

To Shareholders with Voting Rights:

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

NOTICE OF THE 73RD ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

Please be informed that the 73rd 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 Monday, June 28, 2021, Japan time.

- 1. Date and Time:** Tuesday, June 29, 2021 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 73rd Fiscal Year (April 1, 2020 - March 31, 2021) 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 73rd Fiscal Year (April 1, 2020 - March 31, 2021)
 - Proposals to be resolved:**
 - Proposal 1:** Election of eleven (11) Directors (excluding those who are Audit and Supervisory Committee Members)
 - Proposal 2:** Election of one (1) Director who is an Audit and Supervisory Committee Member

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 Monday, June 28, 2021, 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 Monday, June 28, 2021, 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 eleven (11) 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. For the purpose of strengthening corporate governance and ensuring the diversity of knowledge, experiences and abilities of Directors, the proportion of Outside Directors should be one-third or above and female Directors should be elected.

In light of these circumstances, the Company would like to propose reducing the number of Directors by five (5), increasing the number of female Directors by one (1), and electing eleven (11) Directors (excluding those who are Audit and Supervisory Committee Members).

There was no opinion from the Audit and Supervisory Committee regarding this proposal.

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

If this Proposal and Proposal No. 2 are approved as originally proposed, the number of Directors will be fourteen (14), including two (2) female Directors and those who are Audit and Supervisory Committee Members, five (5) of whom will be Outside Directors (all of them are independent Directors as stipulated by Tokyo Stock Exchange, Inc.). As a result, more than one-third of the Company's Directors will be Outside Directors.

List of candidates

No.		Name		Attendance at the Board of Directors meetings for the current fiscal year
1	Reappointment	Norio Hamada	Male	11/11 (100%)
2	Reappointment	Atsushi Udoh	Male	11/11 (100%)
3	Reappointment	Akira Umada	Male	11/11 (100%)
4	Reappointment	Hiromi Edahiro	Male	11/11 (100%)
5	Reappointment	Takeo Matsutani	Male	11/11 (100%)
6	Reappointment	Tsuguo Nakagomi	Male	11/11 (100%)
7	Reappointment	Makoto Kawamura	Male	11/11 (100%)
8	Reappointment	Masami Tada	Female	9/9 (100%)
9	New appointment	Akiko Yoshikawa	Female	-
10	Reappointment Outside Independent	Shunsuke Watanabe	Male	11/11 (100%)
11	Reappointment Outside Independent	Toru Nagasawa	Male	11/11 (100%)

Note: Since Ms. Masami Tada assumed office at the Annual General Meeting of Shareholders held on June 26, 2020, the number of the Board of Directors meetings to be attended is different from those of other candidates for Directors.

1. Norio Hamada (Date of birth: January 3, 1940)		Reappointment
■ Career summary, positions and responsibilities within the Company, and significant concurrent positions		[Positions and responsibilities within the Company] Chairman and Representative Director
October 1966	Joined TOHO PHARMACEUTICAL (current the Company)	
June 1979	Director of TOHO PHARMACEUTICAL	
October 1993	Managing Director of TOHO PHARMACEUTICAL	
June 1999	Senior Managing Director and Representative Director of TOHO PHARMACEUTICAL	
June 2001	Vice President and Representative Director of TOHO PHARMACEUTICAL	
June 2005	President and Representative Director of TOHO PHARMACEUTICAL	
April 2009	President and Representative Director of the Company	
May 2017	Chairman of the Board and Chief Executive Officer (CEO), Representative Director of the Company	
June 2020	Chairman and Representative Director of the Company (to present)	
■ Number of shares of the Company held: 127,300 shares		
■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) Mr. Norio Hamada has been executing his duties as Chairman and 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.		

2. Atsushi Udoh (Date of birth: April 26, 1964)		Reappointment
■ Career summary, positions and responsibilities within the Company, and significant concurrent positions		[Positions and responsibilities within the Company] President and Representative Director
July 1987	Joined TOHO PHARMACEUTICAL (current the Company)	
April 2009	Corporate Officer of TOHO PHARMACEUTICAL	
July 2012	Director of TOHO PHARMACEUTICAL	
June 2015	Managing Director of TOHO PHARMACEUTICAL	
June 2015	Corporate Officer of the Company	
June 2016	Executive Vice President and Director of TOHO PHARMACEUTICAL	
June 2016	Director of the Company	
June 2017	Vice President and Representative Director of TOHO PHARMACEUTICAL	
June 2017	Executive Managing Director of the Company	
June 2019	Director of TOHO PHARMACEUTICAL (to present)	
June 2019	President and Chief Operating Officer (COO), Representative Director of the Company	
June 2020	President and Representative Director (to present)	
■ Number of shares of the Company held: 9,100 shares		
■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members) Mr. Atsushi Udoh has been executing his duties as President and 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.		

3. 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>
March 1986	Joined TOHO PHARMACEUTICAL (current the Company)	
April 2009	Corporate Officer of TOHO PHARMACEUTICAL	
July 2012	Director of TOHO PHARMACEUTICAL	
June 2015	Managing Director of TOHO PHARMACEUTICAL	
June 2015	Corporate Officer of the Company	
June 2016	Senior Managing Director of TOHO PHARMACEUTICAL	
June 2016	Director of the Company	
June 2019	President and Representative Director of TOHO PHARMACEUTICAL (to present)	
June 2019	Senior Executive Managing Director of the Company (to present)	
<p>■ Number of shares of the Company held: 14,900 shares</p>		
<p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Akira Umada, who 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>		

4. 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] Director</p> <p>[Significant concurrent positions] Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL</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	
June 2019	Vice Chairman of the Board and Chief Financial Officer (CFO), Representative Director of the Company	
June 2020	Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL (to present)	
June 2020	Director of the Company (to present)	
<p>■ Number of shares of the Company held: 22,300 shares</p>		
<p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Hiromi Edahiro, who 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>		

5. 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>
February 1992	Joined TOHO PHARMACEUTICAL (current the Company)	
June 2001	Director of TOHO PHARMACEUTICAL	
June 2007	Managing Director of TOHO PHARMACEUTICAL	
June 2008	Senior Managing Director of TOHO PHARMACEUTICAL	
April 2009	Director of the Company (to present)	
June 2013	Executive Managing Director of Kyushu Toho	
June 2015	President and Representative Director of Kyushu Toho (to present)	
June 2017	Vice President and Director of TOHO PHARMACEUTICAL (to present)	
<p>■ Number of shares of the Company held: 60,628 shares</p>		
<p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Takeo Matsutani, who 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>		

6. 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: 4,700 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Tsuguo Nakagomi, who 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>

7. 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: 2,305 shares</p> <p>■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)</p> <p>Mr. Makoto Kawamura, who 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>

8. Masami Tada (Date of birth: November 5, 1964)		Reappointment
■ Career summary, positions and responsibilities within the Company, and significant concurrent positions		[Positions and responsibilities within the Company] Director, General Manager of Pharmaceutical Affairs Headquarters
December 2004	Joined TOHO PHARMACEUTICAL (current the Company)	
May 2020	General Manager of Pharmaceutical Affairs Information Department of TOHO PHARMACEUTICAL (to present)	
June 2020	Director of the Company (to present)	
■ Number of shares of the Company held: - shares		
■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)		
Ms. Masami Tada, who has been executing her duties as Director of the Company and as the head of the pharmaceutical affairs division, has considerable experience and knowledge in the relevant field. We propose her reelection 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.		

9. Akiko Yoshikawa (Date of birth: December 10, 1953)		New appointment
■ Career summary, positions and responsibilities within the Company, and significant concurrent positions		
November 1977	Joined TOHO PHARMACEUTICAL (current the Company)	
July 2001	Team Leader of Call Center Team, Business Development Office of TOHO PHARMACEUTICAL	
February 2002	General Manager, Call Center of TOHO PHARMACEUTICAL	
November 2013	General Manager, Brand Strategy Headquarters (in charge of call centers) of TOHO PHARMACEUTICAL and General Manager of Tokyo Call Center	
June 2015	Director in charge of call centers of TOHO PHARMACEUTICAL and General Manager of Tokyo Call Center, Sales Headquarters (to present)	
■ Number of shares of the Company held: 2,600 shares		
■ Reason for the nomination as Director (excluding those who are Audit and Supervisory Committee Members)		
Ms. Akiko Yoshikawa, who has been executing her duties as the head of Call Center of the Company's consolidated subsidiary that engages in the pharmaceutical wholesaling business, 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.		

10. 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>		
April 1970	Joined Nikkei Inc.			
May 1982	Temporarily transferred to the Ministry of Foreign Affairs as First Secretary of Japanese Embassy in Denmark			
March 1985	Editorial Board Member of Nikkei Inc.			
March 1988	Editorial Writer of Nikkei Inc.			
October 2004	Visiting Professor of the School of Medicine, Tokyo Women's Medical University			
April 2009	Professor of the Graduate School of International University of Health and Welfare			
May 2014	Adviser of Tokyo Women's Medical University			
June 2014	Outside Director of the Company (to present)			
April 2016	Specially-appointed Professor, Graduate School of International University of Health and Welfare			
April 2018	Visiting Professor, Graduate School of International University of Health and Welfare (to present)			
<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) and overview of expected role</p> <p>As an editorial writer 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. He has extensive career and broad insight as a university professor. 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 expect him to continue to leverage his expertise, experience, etc. in the management of the Company. Currently, he is an Outside Director, and his term of office will reach 7 years upon the conclusion of this Annual General Meeting of Shareholders.</p>				

11. Toru Nagasawa (Date of birth: January 15, 1959)		Reappointment	Outside Director	Independent officer
■ Career summary, positions and responsibilities within the Company, and significant concurrent positions		[Positions and responsibilities within the Company] Outside Director [Significant concurrent positions] Representative Lawyer, Nagasawa Law Offices Outside Corporate Auditor of LANCERS, INC. Outside Director (Audit and Supervisory Committee Member) of Mebuki Financial Group, Inc.		
April 1984	Registered as Lawyer (Daiichi Tokyo BAR Association)			
April 1984	Joined Kajitani Law Offices			
April 1995	Opened Nagasawa Law Offices, Representative Lawyer (to present)			
September 2007	Outside Auditor of GREE, Inc.			
October 2014	Outside Corporate Auditor of LANCERS, INC. (to present)			
June 2015	Outside Director of the Company (to present)			
June 2016	Outside Director of Ashikaga Holdings Co., Ltd. (current Mebuki Financial Group, Inc.)			
October 2016	Outside Director (Audit and Supervisory Committee Member) of Mebuki Financial Group, Inc. (to present)			
■ Number of shares of the Company held: 1,000 shares				
■ Reason for the nomination as Outside Director (excluding those who are Audit and Supervisory Committee Members) and overview of expected role				
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 we expect him to continue to leverage his knowledge, experience, etc., related to corporate legal affairs in the management of the Company. 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.				

(Notes)

- The candidates for Directors' special interest in the Company
 - 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.
 - No special interest exists between other candidates and the Company.
- Mr. Shunsuke Watanabe and Mr. Toru Nagasawa are candidates for Outside Directors (excluding those who are Audit and Supervisory Committee Members).
- The Company designates Mr. Shunsuke Watanabe 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 both of them are reappointed.
- Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company and each of Mr. Shunsuke Watanabe 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 both of them are reappointed, such agreement will continue to be effective.
- Pursuant to Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into directors and officers liability insurance with an insurance company, in which Directors are insured. The insurance compensates any damage arising from receiving a claim for compensation in connection with the execution of their duties. If each candidate for Director is appointed as originally proposed, it is expected that the relevant agreement will continue to be effective and will be renewed to the same extent next time.

6. In December 2020, TOHO PHARMACEUTICAL, the Company's consolidated subsidiary, was indicted on suspicion of violating the Antimonopoly Act in relation to bidding to supply prescription pharmaceuticals to Japan Community Health care Organization (JCHO). Mr. Shunsuke Watanabe and Mr. Toru Nagasawa, who are candidates for Outside Directors, provide opinions from the perspective of legal compliance at the Board of Directors' meetings on a regular basis. Since the charge was revealed, they have been fulfilling their duties by making proposals for thorough compliance and measures to prevent recurrence.

Proposal 2: Election of one (1) Director who is an Audit and Supervisory Committee Member

Mr. Hideyuki Shimizu, Director who is an Audit and Supervisory Committee Member, will resign upon the conclusion of this General Meeting of Shareholders. Accordingly, we would like to propose the election of one (1) Director who is an Audit and Supervisory Committee Member as his substitute.

In accordance with the Articles of Incorporation of the Company, the term of office of the newly appointed Director who is an Audit and Supervisory Committee Member will be until the expiration of term of office of the resigning Director who is an Audit and Supervisory Committee Member.

The consent of the Audit and Supervisory Committee has already been obtained in advance for this proposal.

The candidate for Director who is an Audit and Supervisory Committee Member is as follows:

Shosaku Murayama (Date of birth: September 21, 1949)		New appointment	Outside Director	Independent officer
■ Career summary, positions and responsibilities within the Company, and significant concurrent positions		[Positions and responsibilities within the Company] Outside Director [Significant concurrent positions] Outside Director of TADANO LTD.		
April 1972	Joined the Bank of Japan			
February 1981	Economist of the Bank of Japan Representative Office in New York			
November 1994	Branch Manager of the Bank of Japan Takamatsu Branch			
June 1998	Director-General of Research and Statistics Department of the Bank of Japan			
March 2002	President & CEO of Teikoku Seiyaku Co., Ltd.			
June 2002	Outside Director of SHIKOKU CHEMICALS CORPORATION			
June 2008	Director of iPS Academia Japan, Inc.			
June 2011	President & CEO of iPS Academia Japan, Inc.			
June 2013	Outside Director of SCREEN Holdings Co., Ltd.			
June 2014	Outside Director of the Company (to present)			
July 2014	President and Representative Director of iPS PORTAL, Inc.			
June 2020	Outside Director of TADANO LTD. (to present)			
■ Number of shares of the Company held: 2,000 shares				
■ Reason for the nomination as Outside Director who is an Audit and Supervisory Committee Member and overview of expected role				
At the Bank of Japan, Mr. Shosaku Murayama accumulated knowledge related to financial administration, money and banking and other overall economic affairs. He also participated in the management of another company. We propose his election, as we expect 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, and his term of office will reach 7 years upon the conclusion of this Annual General Meeting of Shareholders.				

(Notes)

1. No special interest exists between the candidate and the Company.
2. Mr. Shosaku Murayama is a candidate for Outside Director who is an Audit and Supervisory Committee Member.
3. If Mr. Shosaku Murayama is appointed as originally proposed, it is expected that he will become an independent officer pursuant to the rules of Tokyo Stock Exchange, Inc.
4. If Mr. Shosaku Murayama is appointed as originally proposed, pursuant to Article 427, Paragraph 1 of the

Companies Act, it is expected that the Company and Mr. Shosaku Murayama 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.

5. Pursuant to Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into directors and officers liability insurance with an insurance company, in which Directors who are Audit and Supervisory Committee Members are insured. The insurance compensates any damage arising from receiving a claim for compensation in connection with the execution of their duties. If Mr. Shosaku Murayama is appointed as originally proposed, it is expected that he will be one of the insured and the insurance will be renewed to the same extent next time.
6. In December 2020, TOHO PHARMACEUTICAL, the Company's consolidated subsidiary, was indicted on suspicion of violating the Antimonopoly Act in relation to bidding to supply prescription pharmaceuticals to Japan Community Health care Organization (JCHO). Mr. Shosaku Murayama, who is a candidate for Outside Director who is an Audit and Supervisory Committee Member, provide opinions from the perspective of legal compliance at the Board of Directors' meetings on a regular basis. Since the charge was revealed, he has been fulfilling his duty by making proposals for thorough compliance and measures to prevent recurrence.

The End

Business Report

[from April 1, 2020 to March 31, 2021]

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, 2021, the prescription pharmaceuticals market continued to face a severe environment due to the impact of measures to curtail medical expenses, such as the NHI drug price revisions in April 2020, and the promotion of the use of generic drugs, in addition to the effects of limited clinical visits by patients due to the spread of COVID-19, which has caused a stagnation of economic activities in Japan and overseas, and the impact of voluntary restraint in business activities under the declaration of a state of emergency. Under these circumstances, as a business group involved in medical care, health, and nursing care, the Group strived for activities that placed the utmost priority on providing a stable supply of pharmaceuticals and other medical products to maintain healthcare delivery systems, under the Group's social mission of "stably supplying pharmaceuticals and other medical products, even during times of emergency." Furthermore, to ensure the safety of the Group employees, their families, customers and other related parties, and to prevent the spread of infection, the Group made efforts to reform work styles by encouraging employees to work at different times or to telework. In addition, the Group distributed the required number of surgical masks for the fiscal year to all employees, including part-time and dispatched employees, and provided 25 million surgical masks to medical professionals and business partners.

In September 2020, the integrated logistics center "TBC DynaBASE" (Ota-ku, Tokyo) started operation as the only logistics center for prescription pharmaceuticals in Tokyo within the Keihin Truck Terminal, the Tokyo Metropolitan Government's designated wide-area transport base during disaster times. It is the first center in Japan to introduce the world's highest level of automation technology to serve as a distribution base for pharmaceuticals in the event of a disaster, while at the same time realizing joint distribution. Furthermore, we worked to rebuild our distribution system by reconstructing "TBC Tokyo" (Shinagawa-ku, Tokyo), which used to be the distribution center for prescription pharmaceuticals, and by transferring "WILL Heiwajima" (Ota-ku, Tokyo), which handles reagents, to the new facility. In March 2021, we reopened the facility as "TBC WILL Shinagawa."

In the pharmaceutical wholesaling business, we have made efforts to negotiate unit prices per single item commensurate with the value of individual products, but we have faced a significant impact of price competition among wholesalers and limited clinic visits by patients who are alert to the risks of COVID-19. Amid growing impact on the management of medical institutions of expanding limited clinic visits by patients who are alert to the risks of infection, we have launched a new initiative to provide online medical examination/dosing guidance system "KAITOS." In addition, collaborating with enTouch KK, we have launched remote detailing services that use its unique online system to provide medical institutions with product information. Furthermore, we worked to propose customer support systems that contribute to the reduction of face-to-face communication, such as Initial Examination Reservation Service and medical appointment reservation systems. We also promoted a non-contact delivery business model that contributes to the improvement of business efficiency for both customers and the Group, such as optimizing the number of deliveries by utilizing the centralized administration system for pharmacy operations "Mizar" and promoting "no inspection," which does not require inspections at the time of delivery. The Group's highly-functional logistics system, emergency response, and the results of the outsourced business so far have been highly evaluated, and the Group was entrusted by SymBio Pharmaceuticals Limited to distribute Treakisym®, an antineoplastic drug. Moreover, we entered into a business alliance regarding exclusive sales with KUBIX Inc., a medical venture company originating at Kanazawa University, and have been exclusively selling the company's novel coronavirus (SARS-CoV-2) detection kit.

In the dispensing pharmacy business, due to the effects of limited clinic visits by patients, the number of prescriptions required decreased compared to the previous year. We took thorough measures to prevent infectious diseases at each store, and actively worked to train family pharmacists and enhance product sales in order to provide safe and high-quality medical services. In addition to responding to the revision

of dispensing fees, we worked to improve profitability by optimizing inventories through the use of the centralized administration system for pharmacy operations “Mizar,” standardizing and streamlining store operations, and overhauling expenses.

In the pharmaceutical manufacturing and sales business conducted by KYOSOMIRAI PHARMA CO., LTD., which became a consolidated subsidiary of the Company in this fiscal year, we have been engaged in stable supply of high-quality and high value-added pharmaceuticals by strictly monitoring the quality of products based on its own verification system. In addition, we continued to expand our product lineup by launching 12 ingredients and 36 products of new generic drugs during the consolidated fiscal year under review and by obtaining marketing approval for 2 ingredients and 5 products in February 2021. As of the end of March 2021, the product lineup was composed of 83 ingredients and 202 products.

As a result, the Company’s consolidated operating results for fiscal year ended March 31, 2021 recorded 1,210,274 million yen for net sales (a decrease of 4.2% on a year-on-year basis), 4,303 million yen for operating income (a decrease of 75.5% on a year-on-year basis), 10,289 million yen for ordinary income (a decrease of 56.6% on a year-on-year basis), and 4,989 million yen for profit attributable to owners of parent (a decrease of 69.3% on a year-on-year basis).

On December 9, 2020, TOHO PHARMACEUTICAL CO, LTD., our consolidated subsidiary, and one of the employees of the Company were criminally indicted by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act in relation to bidding to supply prescription pharmaceuticals to Japan Community Health care Organization (JCHO), and prosecuted by the Tokyo Prosecutors’ Office. The Group has taken this situation seriously and is making every effort to ensure thorough compliance and prevent recurrence. The entire Group will promote sound and transparent business activities to restore trust.

(Note) TBC is the abbreviation for Toho Butsuryu Center (Toho Distribution Center).

◇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	1,116,229	92.3	-4.3
Pharmaceuticals	1,035,397		
Reagents	61,439		
Medical devices	19,392		
Dispensing pharmacy business	91,089	7.5	-5.0
Pharmaceutical manufacturing and sales business	2,250	0.2	-
SMO business	235	0.0	-8.2
Information equipment sales business	469	0.0	-58.6
Total	1,210,274	100.0	-4.2

(Note) Sales represent sales to external customers.

2) Status of Capital Investment

The total amount of the Company group’s capital investments was 6,000 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 70th fiscal year (ended March 31, 2018)	The 71st fiscal year (ended March 31, 2019)	The 72nd fiscal year (ended March 31, 2020)	The 73rd fiscal year (Consolidated fiscal year under review) (ended March 31, 2021)
Net sales (million yen)	1,213,342	1,222,199	1,263,708	1,210,274
Ordinary income (million yen)	25,045	21,452	23,732	10,289
Profit attributable to owners of parent (million yen)	14,384	13,863	16,230	4,989
Net income per share	209.84 yen	207.71 yen	233.34 yen	70.77 yen
Total assets (million yen)	645,799	663,727	670,827	683,181

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

Item	The 70th fiscal year (ended March 31, 2018)	The 71st fiscal year (ended March 31, 2019)	The 72nd fiscal year (ended March 31, 2020)	The 73rd fiscal year (Consolidated fiscal year under review) (ended March 31, 2021)
Net sales (million yen)	11,398	13,970	13,500	11,382
Ordinary income (million yen)	7,887	10,190	8,532	6,840
Net income (million yen)	6,275	10,238	9,720	10,245
Net income per share	91.54 yen	153.38 yen	139.74 yen	145.29 yen
Total assets (million yen)	181,183	195,676	242,585	260,028

(3) Status of Significant Parent Company and Subsidiary Companies (as of March 31, 2021)

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
KYOSOMIRAI PHARMA	199	100.00	Manufacture and sales of prescription pharmaceuticals and contract manufacture of injection drugs
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 various measures to curtail medical expenses such as introducing the interim-period NHI drug price revisions, 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 addition to the issuance of the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies and the Guidelines on Ethical Drug Detailing Activities, the revision of Pharmaceutical and Medical Devices Act is to be executed in a phased manner. We are required to take action corresponding to the effects of these guidelines and system reforms.

The rapid spread of COVID-19 has transformed people’s lifestyles, and rebuilding a healthcare delivery system corresponding to “new routines” is an urgent issue.

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.

As a measure to improve profitability over the medium term, in the pharmaceutical wholesaling business, the Company will make further efforts with an eye on a digital society in order to develop and propose customer support systems that improve convenience for patients, medical institutions and specialists who are engaged in home medical and nursing care. In addition, we will strengthen cooperation with the Kyoso Mirai Group in Pharmacy, in which more than 20,000 dispensing pharmacies participate, and take on the challenge of new businesses such as the distribution of biopharmaceuticals and regenerative medicine products for clinical trials based on the TBC DynaBASE.

In the dispensing pharmacy business, the Company will enhance patient services by strengthening the online medical dosing guidance system and active use of SNS to support patient adherence. At the same time, we will enhance product sales to strengthen our capability as pharmacies that support people’s health, and secure new sources of earnings. We will also maximize added value in our dispensing pharmacy business, by building a function corresponding to the revision of dispensing fees in each store, by providing services coherently linked to community medical care, and by training pharmacists with advanced knowledge of pharmaceutical management, in order to achieve our missions of being pharmacies focused on community-based services as well as pharmacies operating in closer coordination with specialized medical institutions.

In the pharmaceutical manufacturing and sales business, the Company will continue to expand its product lineup, including the launch of new products under its own brand. While successive quality-related problems occur in the generic drugs industry, we respond to the trust of patients and medical institutions by stably providing generic drugs that guarantee quality through independent verification.

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 joint distribution. We also foster a diversified business culture by utilizing a wide variety of human resources regardless of gender, nationality, etc. We will promote ESG management by further strengthening governance in order to conduct sound business activities in compliance with relevant laws and regulations. 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.

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, 2021)

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
Pharmaceutical manufacturing and sales business	Manufacture and sales of prescription pharmaceuticals and contract manufacture of injection drugs
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, 2021)

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) KYOSO MIRAI PHARMA (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 DynaBASE (Tokyo), TBC WILL Shinagawa (Tokyo), TBC Hanshin (Hyogo), TBC Hiroshima (Hiroshima), and TBC Kyushu (Kumamoto)	
Pharma Cluster (Dispensing pharmacy business)	Subsidiary	SAYWELL (Hiroshima) Koyo (Kagawa) Kyushu Toho (Fukuoka)	
	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, 2021)

1) Number of Employees of the Corporate Group

Number of employees	Increase/decrease from the previous consolidated fiscal year-end
7,732	Decreased by 115

(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
227	Decreased by 6	47 years and 5 months	18 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 twenty-two (22) 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, 2021)

Bank	Borrowing (million yen)
Mizuho Bank, Ltd.	12,481
MUFG Bank, Ltd.	3,583
Sumitomo Mitsui Banking Corporation	4,446

(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, 2021)

- (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 5,056 persons
- (4) Major shareholders

Shareholder name	Number of shares (thousand shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,602	6.53
Custody Bank of Japan, Ltd. (Trust Account)	3,604	5.11
Mitsubishi Tanabe Pharma Corporation	3,573	5.07
Shionogi & Co., Ltd.	3,500	4.96
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Daiichi Sankyo Account Re-trust Trustee, Custody Bank of Japan, Ltd.	1,637	2.32
TOHO HOLDINGS Employee Stock Ownership Plan	1,599	2.27
SSBTC CLIENT OMNIBUS ACCOUNT	1,470	2.09
STATE STREET BANK AND TRUST COMPANY 505001	1,410	2.00
Hiroyuki Kono	1,333	1.89
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Mizuho Bank Account Re-trust Trustee, Custody Bank of Japan, Ltd.	1,126	1.60

- (Notes) 1. Any fractions less than 1,000 shares are rounded off.
2. The Company holds 7,748,199 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)	154	Common stocks 15,400 shares	1,505 yen per share	1 yen per share	From September 25, 2013 to September 24, 2043	5 Directors (excluding Audit and Supervisory Committee Members)
The second subscription rights to shares (December 24, 2015)	93	Common stocks 9,300 shares	2,585 yen per share	1 yen per share	From December 25, 2015 to December 24, 2045	10 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)	186	Common stocks 18,600 shares	2,191 yen per share	1 yen per share	From February 7, 2017 to February 6, 2047	11 Directors (excluding Audit and Supervisory Committee Members and Outside Directors) 3 Outside Directors (excluding Audit and Supervisory Committee Members)

- (Notes)
1. 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.
 2. 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, 2021)

Name	Position and areas of responsibility within the Company	Significant concurrent positions
Norio Hamada	Chairman and Representative Director	Chairman of the Board and Representative Director of SAYWELL President and Representative Director of TOHO PHARMACEUTICAL Chairman of the Board and Representative Director of TOHO PHARMACEUTICAL President and Representative Director of Kyushu Toho President and CEO of OHARA Pharmaceutical Co., Ltd. Visiting Professor, Graduate School of International University of Health and Welfare Outside Director of TADANO LTD. Representative Lawyer, Nagasawa Law Offices Outside Corporate Auditor of LANCERS, INC. Outside Director (Audit and Supervisory Committee Member) of Mebuki Financial Group, Inc.
Atsushi Udoh	President and Representative Director	
Hiroyuki Kono	Vice Chairman and Director in charge of industrial groups	
Shigeru Fujimoto	Vice President and Director in charge of Kansai Area	
Akira Umada	Senior Executive Managing Director	
Mitsuo Morikubo	Senior Executive Managing Director in charge of TBC DynaBASE	
Hiromi Edahiro	Director	
Toshio Honma	Director	
Takeo Matsutani	Director	
Tsuguo Nakagomi	Director and General Manager of Corporate Development and Planning Division	
Makoto Kawamura	Director and General Manager of Corporate Management Division and General Manager of Corporate Planning and Investor Relations Department	
Masami Tada	Director and General Manager of Pharmaceutical Affairs Headquarters	
Seiji Ohara	Director	
Shunsuke Watanabe	Director	
Shosaku Murayama	Director	
Toru Nagasawa	Director	

Name	Position and areas of responsibility within the Company	Significant concurrent positions
Hideyuki Shimizu	Director (Full-time Audit and Supervisory Committee Member)	
Koji Nakamura	Director (Audit and Supervisory Committee Member)	
Yoshiaki Kamoya	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. Koji Nakamura and Mr. Yoshiaki Kamoya, 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. At the 72nd General Meeting of Shareholders held on June 26, 2020, Ms. Masami Tada and Mr. Seiji Ohara, Directors as well as Mr. Yoshiaki Kamoya, Director who is an Audit and Supervisory Committee Member were newly appointed and took office as respective positions.
 3. Upon the conclusion of the 72nd General Meeting of Shareholders held on June 26, 2020, Mr. Katsuya Kato and Ms. Atsuko Naitou, Directors as well as Mr. Sachio Tokaji, Director who is an Audit and Supervisory Committee Member retired from the respective positions due to the expiry of their terms.
 4. 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.

(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. Koji Nakamura and Mr. Yoshiaki Kamoya, 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) Overview of Directors and Officers Liability Insurance Policy

The Company has entered into a directors and officers liability insurance contract prescribed in Article 430-3, Paragraph 1 of the Companies Act with an insurance company. In the event that a claim for damage is filed by shareholders or a third party, compensation for damage and litigation expenses, etc. that would be borne by the insured shall be covered by such insurance contract.

The insured persons under the policy are main executors such as Directors, auditors and Corporate Officers of the Company and its subsidiaries.

(4) Remuneration, etc. for Directors for the Fiscal Year under Review

1) Matters concerning the Policy for Determining Remuneration, etc. for Each Individual Director

At the Board of Directors' meeting held on January 22, 2021, a resolution on the policy for determining remuneration, etc. for each individual director has been passed.

The Company has established the following policy for determining remuneration, etc. for each individual director.

I. Policy for determining the amount of base remuneration (monetary remuneration) for each individual director

Base remuneration for Directors shall be paid monthly as a fixed salary in accordance with the position and role of each director, in consideration of the business environment surrounding the Company. The bonus for Directors shall be determined in accordance with the level of contribution to the business performance of the Company and paid at a certain time of the year.

II. Policy for determining the details and the calculation method of the amount or number of non-monetary remuneration

The Company has introduced the restricted stock compensation system as non-monetary remuneration. When implementing such remuneration, the board of directors shall decide on whether or not to implement and the allocation thereof within the scope of the remuneration limit resolved at the general meeting of shareholders.

III. Policy on determining the ratio of the amount of remuneration for each individual director such as base remuneration (monetary remuneration) and non-monetary remuneration

The payment ratio of remuneration, etc. for each individual director shall be the most appropriate ratio in order to contribute to the sustainable growth of the Company and the improvement of corporate value over the medium to long term.

2) Matters concerning the Resolution of General Meetings of Shareholders on Remuneration, etc. of Directors

The Company distinguishes the remuneration, etc. to the Directors (excluding those who are Audit and Supervisory Committee Members) from the remuneration, etc. to the Directors who are Audit and Supervisory Committee Members. 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 remuneration to the Directors (excluding those who are Audit and Supervisory Committee Members) and to the Directors who are Audit and Supervisory Committee Members should be "no more than 700 million yen per year" (of which, the remuneration to the Outside Directors should be no more than 50 million yen) (excluding, however, employee salaries) and "no more than 50 million yen per year", respectively. As of the end of the said general meeting of shareholders, the number of Directors (excluding those who are Audit and Supervisory Committee Members) was 16 (of which, three (3) were outside directors) and that of Directors who are Audit and Supervisory Committee Members was three (3) (of which, two (2) were outside directors).

With the aim of giving even more incentive to undertake sustainable enhancement of the Company's corporate value and of further promoting value-sharing with shareholders, at the 69th General Meeting of Shareholders held on June 29, 2017, a resolution was passed to introduce restricted stock compensation that shall be no more than 55 million yen per year (out of this amount, the amount of remuneration to Outside Directors shall be no more than 5 million yen per year), to the extent of the amount of remuneration, etc. to the Directors (excluding those who are Audit and Supervisory Committee Members). As of the end of the said general meeting of shareholders, the number of Directors (excluding those who are Audit and Supervisory Committee Members) was 16 (of which, three (3) were outside directors)

3) Matters concerning the delegation for determining the details of remuneration, etc. for each individual director

Determination of the content of individual remuneration of Directors is delegated to Representative Directors in order to evaluate the roles and contributions of each Director while overviewing the Company's overall performance. To ensure that the delegated authority is appropriately exercised, multiple directors appointed by Representative Directors hold consultations, and Representative Directors make decisions through consultation based on the resolution by the Board of Directors.

4) Total Amount of Remuneration, etc. to Directors

Directors' Category	Total amount of remuneration, etc. (million yen)	Types of remuneration, etc. (million yen)			Number of Directors
		Monthly remuneration	Directors' bonuses	Restricted stock compensation	
Directors (excluding those who are Audit and Supervisory Committee Members) (of which Outside Directors)	548 (41)	493 (37)	42 (3)	11 (0)	18 (3)
Directors who are Audit and Supervisory Committee Members (of which Outside Directors)	42 (25)	39 (23)	2 (1)	- (-)	4 (3)
Total (of which Outside Directors)	590 (66)	533 (60)	45 (5)	11 (0)	22 (6)

- (Notes) 1. The total amount of remuneration, etc., of the Directors excludes employee salaries paid to the persons who hold both the position of Director and the position of employee.
2. The directors' bonuses represent the estimated amount of directors' bonuses payable for the fiscal year under review.
3. The restricted stock compensation represents the amount recorded as the cost for restricted stock compensation for the fiscal year under review.
4. The above table includes two (2) Directors (excluding those who are Audit and Supervisory Committee Members) as well as one (1) Director who is an Audit and Supervisory Committee Member (an Outside Director) who retired upon the conclusion of the 72nd General Meeting of Shareholders held on June 26, 2020.

(5) 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 outside director of TADANO LTD. There is no special interest between TADANO LTD. 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 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, LANCERS, INC. or Mebuki Financial Group, Inc. and the Company.

2) Main Activities and Overview of their Duties Related to Expected Role 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 11 meetings out of 11 meetings held (100%)	-	He has been executing his duties adequately, providing opinions from a variety of perspectives, mainly based on his extensive experience as a former editorial writer of Nikkei and as a university professor.
Outside Director	Shosaku Murayama	Attended 11 meetings out of 11 meetings held (100%)	-	He has been executing his duties adequately, providing 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 11 meetings out of 11 meetings held (100%)	-	He has been executing his duties adequately, providing 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)	Koji Nakamura	Attended 11 meetings out of 11 meetings held (100%)	Attended 9 meetings out of 9 meetings held (100%)	He has served in important roles including research and development and production of pharmaceuticals. He has been executing his duties adequately, providing opinions on the management of the Company from a comprehensive perspective, mainly based on his knowledge and wealth of experience as a corporate manager cultivated over the years.
Outside Director (Audit and Supervisory Committee Member)	Yoshiaki Kamoya	Attended 8 meetings out of 9 meetings held (89%)	Attended 5 meetings out of 5 meetings held (100%)	He has been engaged in the pharmaceutical industry and has served in important positions in the business management division and industrial groups. He has been executing his duties adequately, providing opinions on the management of the Company from a comprehensive perspective, mainly based on his knowledge on the pharmaceutical industry and wealth of experience cultivated over the years.

(Notes) 1. In December 2020, TOHO PHARMACEUTICAL CO., LTD., our consolidated subsidiary, was indicted on suspicion of violating the Antimonopoly Act in relation to bidding to

supply prescription pharmaceuticals to Japan Community Health care Organization (JCHO). All Outside Directors and Outside Directors who are Audit and Supervisory Committee Members provide opinions from the perspective of legal compliance at the Board of Directors' meetings on a regular basis. Since the charge was revealed, they have been fulfilling their duties by making proposals for thorough compliance and measures to prevent recurrence.

2. Since Mr. Yoshiaki Kamoya, who is an Audit and Supervisory Committee Member, assumed office at the Annual General Meeting of Shareholders held on June 26, 2020, the number of meetings of the Board of Directors and the Audit and Supervisory Committee to be attended is different from those of other Directors.

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	95
Total amount of cash and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	155

(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 yearend dividend of 15 yen per share based on the above policies. The annual dividend amounts to 30 yen per share in total with the interim dividend of 15 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, 2021)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)	683,181	(Liabilities)	445,775
Current assets	486,911	Current liabilities	376,717
Cash and deposits	93,086	Notes and account payable-trade	356,968
Notes and accounts receivable-trade	285,579	Short-term loans payable	210
Merchandise and finished goods	76,208	Current portion of long-term loans payable	2,666
Raw materials and stock account	180	Lease obligations	756
Purchase rebates receivable	12,795	Income taxes payable	2,035
Others	19,526	Accrued expenses	2,365
Allowance for doubtful accounts	-464	Accrued bonuses	3,136
Noncurrent assets	196,269	Provision for directors' bonuses	82
Property, plant and equipment	97,837	Provision for sales returns	227
Buildings and structures	37,236	Asset retirement obligations	51
Machinery, equipment and vehicles	326	Others	8,217
Furniture and fixtures	14,442	Noncurrent liabilities	69,058
Land	44,101	Bonds payable	20,043
Lease assets	1,310	Long-term loans payable	19,007
Construction in progress	419	Lease obligations	1,219
Intangible assets	5,110	Deferred tax liabilities	17,906
Goodwill	388	Deferred tax liabilities for land revaluation	757
Others	4,722	Net defined benefit liabilities	2,294
Investments and other assets	93,321	Asset retirement obligations	2,711
Investments securities	82,550	Provision for loss on Antimonopoly Act	4,213
Long-term loans receivable	2,530	Others	904
Deferred tax assets	1,627		
Others	8,513	(Net assets)	237,405
Allowance for doubtful accounts	-1,899	Shareholders' equity	213,117
Total assets	683,181	Capital stock	10,649
		Capital surplus	49,378
		Retained earnings	168,872
		Treasury stock	-15,784
		Accumulated other comprehensive income	24,125
		Valuation difference on available-for sale securities	28,506
		Revaluation reserve for land	-4,380
		Subscription rights to shares	162
		Total liabilities and net assets	683,181

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

Consolidated Profit and Loss Statement

(April 1, 2020 - March 31, 2021)

(In millions of yen)

Description	Amount	
Net sales		1,210,274
Cost of sales		1,110,961
Gross profit		99,312
Reversal of provision for sales returns		60
Gross profit-net		99,372
Selling, general and administrative expenses		95,069
Operating income		4,303
Non-operating income		
Interest and dividend income	1,482	
Information sales income	3,097	
Equity in earnings of affiliates	23	
Others	2,359	6,963
Non-operating expenses		
Interest expenses	79	
Others	897	977
Ordinary income		10,289
Extraordinary income		
Gains on sales of noncurrent assets	84	
Gains on sales of investment securities	4,836	
Others	3	4,923
Extraordinary losses		
Loss on disposal of noncurrent assets	165	
Impairment loss	197	
Provision for loss on Antimonopoly Act	4,213	
Others	363	4,939
Income before income taxes		10,273
Income taxes-current	4,732	
Income taxes-deferred	551	5,283
Net income		4,989
Profit attributable to owners of parent		4,989

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

Non-consolidated Balance Sheet

(As of March 31, 2021)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)	260,028	(Liabilities)	99,410
Current assets	106,104	Current liabilities	48,289
Cash and deposits	81,094	Current portion of long-term loans payable	2,304
Prepaid expenses	75	Lease obligations	199
Other accounts receivable	3,547	Accounts payable-other	98
Short-term loans receivable	21,353	Accrued expenses	116
Others	34	Income taxes payable	521
Noncurrent assets	153,923	Deposits received	44,928
Property, plant and equipment	44,163	Provision for bonuses	74
Buildings	23,104	Provision for directors' bonuses	46
Structures	515	Others	0
Tools, furniture and fixtures	48	Noncurrent liabilities	51,120
Land	20,111	Bonds payable	20,043
Lease assets	333	Long-term loans payable	11,544
Construction in progress	49	Lease obligations	143
Intangible assets	340	Deferred tax liabilities	16,601
Leasehold right	12	Deferred tax liabilities for land revaluation	757
Software	324	Provision for retirement benefits	11
Others	3	Asset retirement obligations	1,919
Investments and other assets	109,419	Others	100
Investments securities	69,219	(Net assets)	160,617
Stocks of subsidiaries and affiliates	33,134	Shareholders' equity	131,568
Investment in capital of subsidiaries and affiliates	1,670	Capital stock	10,649
Long-term loans receivable	2,737	Capital surplus	50,114
Claims provable in bankruptcy, claims provable in rehabilitation and other	3,480	Legal capital surplus	46,177
Long-term prepaid expenses	122	Other capital surplus	3,937
Others	1,639	Retained earnings	86,627
Allowance for doubtful accounts	-2,583	Legal retained earnings	664
		Other retained earnings	85,963
		Reserve for reduction entry of land	1,513
		General reserve	6,336
		Retained earnings brought forward	78,113
		Treasury stock	-15,823
		Valuation and translation adjustment	28,886
		Valuation difference on available-for-sale securities	33,244
		Revaluation reserve for land	-4,357
		Subscription rights to shares	162
Total assets	260,028	Total liabilities and net assets	260,028

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

Non-consolidated Profit and Loss Statement

(April 1, 2020 - March 31, 2021)

(In millions of yen)

Description	Amount	
Operating revenue		
Income of management guidance	1,214	
Income of real estate rent	2,478	
Dividend income	7,406	
Others	283	11,382
Operating expenses		6,464
Operating income		4,918
Non-operating income		
Interest and dividend income	1,602	
Information sales income	213	
Others	424	2,240
Non-operating expenses		
Interest expenses	287	
Others	31	318
Ordinary income		6,840
Extraordinary income		
Gains on sale of property, plant and equipment and intangible assets	57	
Gains on sales of investment securities	5,516	5,573
Extraordinary loss		
Loss on disposal of noncurrent assets	120	
Impairment loss	20	
Loss on valuation of investment securities	249	
Others	8	399
Income before income taxes		12,014
Income taxes-current	1,375	
Income taxes-deferred	393	1,768
Net income		10,245

(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, 2021

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, 2020 through March 31, 2021.

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, 2021

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 73rd fiscal year from April 1, 2020 through March 31, 2021.

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, 2021, 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 73rd fiscal year from April 1, 2020 to March 31, 2021. 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, by means of telephone lines or the Internet, etc., 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.

As described in the business report, TOHO PHARMACEUTICAL CO. LTD., the Company's consolidated subsidiary, was indicted on suspicion of violating the Antimonopoly Act. The Group is currently making concerted efforts to restore trust in the Company. The Audit and Supervisory Committee will continue to monitor the progress of these efforts and enhance its audits.

- (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, 2021

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

Full-time Audit and Supervisory Committee Member	Hideyuki Shimizu
Audit and Supervisory Committee Member	Koji Nakamura
Audit and Supervisory Committee Member	Yoshiaki Kamoya

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

End of Document