

**To Shareholders with Voting Rights:**

Norio Hamada  
Chairman of the Board and Chief  
Executive Officer (CEO),  
Representative Director  
TOHO HOLDINGS CO., LTD.  
5-2-1, Daizawa, Setagaya-ku,  
Tokyo, Japan

**NOTICE OF  
THE 72ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

Please be informed that the 72nd Annual General Meeting of Shareholders of TOHO HOLDINGS CO., LTD. (the “Company”) will be held for the purposes as described below.

Shareholders can exercise your voting rights either in writing or through electromagnetic means (the Internet, etc.). Please review the Reference Documents for the General Meeting of Shareholders described hereinafter, and cast your vote by 5 p.m. on Thursday, June 25, 2020, Japan time.

- 1. Date and Time:** Friday, June 26, 2020 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 72nd Fiscal Year (April 1, 2019 - March 31, 2020) and results of audits by the Accounting Auditor and the Audit and Supervisory Committee of the Consolidated Financial Statements
  2. Non-consolidated Financial Statements for the Company’s 72nd Fiscal Year (April 1, 2019 - March 31, 2020)

**Proposals to be resolved:**

- Proposal 1:** Election of sixteen (16) Directors (excluding those who are Audit and Supervisory Committee Members)
- Proposal 2:** Election of three (3) Directors who are Audit and Supervisory Committee Members

The End

**For shareholders who will attend the meeting**

- 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. Please also bring this booklet with you as the materials for the meeting agenda.

**Disclosure on the Internet**

- The following materials are posted on the Company’s website (<https://www.tohohd.co.jp/en/>) in accordance with laws and regulations and Article 14 of the Company’s Articles of Incorporation; for this reason, these materials are not contained in this convocation notice.

- (1) The “System to Ensure Proper Execution of Business and Status of Operation of the System” of the Business Report

- (2) The “Consolidated Statement of Changes in Shareholders’ Equity” and the “Notes to Consolidated Financial Statements” of the Consolidated Financial Statements
- (3) The “Statement of Changes in Shareholders’ Equity” and the “Notes to Non-consolidated Financial Statements” of the Non-consolidated Financial Statements

Please note that materials (1) to (3) above constitute a part of the Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Audit and Supervisory Committee upon the preparation of the Audit Report and that materials (2) and (3) above constitute a part of the Consolidated Financial Statements and the Non-consolidated Financial Statements audited by the Accounting Auditor upon the preparation of the Independent Auditor’s Audit Report.

- If there is any correction of the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements, we will notify you of the corrected matters by posting them on the Company’s website on the Internet (<https://www.tohohd.co.jp/en/>).

## **Information about the exercise of voting rights**

Attendance at the General Meeting of Shareholders

Please bring the enclosed Voting Rights Exercise Form with you and submit it to the reception desk.

Exercise of 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 so that it reaches our shareholder register administrator by no later than 5:00 p.m. on Thursday, June 25, 2020, Japan time.

Exercise of voting rights via the Internet, etc.

Please enter your vote for or against the proposals following the instructions below. Please also input it by no later than 5:00 p.m. on Thursday, June 25, 2020, Japan time.

(Note) If you exercise your voting rights, both in writing and via the Internet, etc., the exercise via the Internet, etc., will be considered to be the valid exercise of voting rights.

Guide to Exercising Voting Rights via the Internet, etc.

By scanning the QR Code “Smart Exercise”

You can log in to the website for exercise of voting rights without entering the voting rights exercise code or password.

(1) Please scan the QR Code printed on the bottom right of the Voting Rights Exercise Form.

(Note) “QR Code” is a registered trademark of DENSO WAVE INCORPORATED.

(2) After that, please follow the instructions on the screen and indicate your approval or disapproval.

**The exercise of voting right by “Smart Exercise” is available only once.**

If you wish to change your vote after exercising your voting rights, please access the PC website shown on the right, and then log in by entering the “voting rights exercise code” and “password” indicated on the Voting Rights Exercise Form to exercise your voting right again.

(Note) If you scan the QR code with your smartphone for the second and subsequent times, you will be transferred to the PC website.

**By entering the voting rights exercise code and password**

Voting Rights Exercise Website: <https://www.web54.net>

(1) Please access to the Voting Rights Exercise Website.

(2) Please enter the “voting rights exercise code” indicated on the Voting Rights Exercise Form.

(3) Please enter the “password” indicated on the Voting Rights Exercise Form.

(4) After that, please follow the instructions on the screen and indicate your approval or disapproval.

If you have any questions on how to exercise your voting rights via the Internet using a personal computer, smartphone, or mobile phone, please contact:

Stock Transfer Agency Web Support, Sumitomo Mitsui Trust Bank, Limited

Telephone: 0120-652-031 (Operating hours: 9:00 a.m. to 9:00 p.m.)

(Note) Institutional investors can use the Electronic Voting System Platform for institutional investors operated by ICJ, Inc.

## Reference Documents for the General Meeting of Shareholders

### Proposal 1: Election of sixteen (16) Directors (excluding those who are Audit and Supervisory Committee Members)

The term of office of all the incumbent Directors (16 persons) (excluding those who are Audit and Supervisory Committee Members) will expire upon the conclusion of this General Meeting of Shareholders.

Accordingly, the election of sixteen (16) Directors (excluding those who are Audit and Supervisory Committee Members) is proposed.

Please be noted that there was no opinion from the Audit and Supervisory Committee regarding the proposal.

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

#### List of candidates

No.	Name		Attendance at the Board of Directors meetings
1	Norio Hamada	Reappointment	14/14 (100%)
2	Atsushi Udoh	Reappointment	14/14 (100%)
3	Hiromi Edahiro	Reappointment	14/14 (100%)
4	Hiroyuki Kono	Reappointment	13/14 (93%)
5	Shigeru Fujimoto	Reappointment	13/14 (93%)
6	Akira Umada	Reappointment	14/14 (100%)
7	Mitsuo Morikubo	Reappointment	14/14 (100%)
8	Toshio Honma	Reappointment	14/14 (100%)
9	Takeo Matsutani	Reappointment	12/14 (86%)
10	Tsuguo Nakagomi	Reappointment	14/14 (100%)
11	Makoto Kawamura	Reappointment	14/14 (100%)
12	Masami Tada	New appointment	-
13	Seiji Ohara	New appointment	-
14	Shunsuke Watanabe	Reappointment Outside Independent	14/14 (100%)
15	Shosaku Murayama	Reappointment Outside Independent	14/14 (100%)
16	Toru Nagasawa	Reappointment Outside Independent	14/14 (100%)

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 (current the Company)</p> <p>June 1979        Director of TOHO PHARMACEUTICAL</p> <p>October 1993    Managing Director of TOHO PHARMACEUTICAL</p> <p>June 1999        Senior Managing Director and Representative Director of TOHO PHARMACEUTICAL</p> <p>June 2001        Vice President and Representative Director of TOHO PHARMACEUTICAL</p> <p>June 2005        President and Representative Director of TOHO PHARMACEUTICAL</p> <p>April 2009       President and Representative Director of the Company</p> <p>May 2017        Chairman of the Board and Chief Executive Officer (CEO), Representative Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 125,500 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Norio Hamada has been executing his duties as Chairman of the Board and Chief Executive Officer (CEO), Representative Director of the Company and has considerable experience and knowledge with respect to corporate management and the overall business operations of the Company group. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group in a position to lead the overall business management of the Company group going forward.</p>	<p>[Positions and responsibilities within the Company]</p> <p>Chairman of the Board and Chief Executive Officer (CEO), Representative Director</p>	

2. Atsushi Udoh (Date of birth: April 26, 1964)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>July 1987        Joined TOHO PHARMACEUTICAL (current the Company)</p> <p>April 2009       Corporate Officer of TOHO PHARMACEUTICAL</p> <p>July 2012        Director of TOHO PHARMACEUTICAL</p> <p>June 2015        Managing Director of TOHO PHARMACEUTICAL</p> <p>June 2015        Corporate Officer of the Company</p> <p>June 2016        Executive Vice President and Director of TOHO PHARMACEUTICAL</p> <p>June 2016        Director of the Company</p> <p>June 2017        Vice President and Representative Director of TOHO PHARMACEUTICAL</p> <p>June 2017        Executive Managing Director of the Company</p> <p>June 2019        Director of TOHO PHARMACEUTICAL (to present)</p> <p>June 2019        President and Chief Operating Officer (COO), Representative Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 8,500 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Atsushi Udoh has been executing his duties as President and Chief Operating Officer (COO), Representative Director of the Company and has considerable knowledge and experience based on his long-term career as the manager in charge of the sales division. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group in a position to lead the overall business management of the Company group going forward.</p>	<p>[Positions and responsibilities within the Company]</p> <p>President and Chief Operating Officer (COO), Representative Director</p>	

3. Hiromi Edahiro (Date of birth: May 14, 1952)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within the Company] Vice Chairman of the Board and Chief Financial Officer (CFO), Representative Director</p>
April 1977	Joined Tokio Marine Fire Insurance (current Tokio Marine & Nichido Fire Insurance Co., Ltd.)	
September 1985	Joined Tokiwa Pharmaceutical	
August 2000	Representative Director and President of Tokiwa Pharmaceutical	
June 2012	Auditor of the Company	
June 2015	President and Representative Director of TOHO PHARMACEUTICAL	
June 2015	Director of the Company	
June 2017	Vice President and Director of the Company	
June 2019	Director of TOHO PHARMACEUTICAL (to present)	
June 2019	Vice Chairman of the Board and Chief Financial Officer (CFO), Representative Director of the Company (to present)	
<p>■ Number of shares of the Company held: 19,000 shares</p>		
<p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Hiromi Edahiro has been executing his duties as Vice Chairman of the Board and Chief Financial Officer (CFO), Representative Director of the Company. He has also experience of serving in the positions of manager in charge of the management division and Representative Director of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, and therefore possesses considerable knowledge of the Group's business operations and corporate management. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group in a position to lead the overall business management of the Company group going forward.</p>		

4. Hiroyuki Kono (Date of birth: May 26, 1948)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>July 1977      Joined Kono Yakuhin Co., Ltd. (current SAYWELL Inc.)</p> <p>April 1987      President and Representative Director of Kono Yakuhin Co., Ltd</p> <p>October 1997    President and Representative Director of OMWELL INC. (current SAYWELL Inc.)</p> <p>June 2004      Director of TOHO PHARMACEUTICAL (current the Company)</p> <p>June 2005      Executive Vice President and Director of TOHO PHARMACEUTICAL</p> <p>April 2009      Executive Vice President and Director of the Company</p> <p>April 2009      President and Representative Director of TOHO PHARMACEUTICAL</p> <p>June 2015      Chairman of the Board and Representative Director of the Company</p> <p>May 2017      Vice Chairman of the Board and Representative Director of the Company</p> <p>June 2019      Vice Chairman of the Board and Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 1,333,660 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Hiroyuki Kono has been executing his duties as Vice Chairman of the Board and Director of the Company, and acting in cooperation with the industrial groups to which the Company group belongs as an officer of said association. Furthermore, Mr. Hiroyuki Kono, from his past career as Representative Director of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>	<p>[Positions and responsibilities within the Company]</p> <p>Vice Chairman of the Board and Director in charge of industrial groups</p>	

5. Shigeru Fujimoto (Date of birth: August 2, 1950)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>March 1973      Joined Kono Yakuhin Co., Ltd. (current SAYWELL Inc.)</p> <p>April 1995      Director of Kono Yakuhin Co., Ltd.</p> <p>October 1997    Director of OMWELL INC. (current SAYWELL Inc.)</p> <p>April 1999      Managing Director of OMWELL INC.</p> <p>April 2006      Senior Managing Director of OMWELL INC.</p> <p>January 2010    Senior Managing Director of SAYWELL Inc.</p> <p>June 2011      President and Representative Director of SAYWELL Inc.</p> <p>June 2016      Corporate Officer of the Company</p> <p>June 2017      Chairman of the Board and Representative Director of SAYWELL Inc. (to present)</p> <p>June 2017      Vice President and Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 43,700 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Shigeru Fujimoto has been executing his duties as Vice President and Director of the Company, and as Representative Director of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>	<p>[Positions and responsibilities within the Company]</p> <p>Vice President and Director in charge of Kansai Area</p> <p>[Significant concurrent positions]</p> <p>Chairman of the Board and Representative Director, SAYWELL Inc.</p>	

6. Akira Umada (Date of birth: April 16, 1965)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within the Company] Senior Executive Managing Director</p> <p>[Significant concurrent positions] President and Representative Director of TOHO PHARMACEUTICAL</p>
<p>March 1986      Joined TOHO PHARMACEUTICAL (current the Company)</p> <p>April 2009      Corporate Officer of TOHO PHARMACEUTICAL</p> <p>July 2012        Director of TOHO PHARMACEUTICAL</p> <p>June 2015        Managing Director of TOHO PHARMACEUTICAL</p> <p>June 2015        Corporate Officer of the Company</p> <p>June 2016        Senior Managing Director of TOHO PHARMACEUTICAL</p> <p>June 2016        Director of the Company</p> <p>June 2019        President and Representative Director of TOHO PHARMACEUTICAL (to present)</p> <p>June 2019        Senior Executive Managing Director of the Company (to present)</p>		
<p>■ Number of shares of the Company held: 15,100 shares</p>		
<p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Akira Umada has been executing his duties as Senior Executive Managing Director of the Company, and as Representative Director of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>		



7. Mitsuo Morikubo (Date of birth: December 1, 1949)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within the Company] Director</p> <p>[Significant concurrent positions] Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL</p>	
<p>June 1992      Joined TOHO PHARMACEUTICAL (current the Company)</p> <p>June 1992      Director of TOHO PHARMACEUTICAL</p> <p>June 2008      Managing Director of TOHO PHARMACEUTICAL</p> <p>April 2009      Corporate Officer of the Company</p> <p>June 2013      Director of the Company</p> <p>June 2015      Executive Managing Director of the Company</p> <p>June 2017      Senior Executive Managing Director of the Company</p> <p>June 2019      Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL (to present)</p> <p>June 2019      Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 66,281 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Mitsuo Morikubo has been executing his duties as Director of the Company, as Representative Director of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, and as the manager in charge of the distribution and development divisions, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>		

8. Toshio Honma (Date of birth: March 12, 1948)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within the Company] Director</p>	
<p>October 1980    Joined Honma Pharmaceutical (current TOHO PHARMACEUTICAL)</p> <p>April 1984      President and Representative Director of Honma Pharmaceutical</p> <p>June 2000      Director of TOHO PHARMACEUTICAL (current the Company)</p> <p>June 2005      Senior Managing Director of TOHO PHARMACEUTICAL</p> <p>April 2009      Director of the Company</p> <p>October 2013    President and Representative Director of Godo Toho (current TOHO PHARMACEUTICAL)</p> <p>June 2015      Vice President and Director of the Company</p> <p>June 2016      Director of the Company (to present)</p> <p>June 2017      Vice President and Director of TOHO PHARMACEUTICAL (to present)</p> <p>■ Number of shares of the Company held: 42,143 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Toshio Honma has been executing his duties as Director of the Company, and through the important positions he has held including Representative Director of the Company's consolidated subsidiaries that engage in the pharmaceutical wholesaling business, has gained considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>		

9. 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 the Company] Director</p> <p>[Significant concurrent positions] President and Representative Director of Kyushu Toho</p>
<p>February 1992    Joined TOHO PHARMACEUTICAL (current the Company)</p> <p>June 2001        Director of TOHO PHARMACEUTICAL</p> <p>June 2007        Managing Director of TOHO PHARMACEUTICAL</p> <p>June 2008        Senior Managing Director of TOHO PHARMACEUTICAL</p> <p>April 2009       Director of the Company (to present)</p> <p>June 2013        Executive Managing Director of Kyushu Toho</p> <p>June 2015        President and Representative Director of Kyushu Toho (to present)</p> <p>June 2017        Vice President and Director of TOHO PHARMACEUTICAL (to present)</p> <p>■ Number of shares of the Company held: 60,528 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Takeo Matsutani has been executing his duties as Director of the Company, and as Representative Director of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>	

10. Tsuguo Nakagomi (Date of birth: February 28, 1955)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>November 1994      Joined TOHO PHARMACEUTICAL (current the Company)</p> <p>May 1999            Director of Toho System Service Co., Ltd.</p> <p>April 2011          President and Representative Director of Toho System Service Co., Ltd. (to present)</p> <p>June 2011           Corporate Officer of TOHO PHARMACEUTICAL</p> <p>June 2012           Director of TOHO PHARMACEUTICAL</p> <p>June 2017           Corporate Officer of the Company</p> <p>June 2018           Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 3,900 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Tsuguo Nakagomi has been executing his duties as Director of the Company, and as Representative Director of the Company's consolidated subsidiary that mainly engages in the core system operations including data processing of the Company group, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>	<p>[Positions and responsibilities within the Company]</p> <p>Director, General Manager of Corporate Development and Planning Division</p>	

11. Makoto Kawamura (Date of birth: September 5, 1960)		Reappointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>April 1984          Joined Fujisawa Pharmaceutical Co., Ltd. (current Astellas Pharma Inc.)</p> <p>July 2015            Joined the Company</p> <p>June 2016           Corporate Officer of the Company</p> <p>June 2018           Director of the Company (to present)</p> <p>■ Number of shares of the Company held: 2,105 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Makoto Kawamura has been executing his duties as Director of the Company and as the head of corporate management divisions, has considerable experience and knowledge in the relevant field. We propose his reelection as we expect him to leverage his experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>	<p>[Positions and responsibilities within the Company]</p> <p>Director, General Manager of Corporate Management Division and General Manager of Corporate Planning and Investor Relations Department</p>	

12. Masami Tada (Date of birth: November 5, 1964)	New appointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>December 2004    Joined TOHO PHARMACEUTICAL</p> <p>July 2008        Deputy General Manager of Medical Affairs Information Department of TOHO PHARMACEUTICAL</p> <p>April 2013       Leader of Medical Affairs Information Team, Marketing and Planning Department of TOHO PHARMACEUTICAL</p> <p>April 2019       Deputy General Manager of Administration Division of the Company</p> <p>October 2019    General Manager of Group Risk Management Division of the Company</p> <p>May 2020        Deputy General Manager of Pharmaceutical Affairs Headquarters of the Company (to present)</p> <p>May 2020        General Manager of Pharmaceutical Affairs Information Department of TOHO PHARMACEUTICAL (to present)</p> <p>■ Number of shares of the Company held: - shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Ms. Masami Tada has been executing her duties as Deputy General Manager of the Pharmaceutical Affairs Headquarters of the Company and as the manager in charge of the pharmaceutical affairs information division of a consolidated subsidiary of the Company, has considerable experience and knowledge in the relevant field. We propose her election as we expect her to leverage her experience fostered so far and further contribute to the sustainable growth and enhancement of the corporate value of the Company group.</p>	<p>[Positions and responsibilities within the Company]</p> <p>Deputy General Manager of Pharmaceutical Affairs Headquarters</p>

13. Seiji Ohara (Date of birth: June 3, 1963)	New appointment
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>April 1988        Joined OHARA Pharmaceutical Co., Ltd.</p> <p>April 1998        Managing Director of OHARA Pharmaceutical Co., Ltd.</p> <p>April 2000        Representative Executive Director and CFO of OHARA Pharmaceutical Co., Ltd.</p> <p>April 2001        President and CEO of OHARA Pharmaceutical Co., Ltd. (to present)</p> <p>■ Number of shares of the Company held: - shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Seiji Ohara has served as Representative Director for many years at OHARA Pharmaceutical Co., Ltd., whose main business is the manufacture and sale of prescription pharmaceuticals, and has considerable knowledge of the pharmaceutical industry and insight into corporate activities, etc. We propose his election as we expect him to utilize his practical viewpoint based on his management experience fostered so far in the Company's management.</p>	<p>[Significant concurrent positions]</p> <p>President and CEO of OHARA Pharmaceutical Co., Ltd.</p>

14. Shunsuke Watanabe (Date of birth: October 4, 1944)	Reappointment	Outside Director	Independent officer
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within the Company] Outside Director</p> <p>[Significant concurrent positions] Visiting Professor, Graduate School of International University of Health and Welfare</p>		
<p>April 1970      Joined Nikkei Inc.</p> <p>May 1982      Temporarily transferred to the Ministry of Foreign Affairs as First Secretary of Japanese Embassy in Denmark</p> <p>March 1985    Editorial Board Member of Nikkei Inc.</p> <p>March 1988    Editorial Writer of Nikkei Inc.</p> <p>October 2004    Visiting Professor of the School of Medicine, Tokyo Women's Medical University</p> <p>April 2009    Professor of the Graduate School of International University of Health and Welfare</p> <p>May 2014      Adviser of Tokyo Women's Medical University</p> <p>June 2014      Outside Director of the Company (to present)</p> <p>April 2016    Specially-appointed Professor, Graduate School of International University of Health and Welfare</p> <p>April 2018    Visiting Professor, Graduate School of International University of Health and Welfare (to present)</p>			
<p>■ Number of shares of the Company held: 1,000 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, he has provided valuable remarks and advice based on such experience during his term of office as Outside Director of the Company. We propose his reelection, as we would like him to contribute to the Company's management going forward based on his professional knowledge and experience, etc. Currently, he is an Outside Director, and his term of office will reach 6 years upon the conclusion of this Annual General Meeting of Shareholders.</p>			

15. Shosaku Murayama (Date of birth: September 21, 1949)	Reappointment	Outside Director	Independent officer
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within the Company] Outside Director</p> <p>[Significant concurrent positions] President and Representative Director of iPS PORTAL, Inc.</p>		
<p>April 1972      Joined the Bank of Japan</p> <p>February 1981      Economist of the Bank of Japan Representative Office in New York</p> <p>November 1994      Branch Manager of the Bank of Japan Takamatsu Branch</p> <p>June 1998      Director-General of Research and Statistics Department of the Bank of Japan</p> <p>March 2002      President &amp; CEO of Teikoku Seiyaku Co., Ltd.</p> <p>June 2002      Outside Director of SHIKOKU CHEMICALS CORPORATION</p> <p>June 2008      Director of iPS Academia Japan, Inc.</p> <p>June 2011      President &amp; CEO of iPS Academia Japan, Inc.</p> <p>June 2013      Outside Director of SCREEN Holdings Co., Ltd.</p> <p>June 2014      Outside Director of the Company (to present)</p> <p>July 2014      President and Representative Director of iPS PORTAL, Inc. (to present)</p> <p>April 2018      Outside Director of Kataoka Corporation</p>			
<p>■ Number of shares of the Company held: 1,900 shares</p>			
<p>■ Reason for the nomination as Outside Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>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. During his term of office as Outside Director of the Company, he has provided valuable remarks and advice based on such experience. We propose his reelection, as we would like him to contribute to the Company's management going forward based on his considerable knowledge and experience, etc., of corporate management. Currently, he is an Outside Director, and his term of office will reach 6 years upon the conclusion of this Annual General Meeting of Shareholders.</p>			

16. Toru Nagasawa (Date of birth: January 15, 1959)	Reappointment	Outside Director	Independent officer
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>	<p>[Positions and responsibilities within the Company] Outside Director</p> <p>[Significant concurrent positions] Representative Lawyer, Nagasawa Law Offices Outside Auditor of GREE, Inc. Outside Corporate Auditor of LANCERS, INC. Outside Director (Audit and Supervisory Committee Member) of Mebuki Financial Group, Inc.</p>		
<p>April 1984 Registered as Lawyer (Daiichi Tokyo BAR Association)</p> <p>April 1984 Joined Kajitani Law Offices</p> <p>April 1995 Opened Nagasawa Law Offices, Representative Lawyer (to present)</p> <p>September 2007 Outside Auditor of GREE, Inc. (to present)</p> <p>October 2014 Outside Corporate Auditor of LANCERS, INC. (to present)</p> <p>June 2015 Outside Director of the Company (to present)</p> <p>June 2016 Outside Director of Ashikaga Holdings Co., Ltd. (current Mebuki Financial Group, Inc.)</p> <p>October 2016 Outside Director (Audit and Supervisory Committee Member) of Mebuki Financial Group, Inc. (to present)</p>			
<p>■ Number of shares of the Company held: 1,000 shares</p>			
<p>■ Reason for the nomination as Outside Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>As a lawyer, Mr. Toru Nagasawa has advanced legal knowledge and considerable experience. He also participated in corporate management as a corporate rehabilitation trustee. During his term of office as Outside Director of the Company, he has provided valuable remarks and advice based on such experience. We propose his reelection as an Outside Director, as we would like him to contribute to the Company's management going forward based on his knowledge, experience, etc., related to corporate legal affairs. Currently, he is an Outside Director, and his term of office will reach 5 years upon the conclusion of this Annual General Meeting of Shareholders.</p>			

(Notes)

1. The candidates for Directors' special interest in the Company
  - 1) Mr. Shunsuke Watanabe concurrently holds a position of Visiting Professor of the Graduate School of International University of Health and Welfare. Although the Company's consolidated subsidiary sells prescription pharmaceuticals, etc., to the International University of Health and Welfare, the ratio of amounts of such transactions is less than 1% of the Company group's annual consolidated net sales.
  - 2) No special interest exists between 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 Tokyo Stock Exchange, Inc., and has reported the appointment to 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.
5. Mr. Shosaku Murayama, a candidate for Director, retired as Outside Director of Kataoka Corporation as of April 28, 2020.

**Proposal 2: Election of three (3) Directors who are Audit and Supervisory Committee Members**

The term of office of all the incumbent Directors who are Audit and Supervisory Committee Members (3 persons) will expire upon the conclusion of this General Meeting of Shareholders.

Accordingly, the election of 3 Directors who are Audit and Supervisory Committee Members is proposed. The consent of the Audit and Supervisory Committee has already been obtained in advance for this proposal. The candidates for Directors who are Audit and Supervisory Committee Members are as follows:

## List of candidates

No.	Name		Attendance at the Board of Directors meetings	Attendance at the Audit and Supervisory Committee meetings
1	Hideyuki Shimizu	Reappointment	14/14 (100%)	10/10 (100%)
2	Koji Nakamura	Reappointment Outside Independent	14/14 (100%)	10/10 (100%)
3	Yoshiaki Kamoya	New appointment Outside Independent	-	-



1. Hideyuki Shimizu (Date of birth: April 26, 1958)		Reappointment	
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within the Company] Director (Audit and Supervisory Committee Member)</p>	
March 1979	Joined TOHO PHARMACEUTICAL CO., LTD. (current the Company)		
May 1998	President and Representative Director of Toho System Service Co., Ltd.		
April 2011	Deputy General Manager of Group Audit Office of the Company		
June 2012	Full-time Auditor of the Company		
June 2016	Director (Audit and Supervisory Committee Member) of the Company (to present)		
<p>■ Number of shares of the Company held: 7,700 shares</p>			
<p>■ Reason for the nomination as Director who is an Audit and Supervisory Committee Member</p> <p>Mr. Hideyuki Shimizu had served as an Auditor of the Company and, since the transition to a company with an audit and supervisory committee, has been executing his duties as a Director who is an Audit and Supervisory Committee Member in a proper manner. We propose his reelection, 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. Koji Nakamura (Date of birth: July 22, 1950)		Reappointment	Outside Director	Independent officer
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p>		<p>[Positions and responsibilities within the Company] Outside Director (Audit and Supervisory Committee Member)</p>		
April 1976	Joined Tanabe Seiyaku Co., Ltd. (currently Mitsubishi Tanabe Pharma Corporation)			
June 2008	Executive Officer and Director of CMC Research Center, Tanabe Seiyaku Co., Ltd.			
June 2011	Managing Executive Officer, General Manager of Pharmaceutical Operations, Tanabe Seiyaku Co., Ltd., and President and Representative Director of Mitsubishi Tanabe Pharma Factory Ltd.			
June 2014	Director, Senior Managing Executive Officer, and General Manager of Pharmaceutical Operations, Mitsubishi Tanabe Pharma Corporation			
June 2015	Adviser of Mitsubishi Tanabe Pharma Corporation			
June 2016	Retired from Adviser of Mitsubishi Tanabe Pharma Corporation			
June 2016	Outside Director (Audit and Supervisory Committee Member) of the Company (to present)			
<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</p> <p>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 reelection, 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. Currently, he is an Outside Director who is an Audit and Supervisory Committee Member, and his term of office will reach 4 years upon the conclusion of this Annual General Meeting of Shareholders.</p>				

3. Yoshiaki Kamoya (Date of birth: October 25, 1955)	New appointment	Outside Director	Independent officer
<p>■ Career summary, positions and responsibilities within the Company, and significant concurrent positions</p> <p>April 1978      Joined Shionogi &amp; Co., Ltd.</p> <p>April 2009      Corporate Officer, General Manager of Administration Department, and Senior Vice President of Tokyo Branch Office of Shionogi &amp; Co., Ltd.</p> <p>April 2011      Executive Officer of Shionogi &amp; Co., Ltd.</p> <p>April 2017      Senior Executive Officer and Senior Vice President of Tokyo Branch Office of Shionogi &amp; Co., Ltd.</p> <p>March 2020      Retired from Senior Executive Officer of Shionogi &amp; Co., Ltd.</p> <p>April 2020      Adviser of Shionogi &amp; Co., Ltd. (to present)</p> <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. Yoshiaki Kamoya has considerable knowledge and insight in relation to the pharmaceutical industry, and considerable experience as a manager in charge of the business management division of Shionogi &amp; Co., Ltd. He has also served in important positions in industrial groups. We propose his election, as we would like him to contribute to the supervision and audit of the Company's management based on his professional knowledge and experience.</p>			

(Notes)

1. No special interest exists between each of the candidates and the Company.
2. Mr. Koji Nakamura and Mr. Yoshiaki Kamoya are candidates for Outside Director who is an Audit and Supervisory Committee Member.
3. The Company designates Mr. Koji Nakamura as an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc., and has reported the appointment to Tokyo Stock Exchange, Inc. It is expected that he will become the independent officer on a continuing basis, when he is reappointed.
4. If Mr. Yoshiaki Kamoya is appointed as originally proposed, it is expected that he will newly become an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc.
5. Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company and each of Mr. Hideyuki Shimizu and Mr. Koji Nakamura 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.
6. If Mr. Yoshiaki Kamoya is appointed as originally proposed, pursuant to Article 427, Paragraph 1 of the Companies Act, it is expected that the Company and Mr. Yoshiaki Kamoya 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.

The End

(Attachment)

## **Business Report**

[from April 1, 2019 to March 31, 2020]

### **1. Current Situation of the Corporate Group**

(1) Business Conditions for the Current Fiscal Year

1) Business Progress and Results

In the consolidated fiscal year ended March 31, 2020, the prescription pharmaceuticals market continued to face a severe environment as evidenced by the promotion of measures to cut medical expenses including promoting generic drug use, and by the fact that NHI drug prices were reduced by 2.4% due to the NHI drug price revisions in October 2019 resulting from the increase in the consumption tax rate. The Company achieved favorable results due to sales growth of new drugs such as cancer treatment drugs, specialty pharmaceuticals and pharmaceuticals for rare diseases as well as an expansion of our customer support systems including Initial Examination Reservation Service.

Under these circumstances, as a business group involved in medical care, health and nursing care, with the businesses such as pharmaceutical wholesaling, dispensing pharmacy and manufacture and sales of pharmaceuticals, the Group as a whole has made a concerted effort to accelerate the shift to a business model centered on value-added services which are actually useful in a wide range of areas, by developing and proposing customer support systems to offer solutions to problems faced by patients and medical institutions, and by contributing to the establishment of community comprehensive healthcare systems.

KYOSOMIRAI PHARMA CO., LTD., which was established in November 2016 as part of our business strategy to improve medium-to-long-term profitability, has continued to endeavor to expand the product line-up. As of the end of the fiscal year under review, it dealt with 76 ingredients in 164 generic products. In the logistics division, the integrated logistics center “TBC DynaBASE” has been under construction in Ota-ku, Tokyo, aiming to start operations in fall 2020. We built full-scale systems with the aim of further enhancing our productivity by further advancing the automation technology we have developed so far, and even more importantly, fulfilling our social mission of providing a steady supply of pharmaceuticals even during a disaster. Furthermore, to respond to the Guidelines on Ethical Drug Detailing Activities published in September 2018, the Company established the group risk management division, while its pharmaceutical wholesaling subsidiaries including Toho Pharmaceutical Co., Ltd., a consolidated subsidiary of the Company, also established sales information supervisory divisions in order to enhance their organizational strength to adapt to the changing environment.

In the pharmaceutical wholesaling business, we have continued to make efforts to conduct unit price negotiations per single item based on the value of each product. We also continued to press ahead with measures to decrease the number of express/frequent deliveries, which impose a heavy burden on both the Company’s and our customers’ operations, and to achieve the most appropriate frequency of deliveries through the proposal of “Mizar”, a centralized administration system for pharmacy operations with an automated ordering function. In addition to having released “Future ENIF”, our new order/information terminal for pharmaceuticals, we have also engaged in activities to promote and enhance sales of the Company’s unique customer support systems in order to solve the challenges that medical institutions are facing, such as the Initial Examination Reservation Service, ENIFvoice SP+A, ENIFvoice Core and Core-POS.

In the dispensing pharmacy business, while responding to the dispensing fee revision, we have strived to improve profitability by increasing management efficiency through standardization of store operations with the adoption of our customer support system. We have also upgraded our training programs including those held in hospitals as a measure for a functional shift of pharmacies.

As a result, the Company’s consolidated operating results for fiscal year ended March 31, 2020 recorded

1,263,708 million yen for net sales (an increase of 3.4% on a year-on-year basis), 17,590million yen for operating income (an increase of 11.4% on a year-on-year basis), 23,732 million yen for ordinary income (an increase of 10.6% on a year-on-year basis), and 16,230 million yen for profit attributable to owners of parent (an increase of 17.1% on a year-on-year basis). The Company's achievement rate for the full-year earnings forecasts, which was revised up on November 7, 2019 in consideration of the business results for the first half of the fiscal year under review, recorded 99.7% for net sales, 102.9% for operating income, 98.9% for ordinary income, and 106.8% for profit attributable to owners of parent.

TOHO PHARMACEUTICAL CO., LTD., one of our consolidated subsidiary, received an onsite inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding its bidding to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO) on November 27, 2019. Together with TOHO PHARMACEUTICAL, we are taking this situation seriously and fully cooperating with the investigation by the Japan Fair Trade Commission. We will disclose further information on important concerns immediately upon the occurrence of such concerns.

- (Notes) 1. TBC is the abbreviation for Toho Butsuryu Center (Toho Distribution Center).
2. ENIFvoice SP+A is the name for the all-in-one automatic voice-recognition and electronic medication history recording system, ENIFvoice Core is the name for the all-in-one automatic voice-recognition and electronic medication history recording integrated receipt computer, and Core-POS is the name for the receipt computer linked POS system.

◇Net sales in each department

The net sales in each department for the consolidated fiscal year under review was as follows:

Department	Amount (million yen)	Composition ratio (%)	Increase/decrease compared to the previous fiscal year (%)
Pharmaceutical wholesaling business	1,166,422	92.3	3.4
Pharmaceuticals	1,089,030	/	/
Reagents	58,731		
Medical devices	18,660		
Dispensing pharmacy business	95,896	7.6	3.2
SMO business	256	0.0	-8.7
Information equipment sales business	1,133	0.1	-2.0
Total	1,263,708	100.0	3.4

(Note) Sales represent sales to external customers.

## 2) Status of Capital Investment

The total amount of the Company group's capital investments was 14,604 million yen. Major capital investments include the construction of the integrated logistics center "TBC DynaBASE" and its distribution facilities.

## 3) Status of Fund Procurement

No funds were procured through capital increase or bond issuance in the consolidated fiscal year under review.

(2) Status of Assets and Profits and Losses

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

Item	The 69th fiscal year (ended March 31, 2017)	The 70th fiscal year (ended March 31, 2018)	The 71st fiscal year (ended March 31, 2019)	The 72nd fiscal year (Consolidated fiscal year under review) (ended March 31, 2020)
Net sales (million yen)	1,231,046	1,213,342	1,222,199	1,263,708
Ordinary income (million yen)	19,844	25,045	21,452	23,732
Profit attributable to owners of parent (million yen)	14,225	14,384	13,863	16,230
Net income per share	207.12 yen	209.84 yen	207.71 yen	233.34 yen
Total assets (million yen)	598,155	645,799	663,727	670,827

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

Item	The 69th fiscal year (ended March 31, 2017)	The 70th fiscal year (ended March 31, 2018)	The 71st fiscal year (ended March 31, 2019)	The 72nd fiscal year (Consolidated fiscal year under review) (ended March 31, 2020)
Net sales (million yen)	17,890	11,398	13,970	13,500
Ordinary income (million yen)	14,173	7,887	10,190	8,532
Net income (million yen)	14,358	6,275	10,238	9,720
Net income per share	209.03 yen	91.54 yen	153.38 yen	139.74 yen
Total assets (million yen)	163,478	181,183	195,676	242,585

(3) Status of Significant Parent Company and Subsidiary Companies (as of March 31, 2020)

1) Status of Parent Company

The Company has no parent company.

2) Status of Material Subsidiaries (Consolidated Subsidiaries)

Company name	Capital (million yen)	The Company's percentage of equity participation (%)	Principal business
TOHO PHARMACEUTICAL	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
SQUARE-ONE	100	100.00	Leasing of real estate properties
Toho System Service	10	100.00	Information processing business
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 and small-lot wholesaling of pharmaceuticals
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

Setting “Total Commitment to Good Health” as our corporate slogan and under the mission statement, “Working in harmony with society and customers, and jointly creating new value through the provision of original services, thereby contributing to the improvement of medical services for, and health of, people around the world”, the Group always places ultimate priority on patients, makes efforts to create customer value in order to increase customer satisfaction, and aims to improve corporate value and establish a corporate brand in the market.

In Japan, the government is currently moving ahead with measures to curtail medical expenses, aiming to develop and maintain sustainable social security systems amidst an extending healthy life expectancy, a super-aging society, and the declining total population. In April 2018, a fundamental reform of the NHI drug pricing system was conducted. Consequently, it was decided to undertake surveys on drug prices and NHI drug price revisions annually. In 2018, the Ministry of Health, Labour and Welfare issued Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies; Guidelines on Ethical Drug Detailing Activities; and Good Distribution Practice (GDP) Guidelines for Pharmaceutical Products. In addition, the ministry announced the revised Pharmaceutical and Medical Devices Act in December 2019 to be executed in a phased manner over the next 3 years. We are required to take action corresponding to the effects of these guidelines and system reforms.

As seen above, the environment surrounding the healthcare and pharmaceuticals industries has been changing drastically. Under these circumstances, the Group will, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, respond quickly and appropriately to the rapidly changing environment, and anticipate such rapid environmental changes and challenges to make a contribution to extending the healthy life expectancy of men and women in Japan, and to establishing and maintaining sustainable social security systems.

In the pharmaceutical wholesaling business, we will actively develop and propose customer support systems which will help patients, medical institutions, and specialists in the fields of home and nursing care, etc. to solve their problems, as a measure to improve medium term profitability. In anticipation of the era in which generic drugs account for 80% or more of the pharmaceuticals market on a volume basis, we aim to construct a stable supply of generic drugs whose quality is ensured by independent validation. The Group believes this will provide solutions to problems faced by patients and medical institutions, and help to increase the Group’s profitability. In the dispensing pharmacy business, we will implement measures to develop the functionality for pharmacies to correspond to revisions of dispensing fees. We will also maximize added value in our dispensing pharmacy business, by both providing services coherently linked to community medical care and by training pharmacists with advanced knowledge of pharmaceutical management, in order to meet our missions of being pharmacies focused on community-based services as well as pharmacies operating in closer coordination with specialty medical institutions. Meanwhile, we will put more effort into the consolidation and standardization of operations and into workforce optimization, on a group-wide basis so as to boost productivity, secure stable profits, and increase earnings.

Furthermore, we will work to reduce the environmental burden as we strive to realize a sustainable society through our business activities such as optimizing delivery frequency, and also foster a diversified business culture by utilizing a wide variety of human resources regardless of people’s gender, nationality etc. Keenly aware of the public nature of our business as a medical services and healthcare company, and our mission as part of the social infrastructure, we will seek to supply safe and secure pharmaceuticals by reviewing our functions from a business continuity perspective, and making the investments necessary to ensure a stable pharmaceutical supply during disasters, pandemics etc., supported by stakeholders’ trust and cooperation.

The spread of COVID-19, which is bound to have a major impact on the Japanese and overseas economies, is also expected to have various impacts on our industry, including stagnated marketing activities and limited clinic visits by patients who are alert to the risks of infection.

In March, the Company has taken active steps to prevent COVID-19 by providing an adequate number of surgical

masks, which meets the required number up to early July, to all 13,960 employees of the Group including part-time workers, dispatched workers and contractors. In addition, we have conducted remote work and staggered working hours in order to limit physical contact, and have made efforts to maintain healthcare delivery systems by adopting rotating shifts for employees in the logistics and sales divisions.

Through the implementation of the above-mentioned measures, we will strive to become a corporate group relied upon and continuously supported by all stakeholders including patients, customers, local communities, shareholders and employees.

(5) Principal Business (as of March 31, 2020)

Department	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, 2020)

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	TOHO PHARMACEUTICAL (Tokyo) Pharma Cluster (Tokyo) Toho System Service (Tokyo) SQUARE-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 branches	Hokkaido, Aomori, Iwate, Miyagi, Akita, Yamagata, and Fukushima
		Northern Kanto and Koshinetsu branches	Ibaraki, Tochigi, Gunma, Niigata, Yamanashi, and Nagano
		Tokyo Metropolitan Area branches	Saitama, Chiba, Tokyo, and Kanagawa
		Tokai and Hokuriku branches	Gifu, Shizuoka, Aichi, and Mie
		Kansai branches	Shiga, Kyoto, Osaka, Hyogo, Nara, and Wakayama
	Distribution center	TBC Sapporo (Hokkaido), TBC Sano (Tochigi), TBC Saitama (Saitama), TBC Omiya (Saitama), TBC Tokyo (Tokyo), WILL Heiwajima (Tokyo), TBC Hanshin (Hyogo), TBC Hiroshima (Hiroshima), and TBC Kyushu (Kumamoto)	
Subsidiary	SAYWELL (Hiroshima) Koyo (Kagawa) Kyushu Toho (Fukuoka)		
Pharma Cluster (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, 2020)

1) Number of Employees of the Corporate Group

Number of employees	Increase/decrease from the previous consolidated fiscal year-end
7,847	Decreased by 90

(Notes) 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
233	Increased by 5	46 years and 5 months	16 years and 6 months

(Notes) 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 thirteen (13) persons who were temporarily transferred to other companies.

4. The number of employees includes twelve (12) persons who were temporarily transferred to the Company from other companies.

(8) Status of Major Banks (as of March 31, 2020)

Bank	Borrowing (million yen)
Mizuho Bank, Ltd.	13,657
MUFG Bank, Ltd.	3,916
Sumitomo Mitsui Banking Corporation	3,000

(Note) The status of the banks from which the Company and its consolidated subsidiaries borrow money is described.

## 2. Matters Concerning Shares (as of March 31, 2020)

- (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 4,696 persons
- (4) Major shareholders

Shareholder name	Number of shares (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	3,715	5.27
Mitsubishi Tanabe Pharma Corporation	3,573	5.07
Shionogi & Co., Ltd.	3,500	4.96
Japan Trustee Services Bank, Ltd. (trust account)	3,450	4.89
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Daiichi Sankyo Account Re-trust Trustee, Trust & Custody Services Bank, Ltd.	1,637	2.32
SSBTC CLIENT OMNIBUS ACCOUNT	1,620	2.30
TOHO HOLDINGS Employee Stock Ownership Plan	1,493	2.12
Hiroyuki Kono	1,333	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,283	1.82
STATE STREET BANK AND TRUST COMPANY 505001	1,169	1.66

- (Notes) 1. Any fractions less than 1,000 shares are rounded off.
2. The Company holds 7,747,659 treasury shares, but is excluded from the major shareholders listed above. The shareholding ratio is calculated excluding the treasury shares held by the Company and rounded to the second decimal place.

### 3. Matters Concerning Subscription Rights to Shares, etc.

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)	183	Common stocks 18,300 shares	1,505 yen per share	1 yen per share	From September 25, 2013 to September 24, 2043	6 Directors (excluding Audit and Supervisory Committee Members)
The second subscription rights to shares (December 24, 2015)	107	Common stocks 10,700 shares	2,585 yen per share	1 yen per share	From December 25, 2015 to December 24, 2045	12 Directors (excluding Audit and Supervisory Committee Members and Outside Directors) 3 Outside Directors (excluding Audit and Supervisory Committee Members)
The third subscription rights to shares (February 6, 2017)	221	Common stocks 22,100 shares	2,191 yen per share	1 yen per share	From February 7, 2017 to February 6, 2047	13 Directors (excluding Audit and Supervisory Committee Members and Outside Directors) 3 Outside Directors (excluding Audit and Supervisory Committee Members)

- (Notes)
- Principal exercise condition for the first and second 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.
  - Principal exercise condition for the third subscription rights to shares  
A share option holder can exercise the subscription rights to shares from the day after the day on which three years have passed since the day after the day on which the subscription rights to shares were allocated.

#### 4. Matters Concerning Company's Executives

(1) Status of Directors (as of March 31, 2020)

Name	Position and areas of responsibility within the Company	Significant concurrent positions
Norio Hamada	Chairman of the Board and Chief Executive Officer (CEO), Representative Director	
Atsushi Udoh	President and Chief Operating Officer (COO), Representative Director	
Hiromi Edahiro	Vice Chairman of the Board and Chief Financial Officer (CFO), Representative Director	
Hiroyuki Kono	Vice Chairman of the Board and Director in charge of industrial groups	
Shigeru Fujimoto	Vice President and Director in charge of Kansai Area	Chairman of the Board and Representative Director of SAYWELL Inc.
Akira Umada	Senior Executive Managing Director	President and Representative Director of TOHO PHARMACEUTICAL
Katsuya Kato	Director in charge extraordinary	
Mitsuo Morikubo	Director	Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL
Toshio Honma	Director	
Takeo Matsutani	Director	President and Representative Director of Kyushu Toho
Atsuko Naitou	Director in charge of pharmaceutical affairs	
Tsuguo Nakagomi	Director and General Manager of Corporate Development and Planning Division	
Makoto Kawamura	Director and General Manager of Public and Investor Relations Department	
Shunsuke Watanabe	Director	Visiting Professor, Graduate School of International University of Health and Welfare
Shosaku Murayama	Director	President and Representative Director of iPS PORTAL, Inc. Outside Director of Kataoka Corporation

Name	Position and areas of responsibility within the Company	Significant concurrent positions
Toru Nagasawa	Director	Representative Lawyer, Nagasawa Law Offices Outside Auditor of GREE, Inc. Outside Corporate Auditor of LANCERS, INC. Outside Director (Audit and Supervisory Committee Member) of Mebuki Financial Group, Inc.
Hideyuki Shimizu	Director (Full-time Audit and Supervisory Committee Member)	
Sachio Tokaji	Director (Audit and Supervisory Committee Member)	
Koji Nakamura	Director (Audit and Supervisory Committee Member)	

- (Notes)
1. Directors Mr. Shunsuke Watanabe, Mr. Shosaku Murayama, and Mr. Toru Nagasawa, and Directors who are Audit and Supervisory Committee Members Mr. Sachio Tokaji and Mr. Koji Nakamura, are Outside Directors. The Company appoints each of these Outside Directors as independent officers under the provisions of Tokyo Stock Exchange, Inc., and the appointment has been reported to the Tokyo Stock Exchange.
  2. Upon the conclusion of the 71st General Meeting of Shareholders held on June 27, 2019, Mr. Takaaki Matsutani retired from the position of Director due to the expiry of his term.
  3. The Company has appointed Mr. Hideyuki Shimizu, Director who is an Audit and Supervisory Committee Member, as Full-time Audit and Supervisory Committee Member based on the resolution adopted by the Audit and Supervisory Committee in order to enhance audit and supervisory function of, to strengthen information gathering by, and to facilitate sufficient cooperation with the Internal Audit Division for the Audit and Supervisory Committee.
  4. Mr. Sachio Tokaji, Director who is an Audit and Supervisory Committee Member, has experience in the accounting and finance section of the pharmaceutical industry and thus has considerable knowledge of finance and accounting.
  5. Positions and responsibilities of Directors were changed on May 1, 2020 as follows.

Name	Position and areas of responsibility	
	After change	Before change
Atsuko Naitou	Director and General Manager of Pharmaceutical Affairs Headquarters	Director in charge of pharmaceutical affairs
Makoto Kawamura	Director, General Manager of Corporate Management Division, and General Manager of Corporate Planning and Investor Relations Department	Director, General Manager of Public and Investor Relations Department

(2) Outline of Limitation of Liability Contracts

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded with Directors Mr. Shunsuke Watanabe, Mr. Shosaku Murayama and Mr. Toru Nagasawa, and Directors who are Audit and Supervisory Committee Members Mr. Hideyuki Shimizu, Mr. Sachio Tokaji and Mr. Koji Nakamura, 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 Compensation to Directors

Category	Number of persons	Total amount of compensation, etc. (million yen)
Directors (excluding those who are Audit and Supervisory Committee Members) (of which Outside Directors)	17 (3)	636 (45)
Directors who are Audit and Supervisory Committee Members (of which Outside Directors)	3 (2)	40 (21)
Total (of which Outside Directors)	20 (5)	676 (66)

- (Notes)
1. The total amount of compensation, 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 68th General Meeting of Shareholders held on June 29, 2016, a resolution was passed to the effect that the maximum amount of the compensation to the Directors (excluding those who are Audit and Supervisory Committee Members) should be “no more than 700 million yen per year” (of which, the compensation to the Outside Directors should be no more than 50 million yen) (excluding, however, employee salaries).
  3. At the 68th General Meeting of Shareholders held on June 29, 2016, a resolution was passed to the effect that the maximum amount of the compensation to the Directors who are Audit and Supervisory Committee Members should be “no more than 50 million yen per year”.
  4. The total amount of the compensation, etc., includes the estimated amount of officers’ bonuses payable for the fiscal year under review.
  5. The total amount of compensation, etc., to the Directors (excluding those who are Audit and Supervisory Committee Members) includes the amount recorded as the cost for restricted stock compensation.
  6. The above table includes one (1) Director (excluding those who are Audit and Supervisory Committee Members) who retired upon the conclusion of the 71st General Meeting of Shareholders held on June 27, 2019.

## (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 Visiting Professor at the Graduate School of International University of Health and Welfare. Although a consolidated subsidiary of the Company sells prescription pharmaceuticals, etc., to the International University of Health and Welfare, the ratio of amounts of such transactions is less than 1% of the Company group’s annual consolidated net sales.

- 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 Kataoka Corporation. There is no special interest between iPS PORTAL, Inc. or Kataoka Corporation and the Company.

- Mr. Toru Nagasawa, who is a Director, concurrently holds the post of representative lawyer of Nagasawa Law Offices, the post of outside auditor of GREE, Inc., the post of outside corporate auditor of LANCERS, INC. and the post of outside director (audit and supervisory committee member) of Mebuki Financial Group, Inc. There is no special interest between Nagasawa Law Offices, GREE, Inc., LANCERS, INC. or Mebuki Financial Group, Inc. and the Company.

2) Main Activities during the Fiscal Year under Review

Title	Name	Attendance at the Board of Directors meetings	Attendance at the Audit and Supervisory Committee meetings	Main activities
Outside Director	Shunsuke Watanabe	Attended 14 meetings out of 14 meetings held (100%)	-	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	Attended 14 meetings out of 14 meetings held (100%)	-	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	Attended 14 meetings out of 14 meetings held (100%)	-	Provided opinions from a variety of perspectives, mainly based on his extensive knowledge of corporate legal affairs, compliance and corporate governance as a lawyer.
Outside Director (Audit and Supervisory Committee Member)	Sachio Tokaji	Attended 14 meetings out of 14 meetings held (100%)	Attended 10 meetings out of 10 meetings held (100%)	Provided opinions from a comprehensive perspective for the Company's business management, mainly based on his knowledge of finance and accounting operations and extensive experience gained through holding important positions in business management divisions, etc.
Outside Director (Audit and Supervisory Committee Member)	Koji Nakamura	Attended 14 meetings out of 14 meetings held (100%)	Attended 10 meetings out of 10 meetings held (100%)	Provided opinions from a comprehensive perspective for the Company's business management, mainly based on his knowledge accumulated through important roles including research and development and production of pharmaceuticals and extensive experience as a corporate manager.



## 5. Matters Concerning Accounting Auditor

1) Name Ernst & Young ShinNihon LLC

2) Amount of Compensation, etc.

	Amount of payment (million yen)
Amount of the Accounting Auditor's compensation, etc., for the fiscal year under review	92
Total amount of cash and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	152

(Notes) 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 Audit and Supervisory Committee 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 judged to have met any of the grounds set forth in the items of Article 340, Paragraph 1 of the Companies Act, the Audit and Supervisory Committee will determine the dismissal of the Accounting Auditor based on the unanimous consent of all the Audit and Supervisory Committee Members.

In addition, the Audit and Supervisory Committee performs comprehensive assessment of the Accounting Auditor's eligibility, independence, status of audit quality management and status of duty performance every fiscal year, and if nonrenewal of the appointment of the Accounting Auditor is judged to be appropriate, will decide the contents of a proposal for the dismissal or nonrenewal of the appointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders.

## 6. 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 has the policy of stable dividends as its basic dividend policy, while taking into account any fluctuation of business performance in each period.

Regarding the dividend of surplus in the consolidated fiscal year under review, the Company decided the year-end dividend of 20 yen per share, consisting of an ordinary dividend of 15 yen per share and a commemorative dividend for the 10th anniversary of the transition to a holding company of 5 yen per share, based on the above policies. The annual dividend amounts to 40 yen per share in total with the interim dividend of 20 yen per share already distributed.

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 43 of the Articles of Incorporation).

## Consolidated Balance Sheets

(As of March 31, 2020)

(In millions of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>	<b>670,827</b>	<b>(Liabilities)</b>	<b>439,818</b>
<b>Current assets</b>	<b>477,958</b>	<b>Current liabilities</b>	<b>378,000</b>
Cash and deposits	84,219	Notes and account payable-trade	355,140
Notes and accounts receivable-trade	285,548	Short-term loans payable	1,300
Securities	10	Current portion of long-term loans payable	1,366
Merchandise and finished goods	75,679	Lease obligations	1,247
Purchase rebates receivable	13,223	Income taxes payable	5,267
Others	19,614	Accrued expenses	2,349
Allowance for doubtful accounts	-337	Accrued bonuses	3,392
<b>Noncurrent assets</b>	<b>192,869</b>	Provision for directors' bonuses	82
<b>Property, plant and equipment</b>	<b>96,399</b>	Provision for sales returns	287
Buildings and structures	32,418	Asset retirement obligations	20
Vehicles	8	Others	7,547
Land	43,015	<b>Noncurrent liabilities</b>	<b>61,817</b>
Lease assets	3,669	Bonds payable	20,063
Construction in progress	10,943	Long-term loans payable	19,223
Others	6,345	Lease obligations	1,544
<b>Intangible assets</b>	<b>4,604</b>	Deferred tax liabilities	16,094
Goodwill	760	Deferred tax liabilities for land revaluation	788
Others	3,843	Net defined benefit liabilities	2,042
<b>Investments and other assets</b>	<b>91,865</b>	Asset retirement obligations	1,142
Investments securities	80,351	Others	917
Long-term loans receivable	2,460	<b>(Net assets)</b>	<b>231,009</b>
Deferred tax assets	1,876	<b>Shareholders' equity</b>	<b>209,881</b>
Others	9,593	<b>Capital stock</b>	<b>10,649</b>
Allowance for doubtful accounts	-2,416	<b>Capital surplus</b>	<b>49,271</b>
<b>Total assets</b>	<b>670,827</b>	<b>Retained earnings</b>	<b>165,745</b>
		<b>Treasury stock</b>	<b>-15,785</b>
		<b>Accumulated other comprehensive income</b>	<b>20,961</b>
		<b>Valuation difference on available-for sale securities</b>	<b>25,469</b>
		<b>Revaluation reserve for land</b>	<b>-4,507</b>
		<b>Subscription rights to shares</b>	<b>166</b>
		<b>Total liabilities and net assets</b>	<b>670,827</b>

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

## Consolidated Profit and Loss Statement

(April 1, 2019 - March 31, 2020)

(In millions of yen)

Description	Amount	
<b>Net sales</b>		<b>1,263,708</b>
<b>Cost of sales</b>		<b>1,148,354</b>
<b>Gross profit</b>		<b>115,354</b>
Reversal of provision for sales returns		61
<b>Gross profit-net</b>		<b>115,415</b>
Selling, general and administrative expenses		97,825
<b>Operating income</b>		<b>17,590</b>
<b>Non-operating income</b>		
Interest and dividend income	1,469	
Information sales income	3,213	
Amortization of negative goodwill	7	
Equity in earnings of affiliates	55	
Others	1,814	6,560
<b>Non-operating expenses</b>		
Interest expenses	30	
Others	387	418
<b>Ordinary income</b>		<b>23,732</b>
<b>Extraordinary income</b>		
Gains on sales of noncurrent assets	17	
Gains on sales of investment securities	1,282	
Others	25	1,325
<b>Extraordinary losses</b>		
Loss on disposal of noncurrent assets	79	
Impairment loss	299	
Loss on valuation of investment securities	264	
Others	169	812
<b>Income before income taxes</b>		<b>24,246</b>
Income taxes-current	8,594	
Income taxes-deferred	-577	8,016
<b>Net income</b>		<b>16,230</b>
<b>Profit attributable to owners of parent</b>		<b>16,230</b>

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

## Non-consolidated Balance Sheet

(As of March 31, 2020)

(In millions of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>	<b>242,585</b>	<b>(Liabilities)</b>	<b>92,235</b>
<b>Current assets</b>	<b>92,801</b>	<b>Current liabilities</b>	<b>41,777</b>
Cash and deposits	71,068	Current portion of long-term loans payable	1,152
Prepaid expenses	75	Lease obligations	231
Other accounts receivable	3,335	Asset retirement obligations	20
Short-term loans receivable	18,304	Accounts payable-other	260
Others	16	Accrued expenses	69
<b>Noncurrent assets</b>	<b>149,784</b>	Income taxes payable	199
<b>Property, plant and equipment</b>	<b>42,916</b>	Accrued consumption taxes	130
Buildings	18,142	Deposits received	39,591
Structures	584	Provision for bonuses	76
Tools, furniture and fixtures	53	Provision for directors' bonuses	45
Land	20,128	<b>Noncurrent liabilities</b>	<b>50,457</b>
Lease assets	505	Bonds payable	20,063
Construction in progress	3,502	Long-term loans payable	13,848
<b>Intangible assets</b>	<b>385</b>	Lease obligations	300
Leasehold right	12	Deferred tax liabilities	15,056
Software	333	Deferred tax liabilities for land revaluation	788
Others	39	Provision for retirement benefits	12
<b>Investments and other assets</b>	<b>106,482</b>	Asset retirement obligations	289
Investments securities	67,345	Others	100
Stocks of subsidiaries and affiliates	31,523	<b>(Net assets)</b>	<b>150,349</b>
Investment in capital of subsidiaries and affiliates	1,670	<b>Shareholders' equity</b>	<b>123,916</b>
Long-term loans receivable	3,199	<b>Capital stock</b>	<b>10,649</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,520	<b>Capital surplus</b>	<b>50,115</b>
Long-term prepaid expenses	134	Legal capital surplus	46,177
Others	1,639	Other capital surplus	3,938
Allowance for doubtful accounts	-2,549	<b>Retained earnings</b>	<b>78,977</b>
		Legal retained earnings	664
		Other retained earnings	78,313
		Reserve for reduction entry of land	1,523
		General reserve	6,336
		Retained earnings brought forward	70,453
		<b>Treasury stock</b>	<b>-15,825</b>
		<b>Valuation and translation adjustment</b>	<b>26,266</b>
		<b>Valuation difference on available-for-sale securities</b>	<b>30,751</b>
		<b>Revaluation reserve for land</b>	<b>-4,484</b>
		<b>Subscription rights to shares</b>	<b>166</b>
<b>Total assets</b>	<b>242,585</b>	<b>Total liabilities and net assets</b>	<b>242,585</b>

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

## Non-consolidated Profit and Loss Statement

(April 1, 2019 - March 31, 2020)

(In millions of yen)

Description	Amount	
<b>Operating revenue</b>		
Income of management guidance	1,175	
Income of real estate rent	2,466	
Dividend income	9,549	
Others	308	13,500
<b>Operating expenses</b>		<b>7,002</b>
<b>Operating income</b>		<b>6,498</b>
<b>Non-operating income</b>		
Interest and dividend income	1,610	
Information sales income	187	
Others	448	2,246
<b>Non-operating expenses</b>		
Interest expenses	197	
Others	15	212
<b>Ordinary income</b>		<b>8,532</b>
<b>Extraordinary income</b>		
Gains on sales of investment securities	1,580	1,580
<b>Extraordinary loss</b>		
Loss on disposal of noncurrent assets	22	
Impairment loss	48	
Loss on sales of investment securities	47	
Loss on valuation of investment securities	264	382
<b>Income before income taxes</b>		<b>9,730</b>
Income taxes-current	56	
Income taxes-deferred	-46	9
<b>Net income</b>		<b>9,720</b>

(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 19, 2020

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

Ernst & Young ShinNihon LLC  
Tokyo Office

Akinori Sato, CPA  
Designated Limited Liability  
Partner/Engagement Partner  
Ryuhei Yamamura, CPA  
Designated Limited Liability  
Partner/Engagement Partner  
Hironori Ogawa, CPA  
Designated Limited Liability  
Partner/Engagement Partner

**Opinion**

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheets, the consolidated profit and loss statement, the consolidated statement of changes in shareholders' equity and the notes to the consolidated financial statements of TOHO HOLDINGS CO., LTD. (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of TOHO HOLDINGS CO., LTD., which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

**Basis for the Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

**Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under 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 19, 2020

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

Ernst & Young ShinNihon LLC  
Tokyo Office

Akinori Sato, CPA  
Designated Limited Liability  
Partner/Engagement Partner  
Ryuhei Yamamura, CPA  
Designated Limited Liability  
Partner/Engagement Partner  
Hironori Ogawa, CPA  
Designated Limited Liability  
Partner/Engagement Partner

**Opinion**

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheets, the non-consolidated profit and loss statement, the statement of changes in shareholders' equity, the notes to non-consolidated financial statements, and the accompanying supplementary schedules of TOHO HOLDINGS CO., LTD. (the "Company") for the 72nd fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

**Basis for the Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

**Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules**

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.



The Audit and Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

#### Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

#### Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

## **Audit and Supervisory Committee's Audit Report (duplicated copy)**

### **Audit Report**

(English Translation)

The Audit and Supervisory Committee audited the performance of duties by the Directors for the 72nd fiscal year from April 1, 2019 to March 31, 2020. The Audit and Supervisory Committee hereby reports the audit methods and results as follows.

#### 1. Methods and Contents of Audits

With respect to the contents of resolutions by the Board of Directors pertaining to items listed in Article 399-13, Paragraph 1, Items 1 (b) and (c) of the Companies Act and the system established based on such resolutions (internal control system), the Audit and Supervisory Committee had periodical reporting from Directors and employees, etc. concerning the status of development and operations of such system, sought explanation as necessary, expressed opinions and performed the audit in accordance with the following methods.

1) In accordance with the audit policies and division of duties, etc. determined by the Audit and Supervisory Committee, the Audit and Supervisory Committee, in coordination with internal control sections, participated in important meetings, received reports from the Directors, employees and other relevant personnel regarding the matters concerning 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, the Audit and Supervisory Committee communicated and exchanged information with the Directors and Auditors, etc., of subsidiaries, and received business reports from subsidiaries as necessary.

2) The Audit and Supervisory Committee 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 (BADC) on October 28, 2005) and other relevant standards, and sought explanations as necessary.

Based on the above methods, the Audit and Supervisory Committee 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 20, 2020

Audit and Supervisory Committee, TOHO HOLDINGS CO., LTD.

Full-time Audit and  
Supervisory Committee  
Member

Hideyuki Shimizu

Audit and Supervisory  
Committee Member

Sachio Tokaji

Audit and Supervisory  
Committee Member

Koji Nakamura

(Note) Mr. Sachio Tokaji and Mr. Koji Nakamura are Outside Directors prescribed in Article 2, Item (xv) and Article 331, Paragraph 6 of the Companies Act.

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