules.

We believe that we have obtained sufficient and appropriate audit evidence, which forms the basis for our opinions.

Auditors' Opinion

In our opinion, the non-consolidated financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the status of assets and profits and losses of the Company during the period pertaining to the non-consolidated financial statements in conformity with corporate accounting principles generally accepted in Japan.

Relationship of Interest

We have no interests in or relationships with the Company which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Board of Corporate Auditors' Audit Report (duplicated copy)

Audit Report

(English Translation)

Regarding the performance of duties by the Directors for the 68th fiscal year from April 1, 2015 to March 31, 2016, the Board of Corporate Auditors hereby submits its audit report, which has been prepared upon careful consideration based on the audit report prepared by each Auditor.

1. Methods and Contents of Audits by the Auditors and Board of Corporate Auditors

(1) The Board of Corporate Auditors established auditing policies, division of duties, and other relevant matters, and received reports from each Auditor regarding status of his or her audits and the results thereof, as well as received reports from the Directors, other relevant personnel and the Accounting Auditor regarding the performance of their duties, and sought explanations as necessary.

(2) Each Auditor complied with the auditing standards of the Auditors established by the Board of Corporate Auditors, followed the auditing policies, division of duties, and other relevant matters, communicated with the Directors, Office Manager of the Group Audit Office, and other employees and relevant personnel, and made efforts to prepare the environment for the audit and information collection, and conducted audits in accordance with the following methods:

1) Each Auditor participated in meetings of the Board of Directors and other important meetings, received reports from the Directors, employees and other relevant personnel regarding the performance of their duties, sought explanations as necessary, examined important decision-making documents, etc., and studied the operations and the status of assets at the head office and major business offices. Regarding subsidiaries, each Auditor communicated and exchanged information with the Directors and Auditors, etc., of subsidiaries, and received business reports from subsidiaries as necessary.

2) With respect to the system for ensuring that the performance of duties by the Directors as stated in the Business Report conforms to the laws and regulations and Articles of Incorporation, and the system prepared based on the contents of the resolutions of the Board of Directors and such resolutions regarding the preparation of the system stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act (internal controls system), each Auditor received regular reports from Directors, employees and other relevant personnel regarding the development and the operation of the system, sought explanations as needed and expressed opinions.

3) Each Auditor monitored and verified whether the Accounting Auditor maintained its independence and implemented appropriate audits, as well as received reports from the Accounting Auditor regarding the performance of its duties and sought explanations as necessary. In addition, we received notice from the Accounting Auditor that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Ordinance for Corporate Accounting) had been prepared in accordance with the Product Quality Management Standards Regarding Audits (issued by the Business Accounting Deliberation Council (BACD) on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, the Auditors examined the business report and supporting schedules, non-consolidated financial statements (non-consolidated balance sheets, non-consolidated profit and loss statement, non-consolidated statement of changes in shareholders' equity, and notes to non-consolidated financial statements) and the supplementary schedules, as well as consolidated financial statements (consolidated balance sheet, consolidated profit and loss statement, consolidated statement of changes in shareholders' equity and notes to consolidated financial statements) for the fiscal year under review.

2. Results of Audit

(1) Results of Audit of Business Report and Other Relevant Documents

- 1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations, and Articles of Incorporation, and fairly represent the Company's condition.
- 2) We have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation, related to the performance of duties by the Directors.
- 3) In our opinion, the contents of the resolutions of the Board of Directors related to the internal controls system are fair and reasonable. In addition, we have found no matters on which to remark regarding the description in the Business Report and the performance of duties by the Directors related to such internal controls system.

(2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

In our opinion, the methods and results employed and rendered by Ernst & Young ShinNihon LLC are fair and reasonable.

(3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by Ernst & Young ShinNihon LLC are fair and reasonable.

May 18, 2016

Board of Corporate Auditors, TOHO HOLDINGS CO., LTD.

Full-time Auditor		Hideyuki Shimizu
Full-time Auditor		Takaho Hirano
Full-time Auditor (Outside Auditor)	(Outside Auditor)	Yoshio Matsumoto
Full-time Auditor (Outside Auditor)	(Outside Auditor)	Kazuo Takeda

Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Partial Amendments to the Articles of Incorporation

1. Reason for amendments

(1) The "Act on Partial Amendment of Companies Act" (Act No. 90 of 2014) was promulgated on May 1, 2015, which established the new organization design of a "Company with an Audit and Supervisory Committee." From the perspective of further enhancing corporate governance by strengthening the supervisory functions of the Board of Directors, establishment of new provisions, amendments and deletion of provisions, and other necessary amendments are proposed to be made to the Company's Articles of Incorporation, so that the Company will transition to a Company with an Audit and Supervisory Committee, thereby promoting the improvement of the corporate value on a mid- to long-term basis through the enhancement of the functions of Outside Directors who do not execute operations by themselves.

(2) In line with the transition to a Company with an Audit and Supervisory Committee, the Company proposes that the number of Directors (excluding those who are Audit and Supervisory Committee Members) be changed from "three (3) or more but not exceeding forty (40)" to "not exceeding thirty (30)" and the number of the Directors who are Audit and Supervisory Committee Members be set to "not exceeding five (5)," in order to keep the number of Directors (excluding those who are Audit and Supervisory Committee Members) and Directors who are Audit and Supervisory Committee Members to an appropriate level.

(3) Necessary amendments are proposed to be made with respect to the convener and chairperson of the General Meetings of Shareholders and the Board of Directors meetings, in order to ensure that flexible measures can be taken.

(4) In association with the addition and deletion of provisions, changes of the numbers of provisions, modifications of phrases, and other necessary amendments are proposed to be made.

These amendments to the Articles of Incorporation will become effective upon the conclusion of this General Meeting of Shareholders.

2. Details of amendments

The amendments are as follows:

(Underlines indicate amended portions.)

Current provisions of the Articles of Incorporation	Proposed amendments
<p style="text-align: center;">Chapter I: General Provisions</p> <p>Articles 1 to 4 (Omitted)</p> <p style="text-align: center;">Chapter II: Shares</p> <p>Articles 5 to 11 (Omitted)</p> <p style="text-align: center;">Chapter III: General Meetings of Shareholders</p> <p>Article 12 (Omitted)</p> <p>(Person Authorized to Convene the Meeting and the Chairperson)</p> <p>Article 13. 1. Except as otherwise provided by laws and regulations, <u>the President shall convene the General Meeting of Shareholders</u> based on a resolution by the Board of Directors. <u>If the President is unable to act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, shall act in his/her place.</u></p> <p>2. <u>The General Meeting of Shareholders shall be chaired by the President.</u> If the President is unable to act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, shall act in his/her place.</p> <p>Articles 14 to 17 (Omitted)</p> <p style="text-align: center;">Chapter IV: Directors and Board of Directors</p> <p>Article 18 (Omitted)</p> <p>(Number of Directors)</p> <p>Article 19. The number of Directors of the Company shall be <u>three (3) or more but not exceed forty (40).</u></p> <p style="text-align: center;">(Newly established)</p> <p>(Election of Directors)</p> <p>Article 20. Directors shall be elected by a resolution of the General Meeting of Shareholders. A resolution for the election of Directors shall be adopted by a majority vote of the shareholders in attendance who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights. However, Directors shall not be elected by cumulative voting.</p>	<p style="text-align: center;">Chapter I: General Provisions</p> <p>Articles 1 to 4 (Not amended)</p> <p style="text-align: center;">Chapter II: Shares</p> <p>Articles 5 to 11 (Not amended)</p> <p style="text-align: center;">Chapter III: General Meetings of Shareholders</p> <p>Article 12 (Not amended)</p> <p>(Person Authorized to Convene the Meeting and the Chairperson)</p> <p>Article 13. 1. Except as otherwise provided by laws and regulations, <u>a Director determined in advance by the Board of Directors shall convene and chair the General Meeting of Shareholders</u> based on a resolution by the Board of Directors.</p> <p>2. If <u>the Director</u> is unable to act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, <u>shall convene and chair the General Meeting of Shareholders.</u></p> <p>Articles 14 to 17 (Not amended)</p> <p style="text-align: center;">Chapter IV: Directors and Board of Directors</p> <p>Article 18 (Not amended)</p> <p>(Number of Directors)</p> <p>Article 19. 1. The number of Directors (<u>excluding Directors who are Audit and Supervisory Committee Members</u>) of the Company shall <u>not exceed thirty (30).</u></p> <p>2. <u>The number of Directors who are Audit and Supervisory Committee Members of the Company (hereinafter referred to as the "Audit and Supervisory Committee Members") shall not exceed five (5).</u></p> <p>(Election of Directors)</p> <p>Article 20. Directors shall be elected by a resolution of the General Meeting of Shareholders, <u>while distinguishing Audit and Supervisory Committee Members and other Directors.</u> A resolution for the election of Directors shall be adopted by a majority vote of the shareholders in attendance who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</p>

<p>(Term of Office of Director) Article 21. The term of office of a Director shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within one (1) year from his/her election.</p> <p style="text-align: center;">(Newly established)</p> <p style="text-align: center;">(Newly established)</p> <p style="text-align: center;">(Newly established)</p>	<p>However, Directors shall not be elected by cumulative voting.</p> <p>(Term of Office of Director) Article 21. 1. The term of office of a Director shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within one (1) year from his/her election. <u>2. Notwithstanding the preceding paragraph, the term of office of an Audit and Supervisory Committee Member shall expire upon the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within two (2) years from his/her election.</u> <u>3. If an Audit and Supervisory Committee Member is elected to fill a vacancy of another Audit and Supervisory Committee Member, the term of office of the substitute Audit and Supervisory Committee Member shall be the same as the remaining term of office of the resigned Audit and Supervisory Committee Member.</u> <u>4. The resolution for the election of the substitute Audit and Supervisory Committee Member pursuant to Article 329, Paragraph 3 of the Companies Act shall be effective until the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within two (2) years from the election of the substitute Audit and Supervisory Committee Member.</u></p>
<p>Article 22 (Omitted)</p> <p>(Convocation of Board of Directors) Article 23. 1. <u>The President</u> shall convene the Board of Directors meeting, and if <u>the President</u> is unable to so act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, shall act in his/her place. A notice of convocation of a Board of Directors meeting shall be issued to each Director <u>and each Auditor</u> at least three (3) days before the meeting; provided, however, that such period may be shortened in the event of urgency. 2. When the consent of all Directors <u>and all Auditors</u> is obtained in advance, a Board of Directors meeting may be held without following the procedures for convening a meeting.</p>	<p>Article 22 (Not amended)</p> <p>(Convocation of Board of Directors) Article 23. 1. <u>The Director determined in advance by the Board of Directors shall convene the Board of Directors meeting</u>, and if <u>the Director</u> is unable to so act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, shall act in his/her place. A notice of convocation of a Board of Directors meeting shall be issued to each Director at least three (3) days before the meeting; provided, however, that such period may be shortened in the event of urgency. 2. When the consent of all Directors is obtained in advance, a Board of Directors meeting may be held without following the procedures for convening a meeting.</p>
<p>(Chairman of a Board of Directors Meeting) Article 24. <u>The President</u> shall chair a Board of Directors meeting, and if <u>the President</u> is unable to act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, shall chair the Board of Directors meeting.</p>	<p>(Chairman of a Board of Directors Meeting) Article 24. <u>The Director determined in advance by the Board of Directors shall chair a Board of Directors meeting</u>, and if <u>the Director</u> is unable to act, another Director, determined in accordance with the order of priority prescribed by the Board of Directors, shall chair the Board of Directors meeting.</p>
<p>(Resolution Method)</p>	<p>(Resolution Method)</p>

<p>Article 25. 1. (Omitted)</p> <p>2. If all Directors express their consent in writing or by electromagnetic means to a proposal to be resolved by the Board of Directors, the proposal shall be deemed to have been approved and resolved by the Board of Directors. <u>However, this clause shall not apply if an Auditor expresses his/her objection to the proposal.</u></p> <p style="text-align: center;">(Newly established)</p> <p>(Minutes of Board of Directors)</p> <p>Article <u>26</u>. The minutes of a Board of Directors meeting shall include or record a summary of the proceedings, the results thereof, and any other matters specified by laws and regulations. The Directors <u>and Auditors</u> in attendance shall sign the minutes and <u>affix their seals thereto</u>, or sign them electronically.</p> <p>Article <u>27</u> (Omitted)</p> <p>(Remuneration, etc., of Directors)</p> <p>Article <u>28</u>. The amount of remuneration, etc., to be granted to Directors shall be determined by a resolution of the Meeting of Shareholders.</p> <p>(Directors' Exemption from Liability)</p> <p>Article <u>29</u>. 1. If the conditions provided in laws and regulations are satisfied with respect to the damage liability of Directors (including former <u>Directors</u>) as referred to in Article 423, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt Directors from their liability for damage, on the condition that the maximum liability amount exempt shall be the amount obtained by subtracting the minimum liability amount prescribed in laws and regulations from the damage liability amount.</p> <p>2. (Omitted)</p> <p>Articles <u>30</u> to <u>31</u> (Omitted)</p> <p>Chapter V: <u>Auditors and Board of Corporate Auditors</u></p> <p>(Establishment of <u>Auditors and Board of Corporate Auditors</u>)</p>	<p>Article 25. 1. (Not amended)</p> <p>2. If all Directors express their consent in writing or by electromagnetic means to a proposal to be resolved by the Board of Directors, the proposal shall be deemed to have been approved and resolved by the Board of Directors.</p> <p><u>(Delegation of Decisions on Business Execution to Directors)</u></p> <p><u>Article 26. Pursuant to the provision of Article 399-13, Paragraph 6 of the Companies Act, the Company may, by a resolution of the Board of Directors, delegate the whole or part of decisions on the execution of important business (excluding the matters listed in the items of Article 399-13, Paragraph 5 of the Companies Act) to Directors.</u></p> <p>(Minutes of Board of Directors)</p> <p>Article <u>27</u>. The minutes of a Board of Directors meeting shall include or record a summary of the proceedings, the results thereof, and any other matters specified by laws and ordinances. The Directors in attendance shall sign the minutes and <u>affix their seals thereto</u>, or sign them electronically.</p> <p>Article <u>28</u> (Not amended)</p> <p>(Remuneration, etc., of Directors)</p> <p>Article <u>29</u>. The amount of remuneration, etc., to be granted to Directors shall be determined by a resolution of the Meeting of Shareholders, <u>while distinguishing Audit and Supervisory Committee Members and other Directors.</u></p> <p>(Directors' Exemption from Liability)</p> <p>Article <u>30</u>. 1. If the conditions provided in laws and regulations are satisfied with respect to the damage liability of Directors (including former <u>Directors</u>) as referred to in Article 423, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt Directors from their liability for damage, on the condition that the maximum liability amount exempt shall be the amount obtained by subtracting the minimum liability amount prescribed in laws and ordinances from the damage liability amount.</p> <p>2. (Not amended)</p> <p>Articles <u>31</u> to <u>32</u> (Not amended)</p> <p>Chapter V: <u>Audit and Supervisory Committee</u></p> <p>(Establishment of <u>Audit and Supervisory Committee</u>)</p>
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<p>Article <u>32</u>. The Company shall <u>appoint Auditors and establish the Board of Corporate Auditors</u>.</p>	<p>Article <u>33</u>. The Company shall establish <u>the Audit and Supervisory Committee</u>.</p>
<p>(Number of Auditors)</p>	<p>(Deleted)</p>
<p>Article <u>33</u>. The number of the Company's Auditors shall be three (3) or more but not exceed five (5).</p>	
<p>(Election of Auditors)</p>	<p>(Deleted)</p>
<p>Article <u>34</u>. Auditors shall be elected by a resolution of the General Meeting of Shareholders. A resolution for the election of Auditors shall be adopted by a majority vote of the shareholders in attendance who hold one-third (1/3) or more of the voting rights of shareholders entitled to exercise voting rights.</p>	
<p>(Term of Office of Auditor)</p>	<p>(Deleted)</p>
<p>Article <u>35</u>. 1. The term of office of an Auditor shall expire upon the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within four (4) years from his/her election.</p>	
<p>2. If an Auditor is elected to fill a vacancy of another Auditor, the term of office of the substitute Auditor shall be the same as the remaining term of office of the resigned Auditor.</p>	
<p>(Full-Time Auditors)</p>	<p>(Deleted)</p>
<p>Article <u>36</u>. The Board of Corporate Auditors shall designate Full-Time Auditors from among the Auditors.</p>	
<p>(Convocation of Board of Corporate Auditors Meeting)</p>	<p>(Convocation of <u>Audit and Supervisory Committee</u>)</p>
<p>Article <u>37</u>. 1. A notice of convocation of a Board of Corporate Auditors meeting shall be issued to each Auditor at least three (3) days before the meeting; provided, however, that such period may be shortened in the event of urgency.</p>	<p>Article <u>34</u>. 1. A notice of convocation of an <u>Audit and Supervisory Committee</u> meeting shall be issued to each <u>Audit and Supervisory Committee Member</u> at least three (3) days before the meeting; provided, however, that such period may be shortened in the event of urgency.</p>
<p>2. When the consent of all Auditors is obtained in advance, a Board of Corporate Auditors meeting may be held without following the procedures for convening a meeting.</p>	<p>2. When the consent of all <u>Audit and Supervisory Committee Members</u> is obtained in advance, an <u>Audit and Supervisory Committee</u> meeting may be held without following the procedures for convening a meeting.</p>
<p>(Resolution Method of Board of Corporate Auditors)</p>	<p>(Resolution Method of <u>Audit and Supervisory Committee</u>)</p>
<p>Article <u>38</u>. Unless otherwise provided in laws and regulations, resolutions of the Board of Corporate Auditors shall be adopted by a majority of the total number of Auditors.</p>	<p>Article <u>35</u>. Resolutions of the <u>Audit and Supervisory Committee</u> shall be adopted by a majority of the <u>Audit and Supervisory Committee Members</u> in attendance who constitute a majority of the total number of <u>Audit and Supervisory Committee Members</u>.</p>
<p>(Minutes of Board of Corporate Auditors)</p>	<p>(Minutes of <u>Audit and Supervisory Committee</u>)</p>
<p>Article <u>39</u>. The minutes of a Board of Corporate Auditors meeting shall include or record a summary of the proceedings, the results thereof, and any other matters specified by laws and regulations. The</p>	<p>Article <u>36</u>. The minutes of an <u>Audit and Supervisory Committee</u> meeting shall include or record a summary of the proceedings, the results thereof, and any other matters specified by laws and regulations.</p>

<p><u>Auditors</u> in attendance shall sign the minutes <u>and affix their seals thereto</u>, or sign them electronically.</p>	<p>The <u>Audit and Supervisory Committee Members</u> in attendance shall sign the minutes <u>and affix their seals thereto</u>, or sign them electronically.</p>
<p>(Rules of <u>Board of Corporate Auditors</u>) Article <u>40</u>. In addition to what is prescribed in laws and regulations and the Articles of Incorporation, matters concerning the <u>Board of Corporate Auditors</u> shall be in accordance with the <u>Board of Corporate Auditors Rules</u> established by the <u>Board of Corporate Auditors</u>.</p>	<p>(Rules of <u>Audit and Supervisory Committee</u>) Article <u>37</u>. In addition to what is prescribed in laws and regulations and the Articles of Incorporation, matters concerning the <u>Audit and Supervisory Committee</u> shall be in accordance with the <u>Audit and Supervisory Committee Rules</u> established by the <u>Audit and Supervisory Committee</u>.</p>
<p>(<u>Remuneration, etc., of Auditors</u>) Article <u>41</u>. The amount of remuneration, etc., to be granted to Auditors shall be determined by a resolution of the Meeting of Shareholders.</p>	<p>(Deleted)</p>
<p>(<u>Auditors' Exemption from Liability</u>) Article <u>42</u>. 1. If the conditions provided in laws and regulations are satisfied with respect to the damage liability of Auditors (including former Auditors) as referred to in Article 423, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt Auditors from their liability for damage, on the condition that the maximum liability amount exempt shall be the amount obtained by subtracting the minimum liability amount prescribed in laws and ordinances from the damage liability amount. 2. If the conditions provided in laws and regulations are satisfied with respect to the damage liability of Auditors as referred to in Article 423, Paragraph 1 of the Companies Act, the Company may enter into an agreement with each Auditor to limit his/her damage liability; provided, however, that the limit of the liability under such agreement shall be the prescribed amount of no less than five (5) million yen, or the amount set by laws and regulations, whichever is greater.</p>	<p>(Deleted)</p>
<p>Chapter VI: Accounting Auditor</p>	<p>Chapter VI: Accounting Auditor</p>
<p>Articles <u>43</u> to <u>45</u> (Omitted)</p>	<p>Articles <u>38</u> to <u>40</u> (Not amended)</p>
<p>(Compensation, etc. of Accounting Auditor) Article <u>46</u>. The compensation, etc. of the Accounting Auditor shall be specified by the Representative Director with the consent of the <u>Board of Corporate Auditors</u>.</p>	<p>(Compensation, etc. of Accounting Auditor) Article <u>41</u>. The compensation, etc. of the Accounting Auditor shall be specified by the Representative Director with the consent of the <u>Audit and Supervisory Committee</u>.</p>
<p>Chapter VII: Accounts</p>	<p>Chapter VII: Accounts</p>
<p>Articles <u>47</u> to <u>50</u> (Omitted)</p>	<p>Articles <u>42</u> to <u>45</u> (Not amended)</p>
<p>Supplementary Provisions</p>	<p>Supplementary Provisions</p>
<p>Article 1. Unless otherwise provided in laws and</p>	<p>(Deleted)</p>

regulations or these Supplementary Provisions, these Articles of Incorporation shall become effective when the resolution for the amendment is passed.

(Newly established)

(Interim Measures Concerning Auditors' Exemption from Liability)

1. The Company may, by a resolution of the Board of Directors, exempt an Auditor from the damage liability as referred to in Article 423, Paragraph 1 of the Companies Act with respect to his/her act committed before the conclusion of the 68th Annual Meeting of Shareholders, to the extent permitted under laws and regulations.

2. With respect to an agreement to limit the damage liability as referred to in Article 423, Paragraph 1 of the Companies Act with respect to the act committed by an Auditor before the conclusion of the 68th Annual Meeting of Shareholders, the provision of Article 42, Paragraph 2 of the Articles of Incorporation before the amendment made by the resolution which was passed at the same Annual Meeting of Shareholders shall continue to apply to such agreement.

Proposal No. 2: Election of sixteen (16) Directors (Excluding those who are Audit and Supervisory Committee Members)

On the condition that Proposal No. 1 (Partial Amendments to the Articles of Incorporation) is approved and resolved, the Company will transition to a Company with an Audit and Supervisory Committee. Accordingly, the term of office of all the Directors (13 persons) will expire upon the conclusion of this General Meeting of Shareholders and the election of 16 Directors (excluding those who are Audit and Supervisory Committee Members) is proposed.

The candidates for Directors (excluding those who are Audit and Supervisory Committee Members) are as follows:

1. Norio Hamada (Date of birth: January 3, 1940)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>October 1966 Joined TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 1979 Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>October 1993 Appointed as Managing Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 1999 Appointed as Representative Director and Senior Managing Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2001 Appointed as Vice President and Representative Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2005 Appointed as President and Representative Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>(April 2009 TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)</p> <p>April 2009 Appointed as President and Representative Director of TOHO HOLDINGS CO., LTD. (to present) and appointed as Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL</p> <p>June 2010 Appointed as Chairman of the Board and Director of TOHO PHARMACEUTICAL</p> <p>■ Number of shares of the Company held: 110,000 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Based on his considerable experience and past career as President and Representative Director of TOHO HOLDINGS CO., LTD. and as a top executive, Mr. Norio Hamada has been exercising strong leadership, operating and supervising the Board of Directors, and making efforts for revitalizing the Board of Directors. We propose his election as we would like him to effectively use his experience and knowledge.</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] President and Representative Director</p>	

2. Hiroyuki Kono (Date of birth: May 26, 1948)	Reappointment
<ul style="list-style-type: none"> ■ Career summary, positions and responsibilities within the Company, and significant concurrent positions 	[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Chairman and Representative Director
<p>July 1977 Joined Kono Yakuhin Co., Ltd.</p> <p>July 1984 Appointed as Director of Kono Yakuhin Co., Ltd</p> <p>April 1987 Appointed as President and Representative Director of Kono Yakuhin Co., Ltd (In October 1997, Kono Yakuhin became OMWELL INC. by merger)</p> <p>October 1997 Appointed as President and Representative Director, OMWELL INC</p> <p>June 2004 Appointed as Director, TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2005 Appointed as Executive Vice President and Director, TOHO PHARMACEUTICAL CO., LTD. (April 2009, TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)</p> <p>April 2009 Appointed as Vice President and Director of TOHO HOLDINGS CO., LTD. and appointed as President and Representative Director of TOHO PHARMACEUTICAL CO., LTD. and appointed as Chairman of the Board and Representative Director of OMWELL INC. (In January 2010, OMWELL INC. became SAYWELL Inc. by merger)</p> <p>January 2010 Appointed as Vice Chairman of the Board and Representative Director, SAYWELL Inc</p> <p>May 2013 Appointed as Vice-president, The Federation of Japan Pharmaceutical Wholesalers Association (to present)</p> <p>June 2014 Appointed as Vice Chairman of the Board and Director, SAYWELL Inc.</p> <p>June 2015 Appointed as Chairman of the Board and Director, SAYWELL Inc. (to present)</p> <p>June 2015 Appointed as Chairman and Representative Director, TOHO HOLDINGS CO., LTD. (to present)</p> <ul style="list-style-type: none"> ■ Number of shares of the Company held: 1,330,860 shares ■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) As Representative Director and Chairman of TOHO HOLDINGS CO., LTD., and from his past career as Representative Director of the Company's consolidated subsidiary, Mr. Hiroyuki Kono has considerable experience and knowledge. We propose his election as we would like him to effectively use his experience and knowledge. 	

3. Toshio Honma (Date of birth: March 12, 1948)	Reappointment
<ul style="list-style-type: none"> ■ Career summary, positions and responsibilities within the Company, and significant concurrent positions 	[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Vice President and Director
<p>October 1980 Joined Honma Pharmaceutical</p> <p>May 1981 Appointed as Director of Honma Pharmaceutical</p> <p>August 1982 Appointed as Director and Vice President of Honma Pharmaceutical</p> <p>April 1984 Appointed as Representative Director and President of Honma Pharmaceutical</p> <p>June 2000 Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>(In October 2001, Honma Pharmaceutical changed its trade name to Honma Toho)</p> <p>June 2005 Appointed as Senior Managing Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>(April 2009 TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)</p> <p>April 2009 Appointed as Director of TOHO HOLDINGS CO., LTD. and Appointed as Senior Managing Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2009 Appointed as Vice President of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2013 Appointed as Director of TOHO PHARMACEUTICAL CO., LTD. (to present)</p> <p>(In October 2013, Honma Toho ceased to exist due to the merger with TOHO PHARMACEUTICAL CO., LTD.)</p> <p>October 2013 Appointed as President and Representative Director of Godo Toho</p> <p>June 2015 Appointed as Vice President and Director of TOHO HOLDINGS CO., LTD. (to present)</p> <ul style="list-style-type: none"> ■ Number of shares of the Company held: 36,543 shares 	
<ul style="list-style-type: none"> ■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) <p>As Vice President and Director of TOHO HOLDINGS CO., LTD., and from his past career as Representative Director of the Company's consolidated subsidiaries, Mr. Toshio Honma has considerable experience and knowledge. We propose his election as we would like him to effectively use his experience and knowledge.</p>	

4. Mitsuo Morikubo (Date of birth: December 1, 1949)	Reappointment
<ul style="list-style-type: none"> ■ Career summary, positions and responsibilities within the Company, and significant concurrent positions 	[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Executive Managing Director, General Manager of Development Division
<p>June 1992 Joined TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 1992 Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2008 Appointed as Executive Managing Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>(April 2009, TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)</p> <p>April 2009 Appointed as Corporate Officer of TOHO HOLDINGS CO., LTD. and appointed as Executive Managing Director of TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2013 Appointed as Director of TOHO HOLDINGS CO., LTD.</p> <p>June 2015 Appointed as Executive Managing Director of TOHO HOLDINGS CO., LTD. (to present)</p> <ul style="list-style-type: none"> ■ Number of shares of the Company held: 49,700 shares 	
<ul style="list-style-type: none"> ■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) <p>As Executive Managing Director of TOHO HOLDINGS CO., LTD. and as the manager in charge of the distribution and development divisions, Mr. Mitsuo Morikubo has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>	

5. Mamoru Ogino (Date of birth: June 6, 1951)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Executive Managing Director, General Manager of Administration Division, and General Manager of Finance Division</p>	
July 1978	Joined TOHO PHARMACEUTICAL CO., LTD.	
June 2003	Appointed as Corporate Officer of TOHO PHARMACEUTICAL CO., LTD.	
June 2007	Appointed as Executive Corporate Officer of TOHO PHARMACEUTICAL CO., LTD.	
June 2008	Appointed as Executive Managing Director of TOHO PHARMACEUTICAL CO., LTD.	
(April 2009	TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)	
April 2009	Appointed as Corporate Officer of TOHO HOLDINGS CO., LTD. and appointed as Executive Managing Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2013	Appointed as Director of TOHO HOLDINGS CO., LTD	
June 2015	Appointed as Senior Managing Director of TOHO PHARMACEUTICAL CO., LTD. (to present)	
June 2015	Appointed as Executive Managing Director of TOHO HOLDINGS CO., LTD. (to present)	
<p>■ Number of shares of the Company held: 11,100 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>As Executive Managing Director of TOHO HOLDINGS CO., LTD. and as the manager in charge of the finance and administration divisions, Mr. Mamoru Ogino has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>		

6. Katsuya Kato (Date of birth: July 25, 1955)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Executive Managing Director, General Manager of Corporate Planning Division, and General Manager of Corporate Planning Office</p>	
February 1991	Joined TOHO PHARMACEUTICAL CO., LTD.	
June 2001	Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.	
(April 2009	TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)	
April 2009	Appointed as Corporate Officer of TOHO HOLDINGS CO., LTD. and appointed as Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2013	Appointed as Director of TOHO HOLDINGS CO., LTD.	
June 2015	Appointed as Executive Managing Director of TOHO HOLDINGS CO., LTD. (to present)	
<p>■ Number of shares of the Company held: 11,600 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>As Executive Managing Director of TOHO HOLDINGS CO., LTD. and as the manager in charge of the corporate planning division, Mr. Katsuya Kato has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>		

7. Takeo Matsutani (Date of birth: April 20, 1966)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Director</p> <p>[Significant concurrent positions] President and Representative Director of Kyushu Toho</p>
February 1992	Joined TOHO PHARMACEUTICAL CO., LTD.	
June 2001	Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2007	Appointed as Executive Managing Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2008	Appointed as Senior Managing Director of TOHO PHARMACEUTICAL CO., LTD.	
(April 2009	TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)	
April 2009	Appointed as Director of TOHO HOLDINGS CO., LTD. (to present) and Senior Managing Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2009	Appointed as Vice President and Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2013	Appointed as Executive Managing Director of Kyushu Toho	
June 2014	Appointed as Director of TOHO PHARMACEUTICAL CO., LTD. (to present)	
June 2015	Appointed as President and Representative Director of Kyushu Toho (to present)	
<p>■ Number of shares of the Company held: 65,428 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) As Director of TOHO HOLDINGS CO., LTD. and as Representative Director of the Company's consolidated subsidiary, Mr. Takeo Matsutani has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>		

8. Takaaki Matsutani (Date of birth: January 29, 1941)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Director and Senior Adviser</p>
March 1964	Joined TOHO PHARMACEUTICAL CO., LTD.	
May 1974	Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.	
October 1993	Appointed as Vice President and Director of TOHO PHARMACEUTICAL CO., LTD.	
June 1999	Appointed as President and Representative Director of TOHO PHARMACEUTICAL CO., LTD.	
June 2005	Appointed as Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL CO., LTD.	
(April 2009	TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)	
April 2009	Appointed as Chairman of the Board and Representative Director of TOHO HOLDINGS CO., LTD.	
June 2013	Appointed as Director and Senior Advisor of TOHO HOLDINGS CO., LTD. (to present)	
January 2014	Appointed as President of the Institute for Social Medicine at Tokyo University of Pharmacy and Life Sciences	
<p>■ Number of shares of the Company held: 351,908 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) As Director and Senior Adviser of TOHO HOLDINGS CO., LTD., and from his past career as Representative Director of the Company's consolidated subsidiary and an officer of industrial groups, Mr. Takaaki Matsutani has considerable experience and knowledge. We propose his election as we would like him to effectively use his experience and knowledge.</p>		

9. Hiromi Edahiro (Date of birth: May 14, 1952)		Reappointment
<ul style="list-style-type: none"> ■ Career summary, positions and responsibilities within the Company, and significant concurrent positions 		<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Director</p> <p>[Significant concurrent positions] President and Representative Director of TOHO PHARMACEUTICAL CO., LTD.</p>
April 1977	Joined Tokio Marine Fire Insurance (current Tokio Marine & Nichido Fire Insurance Co., Ltd.)	
September 1985	Joined Tokiwa Pharmaceutical	
August 1996	Appointed as Director and Division Manager of General Affairs Division of Tokiwa Pharmaceutical	
December 1997	Appointed as Managing Director, Division Manager of Administration Division and Division Manager of General Affairs Division of Tokiwa Pharmaceutical	
August 2000	Appointed as Representative Director and President and Division Manager of Administration Division of Tokiwa Pharmaceutical	
June 2003	Appointed as Representative Director and President of Tokiwa Pharmaceutical	
June 2012	Appointed as Auditor of TOHO HOLDINGS CO., LTD. and appointed as Auditor of TOHO PHARMACEUTICAL CO., LTD.	
April 2013	Appointed as Corporate Officer, Joint General Manager of Administration Division, and General Manager of General Affairs Department of TOHO PHARMACEUTICAL CO., LTD.	
June 2014	Appointed as Director, Joint General Manager of Administration Division, and General Manager of General Affairs Department of TOHO PHARMACEUTICAL CO., LTD.	
June 2015	Appointed as President and Representative Director of TOHO PHARMACEUTICAL CO., LTD. (to present)	
June 2015	Appointed as Director of TOHO HOLDINGS CO., LTD. (to present)	
<ul style="list-style-type: none"> ■ Number of shares of the Company held: 4,300 shares 		
<ul style="list-style-type: none"> ■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) <p>As Director of TOHO HOLDINGS CO., LTD. and as Representative Director of the Company's consolidated subsidiary, Mr. Hiromi Edahiro has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>		

10. Atsuko Naitou (Date of birth: January 22, 1947)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Director in charge of pharmaceutical affairs</p>	
June 1981	Joined TOHO PHARMACEUTICAL CO., LTD.	
October 1991	Appointed as General Manager of Pharmaceutical Affairs Department of TOHO PHARMACEUTICAL CO., LTD.	
June 1999	Appointed as Director of TOHO PHARMACEUTICAL CO., LTD.	
(April 2009	TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)	
April 2009	Appointed as Director in charge of Medical Affairs Information Department, General Manager of Medical Affairs Information Department	
June 2013	Appointed as Executive Managing Director in charge of Pharmaceutical Affairs Department and General Manager of Pharmaceutical Affairs Department	
June 2015	Appointed as Director of TOHO HOLDINGS CO., LTD. (to present)	
<p>■ Number of shares of the Company held: 20,200 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) As Director of TOHO HOLDING CO., LTD. and as the manager of pharmaceutical affairs, Ms. Atsuko Naitou has considerable experience and a good track record. We propose her election as we would like her to effectively use her experience and knowledge.</p>		

11. Atsushi Udoh (Date of birth: April 26, 1964)		New Appointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Corporate Officer</p>	
July 1987	Joined TOHO PHARMACEUTICAL CO., LTD.	
July 2006	Appointed as General Manager of Marketing and Planning Department, TOHO PHARMACEUTICAL CO., LTD.	
(April 2009	TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)	
April 2009	Appointed as Corporate Officer, and General Manager of Marketing and Planning Department, TOHO PHARMACEUTICAL CO., LTD.	
July 2012	Appointed as Director, General Manager of Customer Support Division, and General Manager of Marketing and Planning Department, TOHO PHARMACEUTICAL CO., LTD.	
April 2013	Appointed as Director, and General Manager of Pharmaceutical Sales Division, TOHO PHARMACEUTICAL CO., LTD.	
June 2015	Appointed as Executive Managing Director, and General Manager of Sales and Marketing Division, and General Manager of Pharmaceutical Sales Division, TOHO PHARMACEUTICAL CO., LTD. (to present)	
June 2015	Appointed as Corporate Officer of TOHO HOLDINGS CO., LTD. (to present)	
<p>■ Number of shares of the Company held: 2,400 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) As Corporate Officer of TOHO HOLDINGS CO., LTD. and as the manager of sales operations, Mr. Atsushi Udoh has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>		

12. Akira Umada (Date of birth: April 16, 1965)		New Appointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>March 1986 Joined TOHO PHARMACEUTICAL CO., LTD.</p> <p>April 2007 Appointed as General Manager of Sales Department for Hospitals, TOHO PHARMACEUTICAL CO., LTD.</p> <p>May 2008 Appointed as General Manager of Managing Department of Sales for Hospitals, TOHO PHARMACEUTICAL CO., LTD.</p> <p>(April 2009 TOHO PHARMACEUTICAL CO., LTD. changed its trade name to TOHO HOLDINGS CO., LTD. upon the transition into the holding company management system)</p> <p>April 2009 Appointed as Corporate Officer, and Joint General Manager of Sales and Marketing Division, TOHO PHARMACEUTICAL CO., LTD.</p> <p>July 2012 Appointed as Director, Joint General Manager of Pharmaceutical Sales Division, and General Manager of Managing Department of Sales for Hospitals, TOHO PHARMACEUTICAL CO., LTD.</p> <p>June 2015 Appointed as Managing Director, Joint General Manager of Sales and Marketing Division, Joint General Manager of Pharmaceutical Sales Division, and General Manager of Managing Department of Sales for Hospitals, TOHO PHARMACEUTICAL CO., LTD. (to present)</p> <p>June 2015 Appointed as Corporate Officer, TOHO HOLDINGS CO., LTD. (to present)</p> <p>■ Number of shares of the Company held: 7,100 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>As Corporate Officer of TOHO HOLDINGS CO., LTD. and as the manager of sales operations, Mr. Akira Umada has considerable experience and a good track record. We propose his election as we would like him to effectively use his experience and knowledge.</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.]</p> <p>Corporate Officer</p>	

13. Kazuo Takeda (Date of birth: September 12, 1948)		New Appointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>April 1971 Joined Ciba-Geigy Japan Limited</p> <p>June 1999 Appointed as Division Manager of Primary Care Business Division of AstraZeneca K.K.</p> <p>February 2002 Appointed as Division Manager of Marketing Planning Division of Schering-Plough K.K.</p> <p>October 2010 Appointed as Division Manager of Distribution Division of MSD K.K.</p> <p>January 2014 Appointed as Senior Adviser of Distribution Division of MSD K.K.</p> <p>June 2014 Appointed as Full-time Auditor of TOHO HOLDINGS CO., LTD. (to present)</p> <p>■ Number of shares of the Company held: 1,200 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Kazuo Takeda has been executing his duties as an Outside Auditor of TOHO HOLDINGS CO., LTD. in a proper manner. We propose his election as we would like him to effectively use his wide variety of knowledge on the pharmaceutical industry, insight into corporate activities, etc.</p>	<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.]</p> <p>Outside Auditor</p>	

14. Shunsuke Watanabe (Date of birth: October 4, 1944)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Outside Director</p> <p>[Significant concurrent positions] Professor, Graduate School of International University of Health and Welfare</p>
April 1970	Joined Nikkei Inc	
May 1982	Temporarily transferred to the Ministry of Foreign Affairs as First Secretary of Japanese Embassy in Denmark	
March 1985	Appointed as Editorial Board Member of Nikkei Inc.	
March 1988	Appointed as Editorial Writer of Nikkei Inc.	
October 2004	Appointed as Visiting Professor of the School of Medicine, Tokyo Women's Medical University	
April 2009	Appointed as Professor of the Graduate School of International University of Health and Welfare (to present)	
May 2014	Appointed as Adviser of Tokyo Women's Medical University	
June 2014	Appointed as Outside Director of TOHO HOLDINGS CO., LTD. (to present)	
	<p>■ Number of shares of the Company held: - shares</p> <p>■ Reason for the nomination as Outside Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>As a journalist for Nikkei Inc., Mr. Shunsuke Watanabe dealt with the issues related to healthcare, welfare and pensions. He also served as a medical-related council member of various organizations, including the Ministry of Health, Labour and Welfare and the Japan Medical Association. Although he has never participated in any company's management by means other than the participation as an outside director, we propose his election, as we would like him to contribute to the Company's management and to perform his duties as an Outside Director based on his abundant past career roles and his wide variety of knowledge as a university professor, etc. Currently, he is an Outside Director, and his term of office will reach 2 years upon the conclusion of this Annual General Meeting of Shareholders.</p>	

15. Shosaku Murayama (Date of birth: September 21, 1949)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Outside Director</p> <p>[Significant concurrent positions] President and Representative Director of iPS PORTAL, Inc. Outside Director of SCREEN Holdings Co., Ltd.</p>
April 1972	Joined the Bank of Japan	
February 1981	Appointed as Economist of the Bank of Japan Representative Office in New York	
November 1994	Appointed as Branch Manager of the Bank of Japan Takamatsu Branch	
June 1998	Appointed as Director-General, Research and Statistics Department of the Bank of Japan	
March 2002	Appointed as President & CEO, Teikoku Seiyaku Co., Ltd.	
June 2002	Appointed as Outside Director of SHIKOKU CHEMICALS CORPORATION	
June 2008	Appointed as Director of iPS Academia Japan, Inc.	
June 2011	Appointed as President & CEO of iPS Academia Japan, Inc.	
June 2013	Appointed as Outside Director of SCREEN Holdings Co., Ltd. (to present)	
June 2014	Appointed as Outside Director of TOHO HOLDINGS CO., LTD. (to present)	
July 2014	Appointed as President and Representative Director of iPS PORTAL, Inc. (to present)	

- Number of shares of the Company held: 200 shares
- Reason for the nomination as Outside Director(excluding those who are Audit and Supervisory Committee Members)
At the Bank of Japan, Mr. Shosaku Murayama accumulated knowledge related to financial administration, money and banking and other overall economic affairs. He also currently serves as the Representative Director of another company. We propose his election, as we would like him to contribute to the Company's management, based on his considerable knowledge and experience, etc. Currently, he is an Outside Director, and his term of office will reach 2 years upon the conclusion of this Annual General Meeting of Shareholders.

16. Toru Nagasawa (Date of birth: January 15, 1959)		Reappointment
<ul style="list-style-type: none"> ■ Career summary, positions and responsibilities within the Company, and significant concurrent positions 		[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Outside Director [Significant concurrent positions] Representative Lawyer, Nagasawa Law Offices Outside Director of GREE, Inc.
April 1984	Registered as Lawyer (Daiichi Tokyo BAR Association)	
April 1984	Joined Kajitani Law Offices	
April 1995	Opened Nagasawa Law Offices, Representative Lawyer (to present)	
September 2007	Appointed as Outside Auditor of GREE, Inc. (to present)	
June 2015	Appointed as Outside Director of TOHO HOLDINGS CO., LTD. (to present)	
<ul style="list-style-type: none"> ■ Number of shares of the Company held: - shares ■ Reason for the nomination as Outside Director (excluding those who are Audit and Supervisory Committee Members) As a lawyer, Mr. Toru Nagasawa has advanced legal knowledge and considerable experience. He also participated in corporate management as a corporate rehabilitation trustee. We propose his election as an Outside Director, as we would like him to contribute to the Company's management and to perform his duties as an Outside Director in a proper manner, based on his knowledge, experience, etc., related to corporate legal affairs. Currently, he is an Outside Director, and his term of office will reach 1 year upon the conclusion of this Annual General Meeting of Shareholders. 		

(Note)

1. Directors' special interest in the Company

1) Mr. Shunsuke Watanabe concurrently holds a position of Professor of the Graduate School of International University of Health and Welfare, and the Company's consolidated subsidiary is selling prescription pharmaceuticals, etc., to the International University of Health and Welfare.

2) No special interest exists between any other candidates and the Company.

2. Mr. Shunsuke Watanabe, Mr. Shosaku Murayama, and Mr. Toru Nagasawa are candidates for Outside Director (excluding those who are Audit and Supervisory Committee Members).

3. The Company designates Mr. Shunsuke Watanabe, Mr. Shosaku Murayama, and Mr. Toru Nagasawa as independent officers pursuant to the rules of the Tokyo Stock Exchange, Inc., and has reported the appointment to the Tokyo Stock Exchange, Inc. It is expected that they will become independent officers on a continuing basis, when each of them is reappointed.

4. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company and each of Mr. Shunsuke Watanabe, Mr. Shosaku Murayama, and Mr. Toru Nagasawa have entered into an agreement to limit the

damage liability as referred to in Article 423, Paragraph 1 of the Companies Act to the maximum amount prescribed in laws and regulations and the Articles of Incorporation. It is expected that, when each of them is reappointed, such agreement will continue to be effective.

Proposal No. 3: Election of three (3) Directors who are Audit and Supervisory Committee Members

On the condition that Proposal No. 1 (Partial amendments to the Articles of Incorporation) has been approved and resolved, the Company will transition to a Company with an Audit and Supervisory Committee. Accordingly, the election of three (3) Directors who are Audit and Supervisory Committee Members is proposed.

Consent of the Board of Corporate Auditors has already been obtained in advance for this proposal. The candidates for Director who are Audit and Supervisory Committee Members are as follows:

1. Hideyuki Shimizu (Date of birth: April 26, 1958)		New Appointment
		[Positions and responsibilities within TOHO HOLDINGS CO., LTD.] Auditor
March 1979	Joined TOHO PHARMACEUTICAL CO., LTD.	
July 1990	Appointed as General Manager of Internal System Department of Toho System Service	
May 1998	Appointed as Representative Director and President of Toho System Service	
April 2011	Appointed as Deputy General Manager of Group Audit Office of TOHO HOLDINGS CO., LTD.	
June 2012	Appointed as Full-time Auditor of TOHO HOLDINGS CO., LTD. (to present)	
<p>■ Number of shares of the Company held: 5,500 shares</p> <p>■ Reason for the nomination as Director who is an Audit and Supervisory Committee Member Mr. Hideyuki Shimizu has been executing his duties as an Auditor of TOHO HOLDINGS CO., LTD. in a proper manner. We propose his election, as we would like him to contribute to the supervision and audit of the Company's management based on his considerable experience and knowledge, etc.</p>		
2. Sachio Tokaji (Date of birth: December 24, 1947)		New Appointment
<p>■ Career summary, positions within the Company, and significant concurrent positions</p>		
April 1970	Joined Shionogi & Co., Ltd.	
June 2002	Appointed as Director and Department Manager of Finance & Accounting Department, Shionogi & Co., Ltd.	
April 2004	Appointed as Director and Corporate Officer, Shionogi & Co., Ltd.	
April 2007	Appointed as Director, Executive Officer, and General Manager in charge of Business Administration, Shionogi & Co., Ltd.	
April 2008	Appointed as Director and Senior Executive Officer, Shionogi & Co., Ltd.	
June 2011	Appointed as Standing Corporate Auditor, Shionogi & Co., Ltd.	
June 2015	Appointed as Adviser, Shionogi & Co., Ltd. (scheduled to resign from Shionogi & Co., Ltd. in June 2016)	
<p>■ Number of shares of the Company held: - shares</p> <p>■ Reason for the nomination as Outside Director who is an Audit and Supervisory Committee Member Mr. Sachio Tokaji has a wide variety of knowledge and insight into corporate activities, etc., regarding the pharmaceutical industry, and has been participating in the management of Shionogi & Co., Ltd. We propose his election, as we would like him to contribute to the supervision and audit of the Company's management, as an expert of business management, based on his experience accumulated through his past career.</p>		

3. Koji Nakamura (Date of birth: July 22, 1950)	New Appointment
<p>■ Career summary, positions within the Company, and significant concurrent positions</p>	
April 1976	Joined Tanabe Seiyaku Co., Ltd. (currently Mitsubishi Tanabe Pharma Corporation)
June 2008	Appointed as Executive Officer and Director of CMC Research Center, Tanabe Seiyaku Co., Ltd.
June 2011	Appointed as Managing Executive Officer, General Manager of Pharmaceutical Operations, Tanabe Seiyaku Co., Ltd., and President and Representative Director, Mitsubishi Tanabe Pharma Factory Ltd.
June 2014	Appointed as Director, Senior Managing Executive Officer, and General Manager of Pharmaceutical Operations, Mitsubishi Tanabe Pharma Corporation
June 2015	Appointed as Adviser, Mitsubishi Tanabe Pharma Corporation (scheduled to resign from Mitsubishi Tanabe Pharma Corporation in June 2016)
<p>■ Number of shares of the Company held: - shares</p>	
<p>■ Reason for the nomination as Outside Director who is an Audit and Supervisory Committee Member Mr. Koji Nakamura has a wide variety of knowledge, insight into corporate activities, etc., in relation to the pharmaceutical industry, and has been participating in the management of Mitsubishi Tanabe Pharma Corporation and Mitsubishi Tanabe Pharma Factory Ltd. We propose his election, as we would like him to contribute to the supervision and audit of the Company's management, as an expert of business management, based on his experience accumulated through his past career.</p>	

(Note)

1. No special interest exists between each of the candidates and the Company.
2. Mr. Sachio Tokaji and Mr. Koji Nakamura are candidates for Outside Director who is an Audit and Supervisory Committee Member.
3. It is expected that, when the appointment of Mr. Sachio Tokaji and Mr. Koji Nakamura is approved, they will newly become the independent officers defined by Tokyo Stock Exchange, Inc.
4. Pursuant to Article 427, Paragraph 1 of the Companies Act, it is expected that, when the appointment of Mr. Hideyuki Shimizu, Mr. Sachio Tokaji, and Mr. Koji Nakamura is approved, the Company and each of Mr. Hideyuki Shimizu, Mr. Sachio Tokaji, and Mr. Koji Nakamura will enter into an agreement to limit the damage liability as referred to in Article 423, Paragraph 1 of the Companies Act to the maximum amount prescribed in laws and regulations and the Articles of Incorporation.

Proposal No. 4: Establishment of the Amount of the Remuneration, etc., of Directors (Excluding those who are Audit and Supervisory Committee Members)

According to Proposal No. 3 approved and resolved at the 65th General Meeting of Shareholders held on June 27, 2013, the amount of remuneration, etc., to the Company's Directors should be "no more than 500 million yen per year," and this amount has been applied up to this date. On the condition that Proposal No. 1 (Partial amendments to the Articles of Incorporation) is approved and resolved, the Company will transition to a Company with an Audit and Supervisory Committee.

Accordingly, pursuant to Article 361, Paragraphs 1 and 2 of the Companies Act, we propose that the current provisions concerning the amount of remuneration, etc., to Directors should be abolished and that the amount of remuneration, etc., to Directors (excluding Directors who are Audit and Supervisory Committee Members) should be "no more than 700 million yen per year" (out of this amount, the amount of remuneration, etc., to Outside Directors should be 50 million yen per year) taking into account the increase of the number of Directors this time and various circumstances including economic conditions. This amount of remuneration, etc., to Directors (excluding Directors who are Audit and Supervisory Committee Members) does not include any employee salaries payable to Directors who are also employees.

The current number of Directors is thirteen (13). If Proposals No. 1 and No. 2 are approved and resolved as originally proposed, the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) will be sixteen (16) (including three (3) Outside Directors).

Proposal No. 5: Establishment of the Amount of the Remuneration, etc., of Directors who are Audit and Supervisory Committee Members

On the condition that Proposal No. 1 (Partial amendments to the Articles of Incorporation) is approved and resolved, the Company will transition to a Company with an Audit and Supervisory Committee.

Accordingly, pursuant to Article 361, Paragraphs 1 and 2 of the Companies Act, we propose that the amount of remuneration, etc., to Directors who are Audit and Supervisory Committee Members should be "no more than 50 million yen per year," taking into account the duties and responsibilities of Directors who are Audit and Supervisory Committee Members.

If Proposals No. 1 and No. 3 are approved and resolved as originally proposed, the number of Directors who are Audit and Supervisory Committee Members will be three (3).

Proposal No. 6: Determination of the Amount and contents of Remuneration, etc. regarding subscription rights to shares as stock-based compensation stock options to Directors (excluding Directors who are Audit and Supervisory Committee Members)

According to Proposal No. 3 approved and resolved at the 65th General Meeting of Shareholders held on June 27, 2013, the amount of remuneration, etc., to the Company's Directors should be "no more than 500 million yen," and out of this amount, the amount of remuneration, etc., to the Company's Directors in the form of stock-based compensation stock options should be "no more than 50 million yen per year," and this amount of the stock-based compensation stock options has been applied up to this date. Since subject to the approval and resolution of Proposal No. 1 (Partial Amendments to the Articles of Incorporation), the Company will

transition to a Company with an Audit and Supervisory Committee, on the condition that Proposal No. 1 has been approved and resolved, we propose that the current provisions concerning the amount of remuneration, etc., to Directors in the form of stock-based compensation stock options be abolished, and an amount of remuneration, etc., to Directors (excluding those who are Audit and Supervisory Committee Members) in the form of stock-based compensation stock options be decided.

Accordingly, with the purposes of sharing the advantages and risks of stock price fluctuations with shareholders and further enhancing the motivation to contribute to the increase of the stock price and corporate value in the same manner as before, after the transition into a Company with an Audit and Supervisory Committee, we propose that the amount of remuneration, etc., to the Company's Directors (excluding those who are Audit and Supervisory Committee Members) in the form of stock-based compensation stock options should be "no more than 55 million yen per year (and, out of this amount, the amount of remuneration, etc., to Outside Directors in the form of stock-based compensation stock options should be no more than 5 million yen per year)" taking into account various circumstances including economic conditions, on the condition that the maximum amount of remuneration, etc., to Directors (excluding those who are Audit and Supervisory Committee Members) proposed under Proposal No. 4 should not be exceeded.

This Proposal will become effective only when the Articles of Incorporation have been amended according to Proposal No. 1.

Before the Company's transition into a Company with an Audit and Supervisory Committee, the number of Directors is 13 (including 3 Outside Directors). If Proposals No. 1 and No. 2 have been approved and resolved without change, the number of Directors (excluding those who are Audit and Supervisory Committee Members) will be 16 (including 3 Outside Directors).

Specific conditions of the stock options are detailed below.

The stock options are "stock-based compensation stock options," under which a person is entitled to receive stocks by exercising an option with the exercise price of 1 yen per share. The conditions for the stock options have been determined comprehensively taking into account various circumstances including the level of contribution made by the Company's Directors, and we believe the conditions are reasonable.

It is expected that each Director will pay the paid-in amount due for the stock options by setting off the paid-in amount, which has been determined in accordance with fair value as a benchmark upon the allocation of the stock options, against his/her claim for remuneration based on the amount of remuneration, etc., pertaining to the stock option granted under this Proposal.

Specific conditions of the stock options:

1) Type and number of the stocks underlying the stock options

The type of the stocks underlying the stock options is the Company's common stocks, and the number of the stocks underlying each stock option is 100 stocks (hereinafter referred to as the "number of granted stocks"). However, if the Company carries out a share split (including allotment of common stocks without compensation; hereinafter the same applies to the descriptions concerning a share split) or consolidation of the Company's common stocks on or after the date when this Proposal is resolved (hereinafter referred to as the

"date of resolution"), the number of granted stocks will be adjusted in accordance with the following formula, and if the result includes any fraction less than one share, such fraction will be rounded off.

Number of the granted stocks after the adjustment = Number of granted stocks before the adjustment × Share split ratio or consolidation ratio

In addition to what is described above, if it becomes necessary to adjust the number of granted stocks in such cases as when the Company carries out a merger or company split after the date of resolution, the Company may properly adjust the number of granted stocks to the reasonable extent.

2) Total number of stock options

The maximum number of stock options allocated to Directors in each fiscal year will be 550 stocks in total.

3) Paid-in amount of stock options

The paid-in amount of one stock option will be determined by the Board of Directors with reference to the fair value of the stock option as a benchmark, while the fair value is calculated by a fair calculation method such as the Black Scholes Model upon the allocation of the stock options.

4) Value of property to be contributed upon the exercise of the stock options

The value of property to be contributed upon the exercise of the stock options will be the amount obtained by multiplying the per-share exercise price, which is one yen per stock to be granted upon the exercise of the stock, by the number of granted stocks.

5) Period in which the stock options can be exercised

The period will be determined by the Board of Directors, on the condition that the period should not exceed 30 years from the day following the day when stock options are allocated.

6) Limitation on acquisition of stock options by assignment

If stock options are to be acquired by assignment, an approval of the Board of Directors will be required for the acquisition.

7) Conditions for the exercise of stock options

Conditions for the exercise of stock options will be prescribed by the Board of Directors.

(Note)

The Company is considering issuing stock options, which are equivalent to the stock options described above, also to the Company's Corporate Officers and employees, and Directors, Corporate Officers and employees of the Company's subsidiaries, on or after the conclusion of this General Meeting of Shareholders.

End of Document