

The 78th Annual General Meeting of Shareholders
Other Matters Subject to Measures for Electronic Provision
(Matters Not Included in Delivered Documents)

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TOHO HOLDINGS CO., LTD.

Reference Documents for the General Meeting of Shareholders

Part of the Reasons for the Proposal for Proposal 4: "Gratis allotment of stock acquisition rights"

1. Proposal Details

This proposal requests that the shareholders approve, by an ordinary resolution (consent of a majority of the voting rights of shareholders in attendance, including those who exercised voting rights in writing or electronic form), the invocation of the Countermeasures (defined below; the same applies hereinafter) against the Large-Scale Purchase (defined below; the same applies hereinafter) by the Large-Scale Purchaser (defined below; the same applies hereinafter) based on the Response Policy (defined below; the same applies hereinafter) at this Annual General Meeting of Shareholders.

In the case in which this proposal is approved, if the Large-Scale Purchaser has carried out the Large-Scale Purchase, the Company's Board of Directors will resolve on a gratis allotment of stock acquisition rights as the invocation of the Countermeasures based on the Response Policy at the time reasonably established by the Company's Board of Directors based on the opinion of the Independent Committee.

If this proposal is approved, the Response Policy will continue to the extent necessary to respond to the Large-Scale Purchase by the Large-Scale Purchaser in accordance with the provisions of the Response Policy, and at the longest it will end at the conclusion of the first meeting of the Company's Board of Directors that will be held after the Company's Annual General Meeting of Shareholders planned to be held in 2027. Consequently, apart from this proposal, a proposal regarding the continuation of the Response Policy will not be submitted at this Annual General Meeting of Shareholders.

On the other hand, in the event the proposal is not approved, the intent of the shareholders will be respected, the Countermeasures will not be invoked, and a gratis allotment of stock acquisition rights will not be implemented. In addition, in that case, the Response Policy will be abolished at the conclusion of the first meeting of the Board of Directors to be held after this Annual General Meeting of Shareholders.

Furthermore, if the Company's Board of Directors has determined by the day before this Annual General Meeting of Shareholders that it is no longer necessary to invoke the Countermeasures, for example on the grounds that the Large-Scale Purchaser withdraws the Large-Scale Purchase and pledges in writing to not conduct a Large-Scale Purchase in the future, then this proposal will be withdrawn.

The overview of the gratis allotment of stock acquisition rights to be implemented as the Countermeasures based on the Response Policy shall be as per Appendix A "III 4. Overview of the countermeasures (Gratis allotment of Stock Acquisition Rights)" in the "Notice of the Introduction of a Policy Against Large-Scale Purchases of Share Certificates, etc. of TOHO HOLDINGS CO., LTD. in Response to the Large-Scale Purchase, etc. of its Shares by 3D Investment Partners Pte. Ltd." dated October 31, 2025 (the "Response Policy Introduction Release").

The Response Policy has been introduced in response to the buy-up of the Company's shares that has already materialized, and primarily for the purpose of responding to the Large-Scale Purchase by 3D or other parties, and it is different from so-called advance warning-type takeover defense measures that are introduced during ordinary times. Accordingly, the Company does not intend to maintain the Response Policy after the concerns

about a specific large-scale purchase have disappeared.

As long as they are not defined in this proposal, the terms used in this proposal have the meanings that are defined in the Response Policy Introduction Release.

2. Reasons for the proposal

The Company adopted a response policy regarding large-scale purchases of its share certificates, etc. dated October 31, 2025 (the “Response Policy”). As announced in the “Notice of Receipt of a Large-Scale Purchase Explanation Related to Large-Scale Purchases of Share Certificates, Etc.” dated January 16, 2026, the Company received from 3D Investment Partners Pte. Ltd. (“3D”) on the same day a large-scale purchase explanation pertaining to the large-scale purchase of the Company’s share certificates, etc. (the “Explanation”; hereinafter, the large-scale purchase by 3D, Citco Trustees (UT) Limited (“CTL”), to which 3D provides discretionary investment management services, and CITCO TRUSTEES (UT) LIMITED AS TRUSTEE OF 3D ENDEAVOR MASTER FUND – II, for which CTL acts as trustee (hereinafter collectively referred to with 3D and CTL as the “Large-Scale Purchaser”) that was described in the Explanation is referred to as the “Large-Scale Purchase”).

Subsequently, in accordance with the Response Policy, the Company’s Board of Directors requested that the Large-Scale Purchaser provide information necessary for shareholders to determine whether to accept the Large-Scale Purchase and for the Company’s Board of Directors to evaluate and consider the Large-Scale Purchase. The Board of Directors has carefully evaluated and considered the Large-Scale Purchase. Now, the Company hereby announces that the Board of Directors’ evaluation period has ended as of April 28, 2026 and that, at the meeting of the Board of Directors held on that date, the Board of Directors has determined that, as set forth in Part 1 below, the Countermeasures should be invoked because there is a risk that the Company’s corporate value and the common interests of its shareholders would be harmed if the Large-Scale Purchase were carried out by the Large-Scale Purchaser, and after giving maximum respect to the recommendations of the Independent Committee set forth in Part 2 below, resolved, by a unanimous resolution of all Directors including the five Independent Outside Directors (including four Directors who are Audit and Supervisory Committee Members), that it will submit a proposal to confirm shareholders’ intent regarding whether to invoke the countermeasures to the Large-Scale Purchase based on the Response Policy (the “Countermeasures”) to this Annual General Meeting of Shareholders.

The details of the evaluation and opinion of the Company’s Board of Directors of the Large-Scale Purchase by the Large-Scale Purchaser and the recommendations by the Independent Committee are as set forth below. Please see Appendix A “Notice of the Introduction of a Policy Against Large-Scale Purchases of Share Certificates, etc. of TOHO HOLDINGS CO., LTD. in Response to the Large-Scale Purchase, etc. of its Shares by 3D Investment Partners Pte. Ltd.” dated October 31, 2025 for the details of the Response Policy.

Details

Part 1 Evaluation and Opinion of the Company’s Board of Directors of the Large-Scale Purchase by the Large-Scale Purchaser

I. The invocation of countermeasures is necessary because 3D will acquire stronger influence on the Company’s management through the Large-Scale Purchase and impose management

decisions on the Company that pursue short-term profit, which risks harming the Company's corporate value and the common interests of shareholders, and the Large-Scale Purchase is coercive (introduction)

3D has explained that it would implement the Large-Scale Purchase “in expectation of a significant increase in corporate value resulting from improvements to your company's governance structure,” and that it “is intended solely to generate returns through pure investment and is not intended to seize your company's management control.”

However, 3D has insisted on causing the Company to implement a business integration with another company in the same industry or restructuring of the industry, or shareholder returns that are premised on revision of surplus assets, and 3D's purpose can be reasonably presumed to be for it to cause the Company to implement them. With respect to the criticisms regarding the Company's governance structure that 3D has repeatedly asserted, in light of the history of dialogue with 3D to date and the changes in 3D's assertions, it is hard to believe that 3D is truly aiming to improve the Company's governance and compliance system, and the true intention behind raising the issues is believed to be simply to place pressure on and shake up the Company's management. Therefore, the purpose of the Large-Scale Purchase by 3D can be reasonably presumed to be for it to pursue its own short-term profit by imposing management decisions in line with its own intentions on the Company by increasing its material influence over the Company's management, and not “pure investment.” This is also supported by examples of 3D's investments in the past.

On the other hand, the Company has formulated a new medium-term management plan “Soaring into the Next Generation” (from the fiscal year ending in March 2027 to the fiscal year ending in March 2029) (the “New Medium-Term Plan”; please see https://www.tohohd.co.jp/en/assets/data/260428mtp_E.pdf) that works to convert to a type of management that stresses profitability and capital efficiency and that aims at sustainable improvement in corporate value; the New Medium-Term Plan aims to reassess each business from the perspective of profitability and growth potential and promote business portfolio reform by predominantly distributing management resources to areas where revenue creation is expected to exceed capital costs. The Company believes that the New Medium-Term Plan is based on highly implementable measures grounded in the Company's business characteristics and management resources, and that it achieves both improvement of capital efficiency and enhanced shareholder returns, and therefore it will contribute the most to improving sustainable corporate value and the common interests of shareholders. The Company also believes that it has established a governance system to reliably and efficiently implement the New Medium-Term Plan.

Despite the fact that it will have a more material influence on the Company's

management due to the Large-Scale Purchase, given that 3D has repeated its assertions as if the development of governance would resolve all of the Company's management problems aimed at the improvement of corporate value and has not specifically indicated a management policy for the Company due to the purpose that contradicts the reality of the Large-Scale Purchase being "pure investment," it can be inferred that 3D is concerned only with pursuing its own short-term profit. It is especially important for the Company, whose core business is the pharmaceuticals wholesaling business, to maintain and strengthen its continuing and long-term relationships with business partners such as pharmaceutical manufacturers that supply pharmaceuticals and medical institutions and pharmacies that handle pharmaceuticals, and furthermore to stably and sustainably fulfill its mission as social infrastructure of significant public importance, in order to maintain and improve its corporate value over the medium- to long-term. If 3D pursues its own short-term profit without understanding that business structure and those characteristics of the Company, it may result in a loss of trust from business partners and a loss of revenue opportunities for the Company. In addition, it is clear that 3D does not have experience or knowledge of the Company's business, in the event 3D has further increased its influence on the Company's management, it is possible that the Company's management will be thrown into disarray or the implementation of policies to improve corporate value by the Company's management will be impeded, or that measures to pursue short-term profit will be forcibly implemented, and there is a risk that the Company's corporate value and the common interests of shareholders will be irreversibly harmed if the Large-Scale Purchase is carried out.

In addition, despite it being clear that it is highly likely that a conflict of interest will arise between 3D and ordinary shareholders, 3D is not even trying to understand that point or give it consideration at all, and if 3D were to further increase its influence on the Company, it must be said that the possibility of the interests of ordinary shareholders being sacrificed cannot be denied.

Furthermore, the Large-Scale Purchase by the Large-Scale Purchaser is an acquisition through on-market purchases premised on the listing being maintained without sufficient information being provided, it is coercive with respect to ordinary shareholders, and it is necessary to eliminate that coercive effect to the extent possible.

As set forth above, as the Large-Scale Purchase risks harming the Company's corporate value and the common interests of shareholders, the Company's Board of Directors has determined that the Countermeasures should be invoked.

II. The true purpose of the Large-Scale Purchase is not pure investment or to increase corporate value through improving the Company's governance system; rather, it is for 3D to pursue its own short-term profit by imposing management in line with its own intent on the Company by

obtaining strong influence over the Company's management

1. The purpose of the Large-Scale Purchase is not "pure investment"

In the Explanation, 3D repeatedly asserts that the purpose of the Large-Scale Purchase is "pure investment," stating that "the Acquisition is intended solely to generate returns through pure investment and is not intended to seize your company's management control," and that "the purpose of 3D's shareholding is purely investment (to earn profits from fluctuations in the value of your company's shares and/or dividends on such shares)."

On this point, although "pure investment" is not a term with an established definition, section 5-19-3-2 in part A "Common Matters" of the "Points to Note Regarding Disclosure of Corporate Affairs (Guideline for the Disclosure of Corporate Affairs)" states, "pure investment purpose' means exclusively for the purpose of receiving profit through changes in the value of shares or dividends pertaining to shares," and it is understood to refer to a purpose that is based "exclusively" on share price fluctuations or dividends. Judging from that, even if there is a purpose of obtaining profit from changes in share value or dividends, if there is simultaneously the purpose of influencing the management of the issuing company, it is believed that it is premised not to fall within pure investment purpose. It is also commonly understood that, in the case of "pure investment," an investor does not acquire control over or participate in the management of the target, and focuses solely on gains from appreciation of share prices and dividends.

As also described in section 2 below, judging from the history of 3D's investment in the Company to date, it is believed to be reasonable to conclude that the purpose of the Large-Scale Purchaser implementing the Large-Scale Purchase is not simply to obtain profit through gains from appreciation of the share price regarding the amount they additionally acquire, but rather to increase its influence on the Company and the Company's shareholders by increasing the number of voting rights it holds in order to realize management decisions and resolutions of the General Meeting of Shareholders in accordance with its intentions, particularly given the situation in which the details demanded by 3D have not been accepted by the Company and the Company's shareholders. In other words, that its main purpose is to influence the Company's management to cause decisions to be made in accordance with its own intentions. Consequently, the Large-Scale Purchase cannot be said to be for a "pure investment" purpose, and it is believed that 3D is deliberately stressing that it is "pure investment" to try to hide the true purpose of the Large-Scale Purchase and cause misunderstandings on the ordinary shareholders.

In the "Response to the 'Request for the Provision of Necessary Information'" submitted by 3D on February 3, 2026 (the "February 3 Response"), 3D states that the reference to pure investment in the Explanation "concerns solely the purpose of acquiring the additional shares in this situation," and thus gives an explanation that

only the portion being acquired this time seems to be for a pure investment purpose. However, the purpose of holding shares ordinarily indicates the purpose of the overall holding, and it is not believed that the nature of shares of the same issuing company is expected to be sharply distinguished by each time of their acquisition. In addition, 3D has disclosed in amendment reports the possibility of making material proposals and has actually made material proposals to the Company; therefore, it is difficult to categorize 3D as actually carrying out the investment by positioning only the portion to be additionally acquired in the future as being for a pure investment purpose. Furthermore, in the “Response to ‘Request for the Provision of Additional Information’” it subsequently submitted on March 18 (the “March 18 Response”), 3D explained that “the present acquisition plan does not alter the current purpose of shareholding as stated in the Statements of Changes we have filed, nor are the shares of your company to be acquired thereby different in nature from the shares of your company that we already hold.” This content clearly contradicts the explanation in the February 3 Response that seems to be that only the portion to be acquired this time will be for a pure investment purpose, and it indicates that difficulty has arisen in sticking to their explanation of it being a pure investment purpose.

2. The purpose of the Large-Scale Purchase is to increase influence on the Company’s management, and then for 3D to pursue its own short-term profit

- (1) 3D has insisted on causing the Company to implement a business integration or restructuring of the industry with another company in the same industry, or shareholder returns that are premised on a revision of surplus assets

From the outset in 2023 when it began engagement, 3D made a proposal concerning a verification of the business portfolio or a 90 billion yen acquisition of treasury shares that assumes a review of surplus assets, and in order to realize them, 3D requested the establishment of a strategic review committee that would include candidates 3D recommends among the members. In addition, in October 2024, 3D proposed a business integration between the Company and another company in the same industry, and in subsequent meetings, 3D requested the review of the business integration with another company in the same industry, the hiring of a financial advisor premised on that, and its participation in the review process, while suggesting the possibility that if the Company did not accept 3D’s requests, there would be the possibility of 3D exercising the shareholder’s right to make shareholder proposals at an Annual General Meeting of Shareholders or a public campaign.

In meetings held on September 10 and October 3, 2025 and in a letter received on October 6, 2025, 3D requested the Company to establish a strategic review committee, and to have the agenda of the strategic review committee include a review of strategic options including an integration with a domestic pharmaceuticals wholesaler and restructuring of the industry, and a further verification of the business portfolio, asset holding policy, and growth strategy and

shareholder returns. Notwithstanding that its agenda would be matters that relate to the important management strategy of the Company, in relation to the strategic review committee, 3D requested that the strategic review committee has mechanisms that would allow 3D's intentions to be strongly reflected in it, such as having a composition with at least two members recommended by 3D and some of the Company's Outside Directors, excluding Executive Directors spearheading the current medium-term management plan, one of those people recommended by 3D being made the chairperson of such committee and the group leader of a working group that is established as its subordinate body, and the preparation of a request for proposal during the appointment of independent advisors for such a committee requiring the agreement of 3D. Furthermore, in meetings held on September 10 and October 3, 2025, 3D declared that it would demand convocation of an Extraordinary General Meeting of Shareholders if the strategic review committee 3D is requesting is not established. This can be said to be 3D compelling the Company into decision-making pertaining to the establishment of the strategic review committee 3D is requesting by suggesting that 3D will convene an Extraordinary General Meeting of Shareholders to appoint or dismiss directors if the Company does not meet 3D's intentions. On the assumption of these assertions by 3D and its stance in consultations, 3D's purpose is clearly to pursue short-term profits for 3D by forcefully causing the Company to implement a business integration with another company in the same industry and a restructuring of the industry, and a shareholder return policy premised on the revision of surplus assets.

3D has explained, for example, in the February 3 Response that "3D Group has never formally proposed to your company's Board of Directors a business integration with another company in the same industry. We merely shared with your company's administrative office, in the course of discussions, that such corporate value enhancement measures could be possible," and in a meeting with Director Hiromi Edahiro ("Director Edahiro") that "it was stated as part of brainstorming." However, 3D's request regarding the business integration with another company in the same industry was made after conducting a verification using concrete figures, engaging expert attorneys to perform an analysis regarding specific issues under the Antimonopoly Act, and even preparing proposal materials. Furthermore, even after Director Edahiro responded in the meeting that he thinks immediately carrying out a business integration with another company in the same industry would be difficult, they repeatedly demanded the review in the meeting. Judging from this type of response by 3D, the assertion that such a business integration is part of brainstorming rather than a formal proposal is clearly unreasonable. Furthermore, in the Explanation, 3D asserts that Director Edahiro responded that he would not review a business integration with a major domestic pharmaceutical wholesaler because he prioritized maintaining the status quo, including preserving positions such as general manager roles. However, Director Edahiro actually explained specific reasons to 3D, such as (i) if it is judged based on past cases of business integrations between companies in the same industry, a drop in sales prices would be anticipated to occur, (ii) it would become necessary to adjust area share, and business partners would be concerned about the rising share of the combined company and increase the proportion for other companies as a result, so it is expected that the integration effect would be one plus one

becoming less than two, (iii) the need to pursue cost synergies would arise and it would become necessary to reduce employee numbers, and (iv) it would be necessary to take the utmost consideration for information management during the review, and then explained that it would be necessary to carefully review a business integration with another company in the same industry, and that he was not positive at that point in time.

- (2) 3D's points concerning governance raised with the Company are nothing more than a means of forcing its proposals on the Company

To date, 3D has repeatedly asserted that there are problems with the Company's governance and compliance system, citing the cases of misconduct concerning the Antimonopoly Act violation (the "Antimonopoly Act Violations") and the incident concerning Nihon University Hospital from roughly six to ten years ago, and in the Explanation as well, it puts forth the improvement of the Company's governance system as the purpose of the Large-Scale Purchase.

However, at the same time, 3D has changed its assertions regarding those problems, for example by declaring that if the strategic review committee 3D is requesting to be established were established then a verification of the governance and compliance system by that committee would not be necessary, and it is difficult to believe that their series of requests is truly for the purpose of improving the governance and compliance system.

On that point, in the "Explanatory Materials Regarding Our Additional Acquisition of Toho HD Shares" 3D released on January 19, 2026, 3D explained that they changed due to a clearer understanding of the issues at the Company, and that such a change is inevitable. However, after being aware of both the Antimonopoly Act Violations and the incident concerning Nihon University Hospital at the Company raised by 3D as well as confirming the Company's responses to 3D's questions concerning those incidents, 3D proposed the business integration with another company in the same industry to the Company on October 1, 2024. When the Company did not accept that proposal, it pointed out past governance problems at the Company, and when the time was right they requested a business integration with another company in the same industry again, and then when the Company did not accept the request they again repeated the response of indicating governance problems, which obviously does not fall under an inevitable change due to a clearer understanding of the issues at the Company.

In addition, in the Explanation, 3D regards as problematic the written statements of Director Edahiro and Director Akira Umada ("Director Umada") in the Antimonopoly Act Violations (collectively, the "Written Statements"), but that assertion was not made immediately after 3D acquired the Written Statements. 3D had already acquired copies of the Written Statements on August 14, 2025 at the latest, but no reference was made to the Written Statements at the meeting on September 10, 2025 that was set for the reason of confirming the Written Statements, and they even declared that it was good that Director Edahiro is the CEO of the Company. However, when the Company refused the request to establish a strategic review committee, they demanded the establishment of a third-party committee on December 3, 2025, and further requested the filing of a liability suit against the Directors of the Company (including resigned Directors) on

December 15, 2025 (the “Request for the Lawsuit”) on the grounds of the facts stated in the Written Statements. Then, in a letter to the Outside Directors of the Company dated the same date, 3D explained that the Request for the Lawsuit has the purpose “to ”present legal issues” in order to make the investigation by the third-party committee to be established more effective and meaningful” In light of the background of this dialogue with 3D as well, it is difficult to understand that 3D truly regards the Written Statements as problematic and is aiming for improvements in the governance and compliance system, and one can instead only believe that they are in fact using the Written Statements and the Request for the Lawsuit as a means to put pressure on the Company’s management.

Approximately six to ten years have passed since the occurrence of the Antimonopoly Act Violations, and approximately five years or more have already passed since they were discovered as well. During that time, the Company has formulated and enacted measures to prevent recurrence and various policies to strengthen the governance system taking into account those cases, and the Company’s current governance and compliance system is greatly different from the situation at the time those cases occurred. The Company has repeatedly given specific and thorough explanations of those facts to 3D and that the establishment of a third-party committee is not necessary, but 3D has completely refused to accept those explanations, and has continued to one-sidedly demand the establishment of a third-party committee based on the situation at the time, so we have no choice but to believe that it has no intent to hold constructive dialogue with the Company. Furthermore, 3D’s governance-related assertions, other than suggestions for governance improvements as generalities that were made during the Large-Scale Purchase (see part 1(2) of section III below for the Company’s opinion regarding this point), are limited to issues such as the suitability as Directors of Director Edahiro and Director Umada who are assumed to have been involved in the Antimonopoly Act violations, clarifying past facts through the establishment of a third-party committee, the approval process for Director Edahiro when former Director Udo passed away, and disclosures concerning the consultant and advisor system.

Judging from this, it is natural to believe that, rather than aiming at correcting the Company’s governance and compliance system through measures such as establishing a third-party committee, 3D is attempting to pressure the Company’s management and Outside Directors and realize its own requests by raising issues in regard to the governance and compliance system and requesting a lawsuit if the Company does not accept 3D’s requests.

- (3) Examples of 3D’s investments in the past also support the purpose of 3D’s actions with respect to the Company being to increase its influence on the Company’s management, and then impose management decisions in accordance with its intent and pursue its own short-term profit

Looking at other examples of investments by 3D reveals that there are many examples in which 3D increased its influence on an investment target and then ultimately obtained short-term profit by causing the investment target to implement a corporate action.

(i) Investment in FUJI SOFT

In their investment in FUJI SOFT INCORPORATED (“FUJI SOFT”), to the extent that can be confirmed from change reports, while 3D increased its shareholding ratio to 22.01%, it strengthened its influence by, for example, exercising its right to make a shareholder proposal and right to demand convocation of an extraordinary general meeting of shareholders, carrying out a public campaign, and installing directors recommended by 3D as members of a corporate value improvement committee and special committee, and then implemented a process led by 3D itself to solicit proposals to take FUJI SOFT private, despite not having the agreement of FUJI SOFT’s management. Subsequently, a tender offer was implemented by a PE fund that had executed an irrevocable tender agreement with 3D, and FUJI SOFT was taken private. Thus, in the example of its investment in FUJI SOFT, it can be evaluated that 3D, against the background of influence through its voting rights, caused the establishment of a special committee that included persons 3D recommended among its members, and 3D took the lead in carrying out the delisting process, ultimately causing FUJI SOFT to carry out decision-making pertaining to delisting, in accordance with its own demands.

After the announcement of it going private, another PE fund made a counter bid at a higher purchase price, but 3D could not accept the counter bid because 3D had executed the irrevocable tender agreement even if the counter bid would be made. The tender agreement with 3D, which held shares at a shareholding ratio of at least 20%, had a large effect, and the counter bid could not obtain FUJI SOFT’s support for reasons including its low feasibility of the counter bid. This action by 3D can be said to have effectively blocked the opportunity for a counter bid and pursued a sale of 3D’s own shares (i.e., an early and certain realization of profit for itself) without considering the common interests of ordinary shareholders, namely enjoying the opportunity for a sale at a higher price, which would truly be an example of the problem of a conflict of interests with ordinary shareholders being actualized.

(ii) Investment in Sapporo Holdings

In the investment in Sapporo Holdings Limited (“Sapporo Holdings”) as well, to the extent that can be confirmed from change reports, while 3D increased its shareholding ratio to 19.44%, it implemented a public campaign and asserted, for example, that Sapporo Holdings was neglecting its core business without rectifying its low profitability by having a real estate business, which led to a worsening of its capital efficiency.

In addition, 3D requested the establishment of a strategic review committee and to have its agenda include a fundamental review of the holding policy, including a sale or spin-off of the real estate business, and Sapporo Holdings seems to have accepted that request, as according to published information it has established a group strategic review committee that includes persons recommended by 3D among its members. As a result, Sapporo Holdings has decided to sell its real estate business to a PE fund.

Thus, in the investment in Sapporo Holdings as well, it can be evaluated that 3D, against the background of influence through its voting rights, caused the establishment of a special committee that included persons it recommended among its members, and ultimately caused

Sapporo Holdings to carry out decision-making in accordance with its demands, namely the sale of its real estate business.

(iii) Investment in TOSHIBA

In the investment in TOSHIBA CORPORATION (“TOSHIBA”), to the extent that can be confirmed from a large shareholding report, while it increased its shareholding ratio to 7.20%, 3D expressed concerns about the process and conclusions of the strategic committee in regard to the policies for a strategic reorganization published by TOSHIBA including by publishing a letter, and also requested the development of an environment that would allow potential purchasers to produce proposals, leading TOSHIBA to make changes to the strategic reorganization scheme. Subsequently, due to a proposal concerning the strategic reorganization that was submitted by TOSHIBA being rejected at an extraordinary general meeting of shareholders, TOSHIBA came to solicit proposals aimed at improving corporate value, including taking its shares private, and ultimately it ended up deciding to go private through a PE fund.

(iv) Investment in TOHOKUSHINSHA

In the investment in TOHOKUSHINSHA FILM CORPORATION (“TOHOKUSHINSHA”), to the extent that can be confirmed from change reports, while it increased its shareholding ratio to 17.65%, it implemented a public campaign and requested the improvement of profitability in the existing business, the liquidation of surplus capital, and the development of the governance system, and subsequently 3D itself proposed taking TOHOKUSHINSHA private. This going-private proposal did not lead to an agreement on a confidentiality agreement with TOHOKUSHINSHA, and consultations and negotiations have been broken off.

Furthermore, in the March 18 Response, 3D explains that, in terms of the premise for its going-private proposal to TOHOKUSHINSHA, it was concerned that TOHOKUSHINSHA’s tradable shares ratio conflicted with the delisting criteria, but it is believed that the buyup by 3D itself was also a cause of such concerns about a conflict with the delisting criteria, and it can be evaluated that 3D made the going-private proposal after increasing concerns about delisting through its own buyup.

(v) Investment in YAIZU SUISANKAGAKU INDUSTRY

In the investment in YAIZU SUISANKAGAKU INDUSTRY CO., LTD. (“YAIZU SUISAN”), after, amid the increasing severity of the management environment such as the declining population, an aging society with a falling birthrate, and soaring prices for raw materials and energy, a tender offer was launched to take it private with a strategic partner to increase medium-to-long-term corporate value, 3D acquired shares with a shareholding ratio of 9.78% during the tender offer period, and as a result, coupled with Kabushiki Kaisha Minami Aoyama Fudosan, Kabushiki Kaisha City Index Eleventh, and S-GRANT. CO., LTD.

("Minami Aoyama Fudosan, etc.") also having acquired shares, this tender offer was not successful.

In addition, YAIZU SUISAN subsequently searched for a strategic partner again, and when INABA FOODS Co., Ltd. ("INABA FOODS"), with which it had a trading relationship, implemented a tender offer to take it private, while the intention of Minami Aoyama Fudosan, etc. to sell on the market during the tender offer period or to tender in the tender offer was confirmed, 3D carried out a buyup after that tender offer was announced and increased its shareholding ratio to 13.80%. Ultimately, INABA FOODS accepted 3D's request and raised the tender offer price, and 3D tendered all of its held shares in the tender offer.

Thus, the investment in YAIZU SUISAN can be evaluated as an investment example in which 3D exploited a going-private transaction announced by YAIZU SUISAN, and it obtained short-term profit by forcing up the tender offer price against the background of its shareholding.

As set forth above, in many past examples of investment by 3D, it can be evaluated that 3D has bought up a large volume of the investment target's shares, and then tried to realize the corporate action proposed by 3D or an act to obtain short-term profit through public campaigns, exercising shareholder rights, or proposing buyouts while increasing its influence on the investment target's management or the offeror's judgment. 3D's series of approaches to the Company have many points in common with its investment methods in the examples of other companies, in that it has carried out a public campaign for the establishment of a strategy review committee or corporate action while carrying out a buyup, and tried to apply pressure on management by suggesting the possibility of shareholder proposals or a demand to convene an Extraordinary General Meeting of Shareholders.

In addition, similar to the purpose of holding in the Company's large shareholding report and change reports, 3D stated "pure investment and giving advice and material proposals to management in accordance with the situation.", as it stated in the large shareholding reports and change reports of other investment target. Based on their purpose of holding in both the example of TOHOKUSHINSHA, where 3D proposed the going private by itself, and the example of FUJI SOFT, where 3D led the going-private process by itself, being the same, 3D claiming that the Large-Scale Purchase is for the purpose of pure investment should not be accepted without question, and rather than seeing the Large-Scale Purchase as pure investment, it is rational to believe that it is an action to increase its own influence in order to compel the implementation of future large-scale corporate action, as with the past examples.

3. Summary

As set forth above, while 3D asserts in the Explanation that the purpose of the Large-Scale Purchase is not to acquire the power to control the Company's management, and it is entirely for the purpose of "pure investment," based on the details of its approaches to the Company to date, it is clear that "pure investment" is not the purpose of the Large-Scale Purchase. 3D's purpose can be reasonably presumed to be a business integration between the Company and another company in the same industry or a restructuring of the industry, or shareholder returns premised on the revision of surplus assets, and the true intention behind the raising issues concerning the Company's governance system that 3D has repeatedly asserted is also suspected to be to place pressure on and shake up the Company's management. Furthermore, examining the examples of 3D's investments in other companies to date can also confirm that they are obtaining short-term profit through corporate action and the like by the investment targets against the backdrop of influence through voting rights, and in light of that fact, the purpose of the Large-Scale Purchase by 3D is believed to be for it to pursue its own short-term profit by forcing management decisions in line with its own intentions on the Company by obtaining stronger influence over the Company's management decisions.

III. The Large-Scale Purchase risks harming the corporate value of the Company, and the common interests of shareholders

1. The implementation of the new medium-term management plan will contribute the most to the enhancement of corporate value and of the common interests of shareholders

- (1) Enhancement of the Company's corporate value and the common interests of shareholders, under the new medium-term management plan

Premised on the development of the business foundation that proceeded under the previous medium-term management plan "Create the Next Generation" (from the fiscal year ended in March 2024 to the fiscal year ended in March 2026) (the "Previous Medium-Term Plan"), the New Medium-Term Plan is clearly positioned to transition to a "monetization phase" in which that foundation is converted to revenue. Under the Previous Medium-Term Plan, efforts were made to develop the business foundation, amongst other things through organizational restructuring and the introduction of DX in the pharmaceutical wholesaling business, strengthening the response to specialty pharmaceuticals, restructuring of the dispensing business, and promotion of various alliances. At the same time, the Company recognizes that there is still room for improvement from the perspective of improving profitability and capital efficiency.

Based on this awareness, the New Medium-Term Plan works to convert to a type

of management that stresses profitability and capital efficiency and aims at sustainable improvement in corporate value. Therefore, it will promote business portfolio reform by reassessing each business from the perspective of profitability and growth potential, and predominantly distributing management resources to areas where revenue creation is expected to exceed capital costs.

The New Medium-Term Plan aims to achieve, on a consolidated basis, operating profit of at least 30 billion yen, an operating profit margin of at least 1.5%, ROE of at least 8%, and a selling, general and administrative expense ratio of 5.5% or less, and it also has a basic philosophy of DOE of at least 4% and a total payout ratio of 100%, while proceeding with a reduction of cross-shareholdings to less than 10% compared with net assets (as of the end of the fiscal year ending in March 2029). Through these indicators, the discipline of management will be clarified from each aspect of profitability, capital efficiency, and shareholder returns.

In terms of specific initiatives to achieve these targets, first, in the pharmaceutical wholesaling business, it makes efforts to strengthen profitability through enhancing capabilities for specialty pharmaceuticals, expanding the handling of medical devices and reagents, and increased sophistication of sales and logistics processes by utilizing DX.

Furthermore, in the dispensing business, it will make the business more efficient through organizational restructuring, improvement of the technical fee acquisition rate, and the improvement of productivity by promoting DX.

Moreover, it positions the manufacturing and sales (CDMO) business and new businesses as future growth drivers, and makes effort to expand the revenue foundation through a response to new modalities and utilizing alliances or M&A.

Additionally, it will thoroughly enforce efficiency measures and proceed with improving the revenue structure, for example through improving the productivity of sales and logistics, reducing indirect costs, and reforming business processes.

Furthermore, from the perspective of capital policy, in addition to the creation of operating cash flow, it works to improve the capacity to create cash by moving forward with improvements to asset efficiency through, for example, the sale of cross-shareholdings and non-operational assets. Its basic policy regarding the created funds is to appropriately allocate them to growth investments and shareholder returns.

With regard to growth investments, investment opportunities including alliances and M&A will be actively considered, primarily in new businesses and the CDMO business, and when implementing them, a rigorous determination will be made through deliberations at the Investment Committee based on investment discipline from the perspective of ensuring returns that exceed capital cost and strategic coherence. Furthermore, if such investment opportunities cannot be secured, the policy will be to be aware of capital efficiency and nimbly enhance shareholder

returns.

Regarding shareholder returns, in addition to stably increasing dividends with the criterion of DOE of at least 4%, efforts will be made to optimally distribute capital by flexibly implementing treasury share acquisitions. Furthermore, over the period of the New Medium-Term Plan, in addition to positioning a total payout ratio of 100% as the basic policy, the level of shareholder returns will be flexibly and nimbly revised while being grounded in, for example, the state of progress of growth investments.

Additionally, the New Medium-Term Plan sets forth the achievement of ROE of at least 8% and an operating profit margin of at least 1.5% as main management indicators, and through achieving that, efforts will be made to improve earning capacity and capital efficiency, and to work to sustainably improve corporate value.

Furthermore, with the participation of Outside Directors and external experts, the Management Strategy Committee formulated the New Medium-Term Plan with multiple layers through spirited discussions with no sacred cows that were also based on the perspective of capital markets, and it is positioned as a management policy that integrates business strategy, financial strategy, and governance. Particularly, when formulating the New Medium-Term Plan, it took the comments it received through dialogue with shareholders seriously and conducted a review that was in more depth than previously regarding issues such as optimizing the business portfolio, improving capital efficiency, and reforming the cost structure. Specifically, the Management Strategy Committee conducted a multifaceted verification while also utilizing the knowledge of outside experts regarding a quantitative analysis of the profitability and growth potential of each business, the proper state of investment decisions that have an awareness of capital costs, and the possibility of implementing indirect cost reductions and business process reforms, and reflected those results in the New Medium-Term Plan.

As set forth above, the New Medium-Term Plan will work to sustainably enhance corporate value by proceeding with business portfolio reform, profitability improvement, capital efficiency improvement, and appropriate shareholder returns as a package. Because the New Medium-Term Plan is based on highly implementable policies grounded in the Company's business characteristics and management resources and combines improvement of capital efficiency with enhanced shareholder returns, the Company has determined that it will contribute the most to enhancing sustainable corporate value and the common interests of shareholders.

- (2) A governance system has been constructed to reliably and efficiently implement the Company's New Medium-Term Management Plan

Initiatives pertaining to the development of the governance and compliance

system by the Company

During the period from September 2024 to October 2025, the Company held the Governance Enhancement Special Committee, and based on recommendations received from that committee in October 2025, it established the governance system set forth below, and it is steadily making efforts to develop the governance system to reliably implement the New Medium-Term Plan.

First, in order to energize free and open-minded deliberations at the Board of Directors, efforts have been made to strengthen and improve the Board of Directors. Specifically, in addition to formulating the Company's independent standards for the independence of Outside Directors, it plans to regularly create opportunities for deliberations by only Outside Directors.

Second, based on it being pointed out that it is important for the Chief Governance Officer ("CGO") to display effective authority, the CGO's authority has been strengthened and clarified through the revision of related internal rules and organizational changes.

Third, in order to make audits more effective, it is planned that the personnel for audits will be increased and strengthened, and the method of audits and follow-up audits has been revised, for example by introducing unannounced audits.

Additionally, based on the importance of the response when misconduct occurs having been pointed out, a rapid and appropriate response system has also been developed by, amongst other things, revision of the basic risk management rules and preparing a response manual for when misconduct occurs in order to make the response to misconduct more rapid, appropriate, and documented.

In addition, various drastic and effective concrete initiatives have been advanced in accordance with the Company's specific response policy based on the recommendations, such as the "Rules for Commissioning of Senior Advisors, Counselors, and Advisors" being revised to clarify the standards for commissioning senior advisors, counselors, and advisors and their roles and the like, contract details being revised in accordance with those rules, and investment standards for the Investment Committee being formulated to make decisions at the Investment Committee more rational and objective. The governance system has been greatly strengthened as the basis on which to reliably implement the New Medium-Term Plan.

Regarding the assertions about the development of the governance system being made by 3D

On the other hand, in the Explanation, the February 3 Response, the March 18 Response and the "Response to the 'Request for the Provision of Additional Information (2)'" submitted by 3D on April 17, 2026 (the "April 17 Response"), 3D asserts the development of the governance structure as the only policy to improve

corporate value, and it has made the “Specific Recommendations for the Enhancing the Governance Framework” dated January 16, 2026.

However, since the Antimonopoly Act Violations, the Company is aware that there were issues with the Company’s governance and compliance system, has implemented measures to prevent recurrence and made various governance changes, and has made sincere efforts toward improvement. In addition, as set forth above, the Company established the Governance Enhancement Special Committee, and after formulating specific initiative policies regarding the recommendations from that committee, the Company has proceeded with the implementation of reforms to thoroughly enforce compliance and enhance the governance system. In this way, the Company has formulated and enacted measures to prevent recurrence and policies to enhance the governance system based on the Antimonopoly Act Violations, and the Company’s current governance and compliance system is greatly different from the situation at the Company at the time those cases occurred. Therefore, with regard to Step 1 in 3D’s specific recommendations (fact-finding, root-cause analysis, and formulation of recurrence-prevention measures by a third-party committee), while approximately six to ten years have passed since the occurrence of the cases and approximately five years or more have already passed since they were discovered as well, it is believed that, rather than establishing another third-party committee and using enormous resources on the investigation of a past that differs significantly from the current situation, concentrating resources toward the future on, for example, the improvement of capital efficiency, strengthening the effectiveness of governance, and reforming the human resource strategies and system would contribute to the maximization of the improvement of corporate value and the common interests of shareholders.

In addition, with regard to Step 2 in 3D’s specific recommendations (development of three-layer governance infrastructure), the majority of the matters that 3D requires to be implemented either have already been addressed or put in place by the Company, are based on incorrect factual assumptions, reflect 3D’s own unique views, or are not appropriate to implement given the Company’s circumstances. Furthermore, with respect to the recommendations for which the Company’s response is incomplete at the present time, regarding those for which it is believed to be appropriate to examine implementation based on the Company’s situation, the Company plans to sincerely proceed with a review and response to further strengthen the governance system.

Specifically, 3D’s recommendations of the capabilities and composition of the Board of Directors include reforming skill sets and eliminating structural conflicts of interest, but the Company has already completely revised its skill matrix, established strict standards for the independence of Outside Directors based on the level demanded by institutional investors, and established a framework for

eliminating conflicts of interest. With respect to nomination and compensation governance, including the appointment and dismissal of the CEO, the recommendations include reexamining the suitability of Directors and disclosing information about the process, and the formulation of a succession plan, but, in addition to a CEO succession plan having already been formulated, after formulating Director appointment and dismissal standards and CEO selection and removal standards, an assessment was conducted from scratch based on those standards, and the appointment and dismissal standards regarding the decisions on Director candidates and the CEO and the process and reasons for those judgments have been disclosed in the “Notice Regarding Decision on the Candidates for Directors and the Candidate for CEO” dated April 28, 2026. In addition, with regard to addressing emergencies, it recommends the construction of a misconduct response system and ensuring independence and objectivity of the operation of anti-takeover measures, but together with newly enacting a manual for responding to legal violations and wrongdoing and clarifying the decision process when misconduct occurs, including the rules for establishing a third-party committee, the Company has established the Independent Committee comprising independent Outside Directors who are independent from management, and has eliminated the arbitrary application of the response policy to acquisitions by management, as set forth in the Response Policy. From the perspective of capital cost management and the optimization of the business portfolio, the recommendations include verifying the appropriateness of the capital cost settings and the introduction of a hurdle rate, and the sale of cross-shareholdings, but as set forth above, the Company in addition to the Management Strategy Committee having reviewed every strategic option and formulated the New Medium-Term Plan based on the review results, the Company has newly formulated investment standards for the Investment Committee and set a hurdle rate, which adds a margin to the Company’s capital costs, that was calculated based on objective data, and the Company plans to make investment decisions after sufficiently considering that hurdle rate in the future. The Company has also been proceeding with the reduction of cross-shareholdings for some time, but it has decided to further reduce them under the New Medium-Term Plan, as set forth above.

Moreover, in addition to the recommendations that were made as Step 2 including many recommendations that essentially do nothing more than demand the preceding Step 1 (fact-finding, root-cause analysis, and formulation of recurrence-prevention measures by a third-party committee), they include recommendations that are based on 3D’s own unique opinion, such as the establishment of a secretariat for the Board of Directors that is independent from executives, a mechanism for the post-facto verification of the application of anti-takeover measures, and monitoring by the Company of the exercise of voting rights by asset

managers that should properly be carried out by the asset owners, and recommendations with mistaken assumptions, such as the recommendation that assumes that the Company gave an explanation to shareholders that diverges from objective facts in order to protect management. It is believed that it would not be appropriate to implement these recommendations given the situation at the Company.

Notwithstanding the preceding, in the Explanation, the February 3 Response and the March 18 Response, and in other public materials, 3D has repeatedly asserted that the Company's governance failures have significantly worsened, but as set forth above, the Company's governance system has been steadily and greatly enhanced, and 3D's assertions intentionally ignore those initiatives by the Company and are not based on the Company's current reality.

False assertions of the written statements

3D's assertions concerning governance assume, based on the content of the Written Statements of Director Edahiro and Director Umada that were produced in 2020 during the prosecutor's investigation of the Company's Antimonopoly Act Violations, that both of them admitted to the Company having carried out order coordination in bidding for pharmaceuticals, and that they did not take corrective measures with respect to that. However, there are no such facts.

First, both Director Edahiro and Director Umada have clearly denied that they were aware that order coordination had been carried out. The Written Statements also do not constitute content to the effect that they were involved in the order coordination in the Antimonopoly Act Violations or were specifically aware of it.

In addition, with regard to the Written Statement of Director Edahiro, according to Director Edahiro's explanation, whereas he had said that, only when he was in his previous position of the other company, he had heard stories to the effect that order coordination sometimes takes place between companies in the same industry, at the time of a subsequent interview the prosecutor had already prepared the Written Statement to include content such as that he thought that order coordination is probably taking place in the pharmaceutical wholesaling industry. Despite him denying that and requesting a correction, because the questions and answers about the content of the Written Statement, for example the prosecutor making loaded and coercive statements, were carried out all day, Director Edahiro ultimately signed the Written Statement even though the Written Statement included content that differs from Director Edahiro's statements and awareness. This conforms with the details stated in Director Edahiro's diary at that time and other facts.

With regard to the Written Statement of Director Umada, according to Director Umada's explanation, he was interviewed by the prosecutor 14 times over about one

and a half months, with the interviews being conducted for long periods of time, amounting to four and a half hours for a short interview and half a day for a long interview, and in the interviews, the prosecutor made loaded and coercive statements such as expressly stating the possibility of another compulsory investigation, company functions being suspended and its market assessment falling as a result of that, and the possibility of being arrested, so although the Written Statement included content that differs from Director Umada's statements and awareness, he ultimately signed the written statement. This conforms with the details stated in Director Umada's diary at that time and other facts.

Additionally, upon receiving the Request for the Lawsuit, the Audit and Supervisory Committee appointed as an advisor Nakamura, Tsunoda & Matsumoto, an independent law firm that does not have an interest in the Company or the persons subject to the Request for the Lawsuit, and conducted an investigation independently from the Company's management, and after the Audit and Supervisory Committee confirmed that the Written Statements have little credibility, it determined that it cannot be recognized as a fact that Director Edahiro and Director Umada were actively involved in the order coordination in the Antimonopoly Act Violations, and that it cannot be said that they were aware or could have been aware that order coordination was taking place.

Consequently, the Company believes that 3D's criticisms or assertions based on the Written Statements are false in the understanding of facts on which they are premised, and are groundless.

- (3) Compared to the details proposed by 3D to the Company, the New Medium-Term Plan is a specific and effective policy to improve corporate value that is based on the Company's practical business, and it will contribute to the enhancement of the Company's corporate value and the common interests of shareholders

In the presentation titled "On Maximizing Corporate Value for Toho" that was received from 3D on August 17, 2023, 3D gave as its proposals for corporate value growth for the Company: "development of the governance structure," "improvement of profitability in the core business," "creation of investment resources through optimization of surplus assets," and "reinvestment that exceeds a hurdle rate." The Company's Board of Directors proceeded with a detailed review of these proposals, including other measures, as valuable opinions from an investor and shareholder. On the other hand, proposals for measures to improve corporate value made to the Company by 3D only stubbornly repeated the assertion that the market share price is significantly below its intrinsic value due to governance failures, including in the responses to requests for the provision of information on the large-scale purchase of the Company's share certificates since January 2026, and 3D has not made any proposals that could be recognized as specific or effective business strategies or

policies to improve results. Additionally, based on 3D having represented that they believe that it is not necessary to have knowledge or experience concerning the pharmaceuticals wholesaling business or other businesses operated by the Company's group or corporate management, it is believed that there is not a good chance that they will present highly specific or effective measures that align with the condition of the Company, even if there are repeated discussions in the future.

The New Medium-Term Plan formulated by the Company was drawn up by leveraging broad knowledge, including of Outside Directors and external advisors, based on the work left undone and issues from the Previous Medium-Term Plan and with a mind to the business environment surrounding the Company. As set forth above, it aims at a growth strategy and revenue improvement measures that fully leverage the Company's strengths, a radical review of asset holdings, an appropriate financial strategy and shareholder return policy, and the improvement of return on capital through an optimal execution structure to implement those. When formulating the New Medium-Term Plan, the thoughts of diverse stakeholders, including capital markets, were reflected, a road map was prepared that better suits the Company's actual situation, and effectiveness has been increased, in order to work to improve corporate value and the common interests of shareholders to the greatest extent possible. Under the supervision of a Board of Directors that has a sufficient skill set to contribute to the enhancement of corporate value and on which Outside Directors make up the majority, the New Medium-Term Plan will be advanced by an execution structure that has extensive experience and knowledge, and it is believed that this will enable the realization of the medium-to-long-term enhancement of the Company's corporate value and the common interests of shareholders.

2. Despite the fact that the Large-Scale Purchaser will obtain more material influence over the Company's management through the Large-Scale Purchase, it has not indicated a specific management policy for the Company and it can be inferred that it is concerned only with pursuing short-term profit; moreover, the Large-Scale Purchaser lacks understanding of the Company's business and other matters, and if the Large-Scale Purchase is carried out, there is a risk of creating a material impediment to the Company's management and harming the Company's medium-to-long-term corporate value

- (1) The Large-Scale Purchaser will have more material influence over the Company's management due to the Large-Scale Purchase, and the possibility that it will acquire the power to control management through subsequent additional acquisitions also cannot be denied

Acquisition of a substantial veto authority

According to the February 3 Response, as of the response date the Large-Scale Purchaser holds 16,023,534 shares (of which 326,000 shares are share certificates, etc. pertaining to bonds with share options), and this constitutes a voting rights

ratio (defined in 3.(1)(i) of the Response Policy, meaning the ratio with respect to the number of voting rights of all shareholders (646,598 rights) as of March 31, 2026; the same applies hereinafter) of 24.66%. In addition, according to the Explanation, the Company's shares held by the Large-Scale Purchaser after the Large-Scale Purchase is completed will be a voting rights ratio of 27.02% at most.

On this point, the ratio of the exercise of voting rights at the Company's 2025 Annual General Meeting of Shareholders was approximately 81.5%, so it is believed that the number of voting rights equal to about 27.17%, which is one-third of that ratio, is the number of voting rights that have veto authority for a special resolution matter under the Companies Act at the Company's Annual General Meeting of Shareholders. In other words, because it will almost reach the voting rights ratio set forth above by implementing the Large-Scale Purchase, it can be evaluated that the Large-Scale Purchaser will substantially have veto authority by itself over special resolution matters.

Furthermore, strictly speaking, although they will be just short of 27.17% if the Large-Scale Purchase is implemented to the maximum, if shareholders holding voting rights pertaining to the Company's shares in a number equivalent to a voting rights ratio of only approximately 0.15% exercised voting rights in the same way as the Large-Scale Purchaser, the result of the exercise of voting rights in accordance with the intent of the Large-Scale Purchaser will be realized. In terms of a means for the Large-Scale Purchaser to achieve this, securing shareholders who will act in concert with the Large-Scale Purchaser or implementing a public campaign are conceivable, but based on public campaigns to announce the Large-Scale Purchaser's opinion being implemented in the Large-Scale Purchaser's cases of investment in the Company and in other companies, the figure of a voting rights ratio of about 0.15% is extremely small, and it can be said that 3D can easily secure it (furthermore, even assuming 3D's voting rights ratio at the present time, there is only about 2.51% until they reach substantial veto authority, and it can be said that they are in a situation in which they can easily secure it already). In addition, in light of the possibility that the ratio of the exercise of voting rights at a future General Meeting of Shareholders will decline, it would be reasonable to say that, if their voting rights ratio becomes 27.02% (or even a smaller ratio, depending on the circumstances), 3D has substantial veto authority regarding special resolution matters.

In the event 3D has substantial veto authority regarding special resolution matters, even if the Company's Board of Directors determined that the restructuring of the industry through, for example, the business integration with another company in the same industry that 3D is requesting were necessary, it would be impossible to implement a business integration through taking the Company private via corporate restructuring, such as a joint share transfer or share

exchange, or a tender offer and subsequent squeeze-out transaction that are special resolution matters, without obtaining 3D's consent. This distorted situation in which the material management policies that contribute to improving corporate value and the common interests of shareholders can be blocked at the discretion of one specific shareholder (for example, it is conceivable that they could object as the integration ratio not reaching the level of returns requested by 3D) is believed to be inappropriate from the perspective of corporate value and the common interests of shareholders.

Acquisition of more material influence on management

Regardless of whether 3D alone has veto authority pertaining to special resolution matters, whereas 3D already has material influence on the Company's management even at the present time, it will further increase that influence by implementing the Large-Scale Purchase.

Specifically, in addition to the fact that there will be a situation in which it is possible for 3D to easily reject special resolution matters as set forth above, assuming the ratio of the exercise of voting rights at the 2025 Annual General Meeting of Shareholders (approximately 81.5%), approximately 40.8% will be the line to reject ordinary resolution matters, and if 3D's voting rights ratio is 27.02%, it will be able to reject ordinary resolution matters and approve shareholder proposals by obtaining the approval of shareholders with only 13.8% through a public campaign or the like. In addition, by implementing the Large-Scale Purchase, 3D will become the largest shareholder by an overwhelming margin, holding approximately 5.02 times the number of voting rights of the substantial second-largest shareholder excluding trust accounts. In this situation in which there is the realistic possibility of general resolution matters also being rejected, it naturally can be said that the management of a listed company will have to sufficiently give consideration to the intent of a largest shareholder that is so overwhelming. On this point, whereas the applicable scope of the typical takeover response policies (anti-takeover measures) in Japan is commonly the acquisition of 20% of shares or more (recently, in response to so-called activists increasing influence on management even with smaller voting rights ratios, policies for responding to a takeover that set the trigger threshold at 15% have also been seen here and there), this is thought to be based on the viewpoint that it is possible to have material influence on the management of the target company even though this is a voting rights ratio that does not exceed one-third of the target company's total voting rights (in other words, the ratio to have veto authority over special resolution measures formally as well). In judicial precedent as well, a discriminatory gratis allotment of stock acquisition rights that was carried out as a countermeasure to a tender offer in which the purchaser's ownership ratio would be 27.57% after the purchase was held to be legal

(the NIPPO LTD. case (Nagoya High Court judgment, April 22, 2021; Kinyu/Shojihanrei No. 1635, p. 2)).

In the US, there is a judicial precedent in which it was found that if an activist fund becomes the largest shareholder by an overwhelming margin that holds 20% of shares, even if it does not have the power to control or an explicit veto authority, it is reasonable to have concerns about there being sufficient influence on material company acts, and with regard to a rights plan with an applicable scope of the acquisition of 10% of shares or more regarding investors, such as activists, whose objective is changing the power to control management to the target company or exercising influence on management, it was found that the 10% standard is a level that permits activists to acquire status as a substantial owner of the company (Third Point LLC v. Ruprecht, No. 9469-VCP, 2014 WL 1922029 (Del. Ch. May 2, 2014)).

Therefore, even if the voting rights held by the Large-Scale Purchaser do not reach the level of formally acquiring veto authority over special resolution matters, if judging from 3D's active conduct with respect to investment targets in the past — if the Large-Scale Purchaser becomes the largest shareholder by an overwhelming margin, holding shares equivalent to 24% to 27% of voting rights — it can be evaluated that it will directly or indirectly exercise strong influence on the Company's management against the backdrop of such large voting rights, and that it will be possible in practice for it to block management policies that the Company's management determines to serve corporate value and the common interests of shareholders, or to compel the implementation of policies in accordance with its intention. In fact, while 3D is already hinting against the backdrop of its voting rights about the exercise of its shareholder proposal right and right to demand convocation of an Extraordinary General Meeting of Shareholders or a public campaign, it is trying to compel the implementation of policies in accordance with its intent as set forth in section II. above, and it is clear that it is highly likely to carry out the same response after implementing the Large-Scale Purchase as well.

The possibility of acquisition of the power to control management through an additional acquisition

Additionally, while 3D explained in the February 3 Response and the March 18 Response that, as of the time of preparing those responses, it does not plan to additionally acquire the Company's shares after implementing the Large-Scale Purchase and is not considering doing so, it has not denied the possibility that it will additionally acquire the Company's shares after implementing the Large-Scale Purchase.

In addition, if judged from the fact that, before the introduction of the Response Policy, 3D communicated that it had decided to make additional acquisitions of the Company's shares to a certain extent through market transactions (it has not denied

the possibility of off-market transactions) until its voting rights ratio reaches a maximum of 30% in combination with its existing holdings during the one-year period from July 11, 2025, as well as 3D's language, behavior, and investment activity to that point, it is instead reasonable to believe that it is possible that the Large-Scale Purchaser will carry out such an additional acquisition.

Therefore, it cannot be denied that, if 3D has carried out the Large-Scale Purchase, it is also possible that subsequently it will additionally acquire the Company's shares after a certain period has passed, further increase its influence on the Company's management, and gradually acquire the power to control the management of the Company.

- (2) There has been no specific indication of a management policy for the Company, and it can be inferred that 3D is concerned only with pursuing its own short-term profit

A purchaser that intends to acquire shares that will have the power to control the management of a company or material influence on management can have a material influence on management of the company and the interests of ordinary shareholders, regardless of whether the purchaser itself carries out the management of the company directly, so it is believed that such a purchaser should explain its direction for the management of such company that it is considering to the company and ordinary shareholders so that the ordinary shareholders can appropriately judge the pros and cons of such purchaser acquiring the power to control management or material influence on management.

The "Guidelines for Corporate Takeovers – Enhancing Corporate Value and Securing Shareholders' Interests –" published by the Ministry of Economy, Trade and Industry on August 31, 2023 (the "Takeover Guidelines") also put forth the principle of transparency (principle 3) as one principle to be generally respected in takeovers in which the power to control management of a listed company is acquired, and in addition to stating that "in a situation such as an acquirer attempts to acquire corporate control in a short period of time through open-market purchase, it is advisable for the acquirer to provide at least the same level of appropriate information to the capital markets and the target company as in the tender offer registration statement in a timely manner and an appropriate form, such as the purpose of the purchase, the number of shares to be purchased, summary of the acquiring party, and the basic management strategy after the acquisition, so that shareholders can decide whether to accept the acquisition proposal after understanding the impact of the acquisition on the company's corporate value," it cites an "acquisition proposal does not indicate the management strategy after acquiring corporate control" as being an example of a case in which the "rationale of the purpose may be reasonably doubtful." Even if this is to an extent that does

not lead to acquisition of the power to control management, it falls under a situation in which shares will be acquired that will have material influence on management.

However, in the Explanation, the February 3 Response, the March 18 Response, and the April 17 Response, 3D did nothing but repeat the development of the governance system as its policy to improve the corporate value of the Company, and it is making an assertion as if the development of governance will resolve all of the Company's management problems aimed at the improvement of corporate value (furthermore, as set forth in part (2) of section 1. above, the majority of the governance level recommended by 3D has been constructed as of the present time). In addition, in the dialogue to date, 3D's assertions have been limited to the development of the governance system, the acquisition of treasury shares on a scale of 90 billion yen premised on the verification of the business portfolio and the revision of surplus assets, and the integration with another company in the same industry, and 3D has not presented any specific management policies or measures to improve corporate value whatsoever.

Moreover, as set forth in part 2.(2) of section II. above, until the present, 3D's assertions pertaining to the Company's governance and policies to improve corporate value have changed back and forth, and 3D has not presented a reasonable explanation for those changes. Furthermore, notwithstanding the Company having consistently made efforts to carry out a constructive dialogue, having itself implemented matters that it has determined to be beneficial from the perspective of improving corporate value in regard to requests from 3D, and having implemented various measures to improve governance, 3D only continues to make its demands without taking that into consideration in any way, leading to a situation in which the Company is forced to believe that a constructive dialogue with 3D is difficult. Moreover, in light of the fact that 3D is repeating assertions as if the development of governance would resolve all of the Company's management problems aimed at the improvement of corporate value, the Company has no choice but to conclude that 3D has not sincerely considered a specific management policy or measures to improve corporate value for the Company after the share acquisition.

As set forth in part 2.(3) of section II. above, it is believed that this kind of stance by 3D shows that it is only concerned with pursuing its own short-term profit and it does not have any concern about a medium-to-long-term management policy or policy to improve corporate value for the Company. This stance by 3D must also be said to be irresponsible for a party with material influence over the management of the Company, which has multiple stakeholders such as its shareholders, and if 3D were to have a stronger influence on the Company's management, there is a risk that it would have an adverse effect on the relationship with the Company's shareholders, investors, and other stakeholders, leading to harm to corporate value and the common interests of shareholders.

Furthermore, according to the February 3 Response, 3D seems to be trying to justify not specifically presenting a management policy for the Company after the Large-Scale Purchase for the reason that it does not plan to acquire the power to control the management of the Company through the Large-Scale Purchase. However, as set forth in part 1. of section II. above, in addition to the assertion that the Large-Scale Purchase is pure investment that is not for the purpose of acquiring the power to control management lacking rationality, as set forth above, a person that acquires shares that will have a material influence on a company's management should present a management policy for such company after the share acquisition so that such company and other shareholders can judge the appropriateness of such share acquisition and the response thereto, and 3D's assertions cannot be accepted.

- (3) There is a risk of the Company's medium-to-long-term corporate value and the common interests of shareholders, being harmed if 3D forced the Company to prioritize only the pursuit of short-term profit

In terms of the characteristics of the Company, whose core business is the pharmaceuticals wholesaling business, maintaining and strengthening continuing and long-term relationships with business partners such as pharmaceutical manufacturers that supply pharmaceuticals and medical institutions and pharmacies that handle pharmaceuticals is the foundation that generates revenue for the Company, and are indispensable for improving corporate value over the medium to long term. In addition, through fulfilling our mission to distribute secure and safe pharmaceuticals, the Company is a corporate group supporting medical care that is basic and important infrastructure for society that should be provided to all people equally, and it is necessary to stably and sustainably fulfill the mission as social infrastructure of significant public importance. Reliably implementing that builds trust with society as a whole and our business partners, and forms the basis for the Company's corporate value.

However, as set forth in part 2. of section II. above, whereas the purpose of the Large-Scale Purchase is believed to be for 3D to have strong influence over the Company and then force the Company to make management decisions that pursue short-term profit, if that were to occur, it would give rise to an adverse effect on business partners' trust in the Company and inviting the loss of revenue opportunities, and risk harming the medium-to-long-term corporate value of the Company and the common interests of shareholders.

Specifically, for example, while unlocking liquidity through sale-and-leaseback of the three logistics facilities held by the Company that is being proposed by 3D could, as set forth in part (4) below, improve profit and loss in the short term by recording

a profit on the sale, that profit on the sale would be temporary, and in addition to the increase in the burden of lease fees being expected to become a factor depressing operating profit and cash flow over the medium-to-long term, there are concerns about the Company's logistics and manufacturing capital and financial capital being restricted, for example the decrease in the possibility of predicting long-term costs as a result of a structure that increases the negotiating power of the lessor in renewal negotiations when the lease agreement term expires.

In addition, measures to curtail or reduce unprofitable transactions, and cost improvement measures such as consolidation of bases of operation or reduction of back office and indirect expenses, etc. proposed by 3D may be expected to improve profits in the short term, but there are concerns that if we proceed with reducing the frequency of deliveries to medical institutions on the grounds that they are unprofitable or shrinking the logistics network by consolidating bases of operation, there will be an adverse effect on future receipt of orders for transactions as we will not be satisfying the requirement of stable supply demanded by business partners. Back office functions are the backbone of the stable supply demanded by business partners, and if we proceed with short-term measures to reduce back office and indirect expenses, there is a risk of inviting the degradation of infrastructure that supports the Company's stable supply and harming the conformance to the pharmaceutical wholesaler selection standards of pharmaceutical manufacturers. Thus, if short-term profit is pursued, the Company will become unable to meet the requirements of business partners and will risk losing opportunities for new revenue in the future.

Additionally, if we excessively push forward with the sale of cross-shareholdings and non-business assets in a short period of time and carry out large-scale shareholder returns based on the funds earned therefrom, in addition to the relationship of trust with business partners being expected to be harmed because the shares of those business partners are included in the Company's cross-shareholdings, it is also conceivable that it will not be possible to implement necessary growth investments using funds earned through sales carried out at appropriate times, which would result in the Company's medium-to-long-term competitiveness being reduced, leading to a loss of trust from business partners. As set forth in (1) of part 1. above, the Company does not reject the implementation of such measures to improve capital efficiency; rather, it positions them as important management policies. However, they must be proceeded with while taking appropriate consideration for the impact on the relationship and business with the Company's business partners and the impact on medium-to-long-term growth, and if only short-term profit is excessively pursued without understanding the Company's business structure or characteristics, there is a risk of harming the Company's medium-to-long-term corporate value.

Furthermore, as set forth above, the Company must fulfill its mission as social infrastructure of significant public importance, but, as set forth above, if the Company's supply capacity significantly declines and the maintenance and improvement of the system for stable supply, both in normal times and in emergencies, and quality management for the entire country are neglected, due to pursuing short-term profit, the possibility that this will result in the Company's public importance as social infrastructure being lost cannot be denied. Although the pursuit of short-term profits may temporarily improve capital efficiency, the Company, which bears responsibility as social infrastructure, would lose the trust of business partners in the medium- to long-term, which could consequently bring on a reduction in capital efficiency. Although the Company aims to improve capital efficiency, in order to fulfill its social mission, it is essential to maintain and improve the trust from business partners premised thereon. The trust placed in the Company by business partners is the basis for the trust in the significant public importance of the Company, and if that public importance is lost once, it will have a material and irreversible impact on the Company's business relationships.

Consequently, if 3D forced the Company to only pursue short-term profit, it is believed that it risks harming the Company's medium-to-long-term corporate value, and the common interests of shareholders.

- (4) Notwithstanding the fact that 3D will have a strong influence on the Company's management, it does not have experience or knowledge of the Company's business

In the February 3 Response and the March 18 Response, 3D asserts that because it cannot influence the decision-making of the Company's Board of Directors, the Company's management decisions are made by the Company's Directors, and it does not intend to acquire the power to control the management of the Company, it does not need to have knowledge or experience regarding the businesses such as the pharmaceutical wholesaling business. This is a confession that it does not have knowledge or experience regarding the pharmaceutical wholesaling business operated by the Company.

Based on the following assertions by 3D, 3D's understanding of the Company's management policies and the management environment surrounding the Company is mistaken.

Assertions about the improvement of return on capital lack feasibility

According to the Explanation, 3D asserts that the Company has the potential, based on its capabilities, to generate an ROIC of approximately 15%. However, the assessment based on capabilities asserted by 3D is an assessment of ROIC only on the asset side, and this is nothing more than an assertion that increases ROIC by excluding the non-business assets and business assets defined by 3D from the

invested capital that is ROIC's denominator by revising them. In truth, ROIC should be verified from both the asset side and the liability/capital side because ROIC is an indicator that measures not only the asset efficiency of a company, but also how much revenue is being created against the overall capital that was raised. In other words, the invested capital is made up of funds that were raised through liabilities and capital, and it is believed that, based on changes in the use of funds created by slimming down or selling assets and in the capital structure, it first becomes possible to assess whether those changes in ROIC lead to improvements in capital efficiency for the company as a whole. However, 3D is asserting the validity of their thinking by one-sidedly presenting a high ROIC without presenting such a verification or measures. In particular, 3D's assertion of an improvement of ROIC by optimizing business assets is being made without verifying the significance of holding the business assets that are the source of the Company's corporate value, and when assessing ROIC from the asset side, it is natural that ROIC from the asset side would improve if business assets are excluded from the invested capital that is ROIC's denominator, and that assertion itself is believed to be nothing more than simply presenting numbers. In fact, despite the improvement of ROIC being thought to be the core of 3D's measures for improving the Company's corporate value, the March 18 Response offers a defensive explanation that it is "reference information," so the weakness of the basis for that can be inferred.

Specifically, 3D has proposed as its means of optimizing business assets that the Company unlock liquidity in three logistics facilities that it holds through a sale-and-leaseback. Although a sale-and-leaseback has a certain effectiveness as one method of improving asset efficiency, the Company's logistics bases are core infrastructure that supports the stable supply system for the pharmaceutical wholesaling business, and their placement and function are closely linked to business operations, so it is believed that the application of that proposal must be considered cautiously. In terms of accounting as well, while a sale-and-leaseback reduces tangible fixed assets, right-of-use assets and lease liabilities are recorded in conjunction with the leaseback, so it is possible that the improvement effect on asset efficiency on the balance sheet will be limited in substance. Furthermore, although there are cases in which profit and loss will improve due to, for example, recording a profit on the sale, that profit on the sale would be temporary, and the increase in the burden of lease fees would be expected to become a factor depressing operating profit and cash flow over the medium-to-long term. Additionally, 3D also asserts a slimming down of operating capital based on a comparison with major pharmaceutical wholesalers other than the Company. However, in the pharmaceutical wholesale business, credit management and the maintenance of inventory levels that take into account trade practices with medical institutions and pharmacies and the responsibility for the stable supply of pharmaceuticals are

required, and accordingly, the Company considers that it is not appropriate to uniformly evaluate the scope for improvement solely through a simple comparison with the levels of other companies. Thus, 3D's assertions about improving ROIC are focused only on the financial aspect of operating capital and are not sufficiently based on restrictions in the operations of the Company's business, such as the supply responsibility and commercial practices, making them nothing more than armchair theories that are not suited to the Company's actual situation.

Furthermore, in terms of the optimization of non-operational assets, 3D states that there is scope to create funds through cash and cash equivalents, and the sale of cross-shareholdings and other securities. The Company is also aware that a revision of non-operational assets aimed at improving asset efficiency is an important management issue, and under the New Medium-Term Plan, it has decided to systematically proceed with improving asset efficiency through, for example, a reduction of cross-shareholdings and the unlocking of liquidity in asset holdings. Moreover, with regard to cash and cash equivalents, it is necessary to ensure that the Company has a certain amount of liquidity on hand taking into account the responsibility for the stable supply of pharmaceuticals, the characteristics of operating capital, and changes in the external environment and the like, and the Company also believes that there are limitations to calculating surplus funds based on a simple percentage. With regard to cross-shareholdings, as set forth in (3) above, a phased review based on, for example, business relationships and business alliances is necessary, and needs to be carried out while giving consideration to both the improvement of capital efficiency and the stability of business operations. With regard to other securities, the Company believes that it is necessary to make a comprehensive determination based not only on investment return, but also their positioning in business strategy and contribution to medium-to-long-term value creation and the like. Thus, the Company is of the understanding that it is necessary to proceed with asset optimization in a phased and feasible manner based on the nature of individual assets and the impact on business.

Furthermore, as the Company expressly states the improvement of capital efficiency in the New Medium-Term Plan, it is reviewing its asset holdings and carrying out initiatives to improve capital efficiency such as ROIC and ROE. The purpose of these initiatives is to maintain and improve the Company's competitive superiority and increase return on capital, and the Company will aim to review its financial assets and business assets with no sacred cows and achieve optimization and greater efficiency.

Lack of understanding of the management environment and business structure of the Company and the pharmaceutical wholesaling industry

Furthermore, in a material titled "The Pathologies Undermining Toho HD's

Corporate Value” that it released in December 2025, 3D raises issues concerning the Company’s business, and asserts that its corporate value is being harmed. Specifically, it makes the criticism that (i) lump-sum price contracts that agree on a price for all items rather than individual items, (ii) unsettled contracts and provisional deliveries in which a price is agreed to after delivery to a medical institution, and (iii) negative margins in which the sale price to a medical institution is lower than the purchase price and reliance on rebates from pharmaceutical manufacturers, which exist as commercial practices in the pharmaceutical wholesaling industry, amount to the Company waiving its price-setting authority, and that (a) frequent and urgent deliveries multiple times per day and (b) duplicate logistics for the same product are irrational operations driven by deference to customers. 3D also makes the criticism that the aforementioned commercial practices not having been completely eliminated disregards corrective recommendations from the government, and that frontline level has abandoned improvements on the grounds of comments on anonymous employee review websites and irrelevant comments by the chairperson of the Special Committee on Governance; it also criticizes the Company failing to take action on declining gross profit margins and the low-margin, high-volume situation. In the April 17 Response as well, 3D asserts that while such unreasonable commercial practices still remain in existence, there is a limit to autonomous improvements on an industry-wide basis, and each company, including the Company, is required to work to correct such commercial practices as their respective management decisions.

However, this does nothing more than indicate a generalization of issues in the overall pharmaceutical wholesaling industry, which is positioned as intermediate logistics between the upstream pharmaceutical manufacturers and downstream medical institutions. Precisely because these are difficult issues that exist across the entire pharmaceutical wholesale industry, the Ministry of Health, Labour and Welfare has formulated and revised the “Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies” (the Guidelines for the Improvement of Distribution), and efforts are being made to resolve them in the industry as a whole. In addition, the Company has at least made efforts toward negotiating with business partners based on the Guidelines for the Improvement of Distribution, and it has realized the correction of lump-sum transaction negotiations, an improvement in negative margins (the sale price to medical institutions being lower than the purchase price), and improvement of frequent deliveries to basically one delivery per day. Furthermore, although it is a fact that gross profit margins are falling against a backdrop of falling drug prices due to drug price revisions, an increase in the ratio of price maintenance premium-eligible drugs and patented drugs that have comparatively low gross profit margins due to changes in modality, and a reduction

in the ratio of long-term listed drugs and generic drugs that have comparatively high gross profit margins, this is a problem that is structurally difficult to be entirely improved by only the efforts of the Company, which is one pharmaceutical wholesaler positioned as intermediate logistics. Even in such a situation, the Company is carrying out initiatives aimed at improving gross profit margins, such as streamlining distribution costs and expanding into surrounding businesses outside of insurance.

Thus, it can be said that 3D's assertions concerning the Company's business themselves show that 3D does not understand the management environment or business structure of the Company or the pharmaceutical wholesaling industry.

As set forth above, 3D lacks an understanding of the Company's management policies and the management environment surrounding the Company, in addition to operational experience, understanding, and know-how concerning the business operated by the Company. If such a person comes to hold strong influence over the Company's management, they could impede the implementation of policies to improve corporate value proposed by the Company, including the implementation of the New Medium-Term Plan, or they could force the implementation of policies without understanding of the Company's business that were proposed to pursue short-term profit for the Large-Scale Purchaser, and thus the possibility of the Company's corporate value, and the common interests of shareholders, being greatly harmed cannot be denied.

- (5) The corporate value of the Company and the common interests of shareholders, are at risk of being harmed by the Large-Scale Purchase (summary)

As set forth above, given that 3D has not specifically indicated a management policy for the Company notwithstanding that it will have a strong influence on the Company's management due to the Large-Scale Purchase, it is clear that 3D is concerned only with pursuing short-term profit for itself. Given that the Company will lose the trust of its business partners and this will invite the loss of the Company's revenue opportunities if 3D pursues its own short-term profit. Also, given that it is clear that 3D does not have experience or knowledge of the Company's business, in the event that 3D further increases its influence on the Company's management, it is possible that the Company's management will be thrown into disarray, that the implementation of policies to improve corporate value by the Company's current management will be impeded, or that policies to pursue short-term profit will be forcibly imposed. As a result, it is believed that there is a risk that the Company's corporate value and the common interests of shareholders will be harmed if the Large-Scale Purchase is carried out.

IV. There is a risk of the common interests of shareholders being harmed by the Large-Scale Purchase

1. Conflicts of interests with ordinary shareholders may arise

- (1) If the contents of 3D's proposals to the Company to date and the contents of proposals in past investment examples are taken into consideration, against the background of material influence, 3D may prioritize pursuing short-term profit for itself and sacrifice the interests of ordinary shareholders

As set forth in part 2.(3) of section II. above, in the example of investment in FUJI SOFT, during the tender offer by the PE fund that was selected in a going-private procedure led by 3D itself, 3D had executed a tender agreement that could not be withdrawn even if there was a counter bid. Therefore, despite another PE fund having subsequently made a counter bid at a higher purchase price, 3D declared that it would tender in the tender offer in accordance with that tender agreement, and it is believed that, upon receiving that declaration, FUJI SOFT was also forced to determine that there was no possibility of the competing proposal being realized. This response by 3D can be said to have effectively blocked the opportunity for a counter bid to the tender offer by the purchaser selected in a going-private process that 3D led, and prioritized a sale of its own shares (i.e., an early and certain realization of profit for itself) without giving any consideration to the common interests of ordinary shareholders, namely enjoying the opportunity for a sale at a higher price, and it can be said that a conflict of interests between 3D and ordinary shareholders actually arose.

Based on such handling by 3D, it must be said that it is possible that 3D will sacrifice the Company's corporate value and the common interests of shareholders and pursue only short-term profit for itself.

- (2) Regardless of the existence of a conflict of interests with ordinary shareholders, 3D has not indicated any policy or consideration for avoiding conflicts of interest

A conflict of interests exists between 3D and ordinary shareholders

3D already holds the Company's shares equivalent to a 24.66% voting rights ratio, and it will further increase its influence on the Company if the Large-Scale Purchase is implemented, so its position is different from so-called ordinary shareholders, and it is possible that a conflict of interest will arise with the Company's ordinary shareholders who aspire to medium-to-long-term improvement of corporate value through policies and expected timeframes pertaining to recovering investments (see pages 80–81 of the "Practical Guidelines for Corporate Governance Systems (CGS Guidelines)" by the Ministry of Economy, Trade and Industry (announced on July 19, 2022)). Even if interests are shared in the broad sense of investment returns through the improvement of corporate value, if views differ regarding the details and methods for achieving such returns, including the assumed investment time horizon, conflicts of interest may arise.

In particular, whereas it has been pointed out that it is necessary to review proposals from investors and shareholders with a mind to the fact that they could include proposals that conceal short-term perspectives or self-serving elements, as set forth in part 2. of section II. above, given the contents proposed by 3D up to the present, 3D's purpose is believed to be to force the corporate action requested by 3D in the pursuit of short-term profit to be implemented against the background of such influence. Therefore, it is believed that there is a high likelihood of a conflict of interest arising with the Company's ordinary shareholders that invest in the Company from a medium-to-long-term perspective.

Additionally, in the February 3 Response, 3D states that it is possible that it will sell the Company's shares over the course of several years even assuming a reasonable participation ratio, but if it implements the sale of a large volume of shares in the market over a long period of time, or if that policy is announced and it is viewed in the stock market that there is a high probability of that, typically there is downward pressure on the share price, so it can be said that there is a strong possibility, depending on the policy, that a conflict of interests will arise with ordinary shareholders in relation to 3D's recovery of investments.

There are no grounds for any of 3D's assertions that there is no conflict of interests with other shareholders or structural coerciveness

In the February 3 Response, 3D asserts that there is no conflict of interests with other shareholders or structural coerciveness because (i) its timeframe matches that of shareholders holding shares for the medium-to-long-term, (ii) a conflict of interest will not arise due to differences in methodology, (iii) the share price is increasing due to the announcement of the Explanation, (iv) it does not fall under the category of an abusive acquirer, and (v) there is no "structural coerciveness."

However, with regard to (i) above, based on 3D having negatively assessed as a "long-term timeframe" the Company's action plan that takes the period ending in March 2029 as its perspective in the materials titled "Maximizing Corporate Value for Toho Holdings" that 3D released on May 27, 2025, it can be said that it is difficult to believe that the timeframe of 3D matches those of other shareholders holding shares for the medium-to-long-term. Furthermore, 3D asserts that 3D being an open-end fund that does not set a redemption deadline, and in the March 18 Response, it has not established an anticipated holding period, sales policy, or yield regarding the individual stocks it holds, but their not having set a clear anticipated holding period, as an open-end fund, and investment over a short-term time frame are not contradictory, and as set forth in part 2. of section II. above, it is believed that they are pursuing short-term profit as an investment fund that pursues economic rationality.

With regard to (ii) above, although 3D is asserting that a conflict of interest will

not arise due to differences in methodology because the final management decisions will only be made by the Company's Directors, 3D is trying to compel management decisions in accordance with its intent from the Company's Directors by exercising influence against the background of the voting rights it already holds, and as set forth in section 2.(2) of Part II. above, it is clear that absolutely none of 3D's acts are "merely express its views as a shareholder on what it considers to be the most appropriate course of action," and the premise of the assertion is contrary to the facts.

With regard to (iii) above, it cannot be denied that the rise in the Company's share price on the day following the publication of the receipt of the Explanation may have been the result of temporary buying driven by expectations of a short-term share price increase, with the stock market viewing the Large-Scale Purchaser (including its Specified Shareholder Group) as pursuing short-term profit. Although the closing price on January 19, 2026 actually exceeded the January 16 share price, based on it being the same level as the past one-month or three-month average share price, it does not support assertions such as 3D's.

With regard to (iv) above, 3D asserts that it not falling under the four types indicated by the Nippon Broadcasting System case (Tokyo High Court decision), is a measure to avoid conflicts of interest, but the Takeover Guidelines cited by 3D explicitly state with regard to those types that "it should be noted that this is only an example of a case in which strong countermeasures (preparer's note: the strong countermeasures "called a 'third-party allotment type' in which the controlling ownership will be attributed to a fixed third party") were used, and the court's decision does not in itself define the outer limits of legitimacy" (footnote 83 of the Guidelines on Corporate Takeovers), and the assertion that a conflict of interest can be avoided by not conducting an act that falls under those four types can be said to be 3D itself expressing that its understanding of the judicial precedent is mistaken.

With regard to (v) above, coerciveness existing in this matter is as set forth in section 4. below.

Consequently, none of 3D's assertions can be grounds to deny a conflict of interest with ordinary shareholders, and indeed it can be said that they are support for 3D not understanding the common interests of ordinary shareholders (or ignoring them).

As set forth above, despite it being clear that it is highly likely that a conflict of interest will arise between 3D and ordinary shareholders, in its responses to date, 3D only asserts that so long as its one and only purpose is improving corporate value, there will be no conflict of interest with ordinary shareholders, and it has not explained any specific measures to give consideration to conflicts of interest whatsoever. Thus, 3D not only has not indicated specific measures regarding the

problem of a conflict of interest with ordinary shareholders and the related need to protect ordinary shareholders, it does not understand the issues at hand, and is not even trying to understand them or give them consideration at all. Consequently, if 3D were to further increase its influence on the Company, it must be said that the possibility of the interests of ordinary shareholders being sacrificed cannot be denied.

2. The Large-Scale Purchase through on-market purchases and the possible subsequent additional acquisition of the Company's shares by the Large-Scale Purchaser will give rise to a risk that the power to control management or more material influence on management will be acquired without an appropriate control premium being paid to the general shareholders

The majority of the Large-Scale Purchaser's acquisition of the Company's shares equal to a 24.66% voting rights ratio as of now have been carried out through on-market purchases in a situation in which practically no information is disclosed, and as set forth in section 2.(2) of part III. above, the Large-Scale Purchase will also be carried out through market purchases without sufficient information disclosure. In addition, as set forth in section 2.(1) of part III. above, it is possible that the Large-Scale Purchaser will additionally acquire the Company's shares after the Large-Scale Purchase.

With regard to the act of gradually buying up shares through market purchases without disclosing sufficient information and acquiring shares to the point of holding the power to control the management of a company or material influence on management in this way, it has been pointed out that in a case such as when the purchaser does not pay an appropriate premium for the power of control to the shareholders who sold shares in that process, and the purchaser who acquired a certain ratio of shares through on-market purchases subsequently takes the target company private, the possibility that a counterproposal will be made is lower because that purchaser already holds a certain ratio of shares, and as a result of that the premium paid to ordinary shareholders is lower, and there is a risk that this type of purchase method will harm the common interests of shareholders.

Based on the foregoing, the Large-Scale Purchase by the Large-Scale Purchaser will expose the Company's ordinary shareholders to the risk that the power to control the management of the Company will be acquired without an appropriate premium for the power of control being paid to ordinary shareholders, and it is believed that there is a threat of harming the common interests of the Company's shareholders.

3. Information disclosure by 3D is insufficient and inappropriate, and it makes appropriate judgments by shareholders difficult

As set forth in section 2.(1) of part III. above, if 3D does not deny that, after it further increases its influence on the Company through the Large-Scale Purchase, there is also the possibility of it subsequently acquiring the power to control management through

an additional acquisition, it can be said that it should sufficiently and appropriately explain the management policy for the Company after the Large-Scale Purchase to ordinary shareholders so that ordinary shareholders can judge whether the Company's corporate value will be harmed after the Large-Scale Purchase, or in other words whether to accept the Large-Scale Purchase.

On this point, although the Explanation, the February 3 Response, the March 18 Response, and the April 17 Response appear to disclose certain information, in substance, as a management policy or measures to improve corporate value, they merely make the abstract assertion of the development of the governance system, and on the grounds that the purpose is not the acquisition of the power to control management, they have not indicated any other management policy or measures to improve corporate value whatsoever. In addition, all of the recommendations to the Company on the governance level also only present general discussions concerning governance, and they are not recommendations based on the actual situation of the Company.

Moreover, in order to judge the appropriateness of the Large-Scale Purchase, it is extremely important to ascertain the actual condition and investment activity of the Large-Scale Purchaser (including its specified shareholder group). Despite that, they only respond with minimal information on the grounds that they will not acquire the power to control management, and they refuse to respond regarding further information.

As set forth above, information disclosure by 3D can be said to be insufficient and inappropriate, and to make appropriate judgments by shareholders difficult.

4. The Large-Scale Purchase is coercive with respect to ordinary shareholders

As set forth in section 2.(1) of part III. above, the Large-Scale Purchaser currently holds the Company's shares equal to a 24.66% voting rights ratio, and were the Large-Scale Purchaser to carry out the Large-Scale Purchase, the Large-Scale Purchaser's voting rights ratio would increase to a maximum 27.02%, 3D would have even stronger influence on the management of the Company, and therefore, under circumstances where the possibility of additional acquisition after the Large-Scale Purchase is not denied, ultimately it is possible that 3D would acquire the right to control the Company's management, and ordinary shareholders need to be aware also of that possibility. On the other hand, the Company's ordinary shareholders who did not accept the Large-Scale Purchase will continue to be the Company's shareholders after the Large-Scale Purchase as well.

With regard to such a Large-Scale Purchase, if the Company's shareholders believe that the Company's corporate value will be harmed in a situation in which 3D has strong influence over the Company's management, or (because they cannot judge whether corporate value will be harmed due to, for example, insufficient information on the management policy after the Large-Scale Purchase) they believe that the risk that the Company's corporate value will be harmed cannot be denied, rather than accepting

corporate value being harmed and the value of the shares they hold being reduced and staying at such a company as ordinary shareholders, they will have an incentive to convert their shareholdings to cash and exit the company by accepting the Large-Scale Purchase even if they have concerns about the purchase conditions, so structural coerciveness will exist.

Then, as set forth in section 2. of part III. above, the Large-Scale Purchase risks harming the Company's corporate value and the common interests of shareholders, and as set forth in section 2.(2) of part III. above, in addition to 3D not having sufficiently explained the management policy for the Company after the implementation of the Large-Scale Purchase, it is difficult to say that 3D has sufficiently provided the information necessary to review the appropriateness of the Large-Scale Purchase. In such a situation, because ordinary shareholders will either believe that the Company's corporate value will be harmed after the Large-Scale Purchase, or they will believe there is at least that possibility because it will be difficult for them to judge that, the Large-Scale Purchase is coercive with respect to ordinary shareholders.

In addition, whereas the Large-Scale Purchase will be carried out through on-market purchases, for ordinary shareholders, on-market purchases, unlike the case of a tender offer, have the problem of not being given information or an opportunity for consideration in order to judge whether to accept the purchase and — as a result of information not being disclosed, such as when the purchaser intends to acquire shares and in what amount — also the problem of a motive arising to sell shares quickly while the purchase is being carried out, so they are considered to have a high degree of coerciveness. Furthermore, although 3D has disclosed a certain amount of information regarding the Large-Scale Purchase through the publication of the Explanation and the responses, as set forth in section 3. above, it is difficult to say that shareholders have been provided with the information required to consider the appropriateness of the Large-Scale Purchase.

Accordingly, the Large-Scale Purchase by the Large-Scale Purchaser is coercive towards ordinary shareholders, and in order to resolve such coerciveness to the extent possible, it is believed that the Response Policy and invoking the Countermeasures based thereon will be necessary.

Part 2 Consultation with the Independent Committee and recommendations by the Independent Committee

As set forth above, the Company's Board of Directors has evaluated the appropriateness of the Large-Scale Purchase by the Large-Scale Purchaser from the perspective of ensuring and enhancing the Company's corporate value and the common interests of shareholders, and has carefully considered the appropriateness of invoking the Countermeasures against the Large-Scale Purchase. In this process, in order to prevent arbitrary

judgment by the Company's Board of Directors and to further enhance the fairness and objectivity of the operation of the Response Policy, the Company's Board of Directors, in accordance with the Response Policy, consulted the Independent Committee consisting of three Independent Outside Directors of the Company regarding the appropriateness of invoking the Countermeasures if the Large-Scale Purchaser carried out the Large-Scale Purchase after it evaluated the impact of the Large-Scale Purchase on the Company's corporate value and the common interests of shareholders. Then, as of April 28, 2026 the Company's Board of Directors received from the Independent Committee a written recommendation (the "Written Recommendation"), unanimously consented to by all members of the Independent Committee, with content to the effect that, on the condition that the proposal regarding the invocation of the Countermeasures is approved at the shareholders' meeting for confirming shareholders' intent, if the Large-Scale Purchaser were to carry out the Large-Scale Purchase, it would be appropriate to invoke the Countermeasures at a time reasonably determined by the Company's Board of Directors, taking into account the opinion of the Independent Committee. The summary of the Written Recommendation is as set forth below.

I. For the reasons set forth below, there is considered to be a risk of the Company's corporate value and the common interests of shareholders being harmed if the Large-Scale Purchaser carried out the Large-Scale Purchase

1. The source of the Company's corporate value is its continuing and long-term relationships with business partners and the operating capital that supports them

- The Company's core business is the pharmaceutical wholesaling business, and the maintenance and growth of that business is essential to the maintenance and enhancement of corporate value. In order to maintain and grow the pharmaceutical wholesaling business, it is absolutely essential to be selected as a pharmaceutical wholesaler by pharmaceutical manufacturers, medical institutions, and pharmacies ("Business Partners"), and to maintain and strengthen the continuing and long-term relationships with those Business Partners.
- In order to maintain and strengthen the continuing and long-term relationships with Business Partners, it is essential to meet the Business Partners' requirements for the Company. There are many different functions and capabilities required of the Company by Business Partners, such as "stable supply," "quality management and traceability," "information provision and feedback," "emergency response capability," and "a long-term commitment to fulfilling its social mission together with Business Partners." It is essential to work to strengthen multifaceted functions and capabilities as a "trustworthy pharmaceutical supply chain through the establishment of appropriate quality control and a stable supply system" to meet these requirements. Then, continuing to meet those requirements enables the continued existence of business relationships over the long term, which becomes a source of future revenue.
- In order to maintain and strengthen continuing and long-term relationships with Business Partners, it is important to maintain and strengthen the operating capital that supports them. Specifically, that is social capital (relationships of trust and cooperation with partners, including Business Partners), logistics and manufacturing capital (a logistics network that covers the entire country), intellectual capital (contribution to resolving issues for Business Partners utilizing know-how

cultivated in business and accumulated data), and financial capital (a strong financial foundation that supports business activities), and the Company is in fact focused on maintaining and strengthening them.

2. If priority is placed only on increasing figures for profit and loss or investment efficiency in the short term, there is a risk that the source of the Company's corporate value, and its medium-to-long-term corporate value, will be harmed

- If priority is placed only on increasing figures for profit and loss or investment efficiency in the short term, there would be concerns about harming the source of the Company's corporate value. In other words, policies to increase profit and loss or investment efficiency in the short term do have a certain rationality when they are each viewed separately. However, without an understanding of or consideration for the source of the Company's corporate value, there is the concern that, even if they were to temporarily increase figures for profit and loss or investment efficiency, when viewed over the medium to long term, the source of corporate value would be harmed, reducing the total amount of future cash flows. For example, conceivable policies to increase profit and loss or investment efficiency in the short term include curtailing or reducing unprofitable transactions (e.g., reducing the frequency of deliveries to unprofitable major hospitals or remote medical institutions), rationalizing the cost structure (e.g., a policy to consolidate locations of operations), reviewing the balance sheet (e.g., minimizing cash and deposits), and pursuing investment efficiency (e.g., investment that placed priority solely on quantitative investment efficiency). The Committee does not reject adopting policies to increase figures for profit and loss or investment efficiency in the short term in and of itself. The Company itself is also giving sufficient consideration to the impact on the source of the Company's corporate value and steadily implementing policies to improve figures for profit and loss or investment efficiency to the necessary extent.
- If the source of the Company's corporate value is harmed, there is a concern that the Company's medium-to-long-term corporate value will also be harmed. In other words, there is a concern that, due to placing priority only on increasing figures for profit and loss or investment efficiency in the short term, it will not be possible to meet the requirements of Business Partners, resulting in a loss of trust from Business Partners, and the Company will not be selected as a pharmaceutical wholesaler. In that case, there is a concern that the Company may lose revenue opportunities, for example through the loss of opportunities to handle highly profitable items, lower priority for distribution of shipment adjustment items, lower competitiveness in sales channels, diminished MR-MS coordination opportunities, and exclusion from the data business and new businesses.
- In addition, in light of the business environment in the pharmaceutical wholesaling business in recent years, the importance and difficulty of maintaining and strengthening continuing and long-term relationships with Business Partners have increased further. In other words, Business Partners are becoming more selective in choosing pharmaceutical wholesalers, and intensified competition among pharmaceutical wholesalers is increasing the possibility that business relationships will shrink or, depending on the circumstances, be lost. In addition, the trend of pharmaceutical

wholesalers, which are responsible for a stable supply as public infrastructure, remaining low in profitability is also becoming more pronounced.

- Furthermore, once harmed, restoring the source of the Company's corporate value will be difficult. That is to say, continuing and long-term relationships with Business Partners are earned as a result of meeting the requirements of Business Partners while providing stable supply over the long term. If those relationships have been harmed once, even if equivalent investment and effort are expended again, a relationship of trust that has once been lost cannot be easily restored to its original level, and if such a relationship of trust is harmed or dissolved, the adverse impact will last for a long period of time. Therefore, prioritizing only increasing figures for profit and loss or investment efficiency in the short term and harming the continuing and long-term business relationships with Business Partners that are the source of corporate value carries the risk of simultaneously harming the Company's long-term business foundation in a way that would be difficult to restore, so there is a concern about harming the Company's medium-to-long-term corporate value.

3. The Large-Scale Purchaser intends to exert material influence on the Company's material decision-making and to cause the Company to prioritize only increasing figures for profit and loss or investment efficiency in the short term

- (1) The voting rights ratio held by the Large-Scale Purchaser is objectively at a level that can have a material influence on the Company's material decision-making, and that influence will be further strengthened by the Large-Scale Purchase and further additional buyups
 - In light of the Company's current shareholder composition, the Large-Scale Purchaser clearly already has material influence on the Company's material decision-making, based on the number of shares it currently holds. In other words, the Large-Scale Purchaser is the largest shareholder by an overwhelming margin, with a voting rights ratio of 24.66%. In addition, assuming the ratio of voting rights exercised at the Company's past Annual General Meetings of Shareholders, the Large-Scale Purchaser holds shares in excess of 60% of the voting rights required to decide ordinary resolution matters on its own, and as for special resolution matters, it holds shares at a level sufficient to reject them on its own. This fact alone allows it to be said that the Large-Scale Purchaser is in a position to materially influence the Company's material decision-making. Furthermore, in light of the composition of shareholders following 3D, and the fact that 3D is continually carrying out public campaigns and making other approaches to ordinary shareholders pertaining to the exercise of voting rights and the like, it is even more clear that it has material influence on the Company's material decision-making.
 - Looking at other examples of investments by 3D in the past also supports the fact that the number of shares held by the Large-Scale Purchaser in the Company gives it sufficient influence. In other words, in examples of investments by 3D in the past, in response to various proposals, campaigns, and shareholder proposals and the like by 3D, which held about 20% of shares, the investment target company has carried out material decision-making such as implementing or considering taking its shares private, accepting directors, and selling a real estate business. Such investment

examples show that even a holding ratio of around 20% allowed 3D to have an influence on the investment target's material decision-making, and it can be said that they prove that the Large-Scale Purchaser, which holds shares in the Company that exceed or are the same level as the above holding ratio, has a material influence on the Company's material decision-making.

- As set forth above, even now the Large-Scale Purchaser holds shares at a level that allows it to cause the Company's management to implement policies in line with its intent. In practice, it goes without saying that the management of a listed company will be forced to sufficiently consider the intent of the Large-Scale Purchaser when carrying out material decision-making that ranges widely from the daily execution of business to medium-to-long-term business operation policies.
 - It is possible that the Large-Scale Purchaser will further increase its influence on the Company through the Large-Scale Purchase and subsequent additional buyups. In other words, the influence of the Large-Scale Purchaser will be further strengthened by the Large-Scale Purchase, and the possibility that it will further increase due to the Large-Scale Purchaser making additional acquisitions of shares in excess of 27% after the Large-Scale Purchase also cannot be denied.
- (2) Backed by its high voting rights ratio, the Large-Scale Purchaser intends to cause the Company to prioritize increasing figures for profit and loss or investment efficiency in the short term
- Because it is a fund, 3D must aim to recover the funds it invested in the acquisition of the Company's shares in a manner that earns a profit. Even though it is an open-end fund, the possibility that it intends a short-term share price increase and a return on investment has not been denied at all, because under its structure, its equity investors require suitable investment results in a timely fashion. Based on 3D's background of proposals to the Company and buying up the Company's shares, 3D is actually using its high voting rights ratio as a means of exercising influence on the Company. That is to say, 3D began its engagement with the Company around 2023. Since then, 3D has proposed 3D's desired policies to the Company, and when the Company did not accept its proposals, then it increased the number of voting rights it held and repeatedly acted to increase its influence on the Company by requesting or implying that they would, for example, make shareholder proposals, demand the convocation of an Extraordinary General Meeting of Shareholders, carry out an opposition campaign to the officer appointment proposal, and pursue the liability of individual officers by requesting a lawsuit or the like. Those actions support the inference that 3D is conscious of the influence of buying up shares and has the intention and purpose of using a high voting rights ratio as a means of exercising influence on decision-making for the Company's management.
 - There is a concern that 3D does not understand or consider the source of the Company's corporate value, and intends to cause the Company to prioritize only increasing figures for profit and loss or investment efficiency in the short term. First, looking at other examples of investments by 3D in the past supports the fact that 3D intends to increase figures for profit and loss or investment efficiency in the short term. In other words, in examples of its investments in the past, while buying up shares up to about the same voting rights ratio as in the Company's case, 3D made proposals and requests that are believed to place an emphasis on short-term increases in figures for profit

and loss or investment efficiency, and actually realized some of them. Then, judging from the fact that those examples closely resemble the history of 3D's actions with respect to the Company, it can be inferred that it intends to increase figures for profit and loss or investment efficiency in the short term in the relationship with the Company as well. Second, 3D intends to cause the Company to implement policies to increase profit and loss or investment efficiency in the short term. Namely, despite the fact that the action plan released by the Company on November 8, 2024 incorporated reasonable proposals that 3D had made to the Company, which the Company then started to implement, thereafter until the present, 3D has not withdrawn any proposal or request it made to the Company at the outset. In addition, 3D has not tried to deepen the dialogue with the Company regarding those policies, and after the Annual General Meeting of Shareholders in 2025, it instead strengthened its requests for improvement of the governance system. However, those requests consist of calls to investigate the past Antimonopoly Act Violations after a considerable period of time had passed and the internal investigation and other necessary responses had already ended, and to improve the governance system premised on the past system before the Company implemented various policies to strengthen the governance system. In addition, those requests are abstract and lack detail, and they state to the effect that development of governance would lead to a resolution of all management problems, but it is not clear how they would lead to improving the Company's medium-to-long-term corporate value in light of the source of the Company's corporate value. Judging by these actions by 3D, one can only presume that 3D intends to apply pressure to the Company's individual officers and cause them to prioritize increasing figures for profit and loss or investment efficiency in the short term by raising issues in regard to the governance and compliance system and demanding a lawsuit if the Company does not accept 3D's requests. On the basis of the points set forth above, one can only believe that 3D does not understand or consider the source of the Company's corporate value, and intends to cause the Company to prioritize only increasing figures for profit and loss or investment efficiency in the short term.

II. Because invoking the Countermeasures is recognized as necessary and appropriate for the reasons set forth below, on the condition that the proposal concerning the invocation of the Countermeasures is approved at the shareholders' meeting for confirming shareholders' intent, if the Large-Scale Purchaser has carried out the Large-Scale Purchase, it is believed to be appropriate for the Company's Board of Directors to invoke the Countermeasures at the time reasonably determined by the Company's Board of Directors, taking into account the opinion of the Independent Committee

1. There is a necessity to invoke the Countermeasures

- As set forth in section I. above, there is a possibility that the Large-Scale Purchaser will carry out the Large-Scale Purchase, and a risk that the Company's corporate value and the common interests of shareholders will be harmed by the Large-Scale Purchase. In addition, there are no circumstances to presume that the introduction and invocation of the Countermeasures are for the purpose of self-protection by the current management, and special circumstances to deny the necessity of invoking the Countermeasures also cannot be found.

- Therefore, even from only the points set forth above, there is a necessity to invoke the Countermeasures.
- A potential coercive effect created by the Large-Scale Purchase reinforces the necessity of the Countermeasures. In other words, if the Company's shareholders think that the Large-Scale Purchase will harm the Company's corporate value, or if they think that the risk of the Company's corporate value being harmed cannot be denied due to, for example, information disclosure being insufficient, there is a concern that even if an appropriate control premium will not be paid through the market purchases, they will be pressured to submit to that and accept the Large-Scale Purchase. If there is this type of coerciveness, it is necessary to ensure an opportunity for ordinary shareholders to be able to make a judgment in a situation where there is no coerciveness. Looking at this in regard to this matter, it is believed that a coercive effect on ordinary shareholders can be created by the Large-Scale Purchase, because (1) shareholders who did not accept the Large-Scale Purchase will continue to be shareholders of the Company after the Large-Scale Purchase, (2) there is a risk that the Company's corporate value and the common interests of shareholders will be harmed by the Large-Scale Purchase, and (3) while the Large-Scale Purchaser is trying to carry out the Large-Scale Purchase by means of market purchases, it is recognized that the Large-Scale Purchaser is not providing sufficient information for the Company's shareholders to judge the appropriateness of the Large-Scale Purchaser coming to have material influence on management.

2. There is appropriateness in invoking the Countermeasures

- (1) There is appropriateness in invoking the Countermeasures in relation to the interests of the Large-Scale Purchaser
 - Measures have been taken to avoid or mitigate the damage that could be suffered by the Large-Scale Purchaser, and the Large-Scale Purchaser itself can also foresee that it is possible to suffer damage. Namely, by invoking the Countermeasures, it is possible that the Large-Scale Purchaser will suffer damage in conjunction with the dilution of its shareholding ratio, but (1) judging from the content of the Response Policy, the possibility of avoiding the damage that can be incurred by the Large-Scale Purchaser due to the Countermeasures has been ensured, (2) because the Explanation was submitted on January 16, 2026 based on the content of the Response Policy published on October 31, 2025, it can be said that the Large-Scale Purchaser actually foresees that it is possible it will suffer damage due to the invocation of the Countermeasures if it carries out the Large-Scale Purchase after the proposal regarding whether to invoke the Countermeasures has been approved at the shareholders' meeting for confirming shareholders' intent, and (3) measures to mitigate the damage that can be incurred by the Large-Scale Purchaser that are typical in practice have been employed in the Countermeasures, and reasonable measures that follow the Takeover Guidelines and that are at least equivalent in comparison with cases in which the invocation of countermeasures was deemed reasonable in judicial precedents have been taken as well.
 - In addition, a mechanism has also been created so that there will not be arbitrary judgment or application by the Company's Board of Directors and so that it will not invoke countermeasures

with unreasonable content. In other words, when they are actually invoked, after being approved at the shareholders' meeting for confirming shareholders' intent, the recommendations by the Independent Committee are to be respected to the maximum extent.

- Therefore, the Countermeasures can be said to have appropriateness in relation to the interests of the Large-Scale Purchaser.

(2) There is also appropriateness in invoking the Countermeasures in relation to the common interests of shareholders

- Under the current management, policies to enhance corporate value based on the source of the Company's corporate value and policies to strengthen corporate governance have been formulated and implemented. Namely, (1) under the Previous Medium-Term Plan and its action plan (formulated in November 2024), various policies to contribute to maintaining and strengthening the continuing and long-term relationships with Business Partners that are the source of the Company's corporate value have been implemented and (2) the enhancement of governance in order to earn trust from Business Partners has steadily progressed, and in light of the progress status of these policies, it can be evaluated that certain targets have been achieved as "creating the foundation for the next generation" that is promoted in the current medium-term plan. Thus, the management to date under the current system aligns with the maintenance and strengthening of the source of corporate value, with understanding and consideration for the source of the Company's corporate value as its foundation.
- Then, the New Medium-Term Plan also incorporates content to maintain and strengthen the source of the Company's corporate value. Namely, that plan is positioned as a revenue generation phase through accelerated growth investment based on the business foundation created in the Previous Medium-Term Plan, and in addition to specific policies for the strengthening of profitability of the Company's pharmaceutical wholesaling business that is its core business, it also incorporates specific strategies regarding the growth of new business that were carried over from the Previous Medium-Term Plan, and specific numeric targets are also indicated. At the same time, it also includes specific numerical targets regarding capital allocation and appropriate shareholder returns policies, while also giving consideration to investments and the maintenance of a financial foundation necessary to maintain and improve the source of corporate value and operating capital. In addition, the reasonable policies among those proposed to the Company by 3D continue to be incorporated into the New Medium-Term Plan after being further fleshed out.
- Therefore, continuing the management under the current system will contribute to improving the Company's corporate value and the common interests of shareholders, and the Countermeasures that affirm the management under the current system can be said to have appropriateness in relation to the common interests of shareholders as well.

3. When deciding on the invocation of the Countermeasures, shareholders' intention should be confirmed at a shareholders' meeting

- Whether a company's corporate value will be harmed, and the company's interests and the

common interests of shareholders will be harmed following the acquisition of the corporate control by a specific shareholder should ultimately be judged by the shareholders themselves, as they are the parties to whom the interests of the company belong. Both the Response Policy and the Company's "Basic Policy on the Requirements for the Person Who Controls Decisions on the Company's Financial and Business Policies" clearly state that the appropriateness of the invocation of the Countermeasures and of the Large-Scale Purchase are to be judged based on the intent of the shareholders, and that the Board of Directors cannot invoke countermeasures if the Proposal was rejected at the shareholders' meeting for confirming shareholders' intent. Therefore, in this case as well, the appropriateness of the Large-Scale Purchase or the invocation of the Countermeasures should be judged based on the intent of the shareholders, who are the parties to whom the interests of the company belong.

- In addition, it is necessary to ensure an opportunity for ordinary shareholders to be able to make a judgment in a situation where there is no coerciveness. In other words, it is believed that a coercive effect on ordinary shareholders can be created by the Large-Scale Purchase. On this point, it is believed that (i) a shareholders' meeting raises little concern regarding coerciveness, (ii) an opportunity for questions and answers with the Large-Scale Purchaser has been created at the shareholders' meeting, and the information that can be obtained by shareholders will be more substantial, and (iii) the Companies Act positions the shareholders' meeting as the highest decision-making organ of a company, so the judgment of the shareholders' meeting should be respected as a representation of the shareholders' intent. Therefore, for the purpose of ensuring an opportunity for ordinary shareholders to be able to make a judgment in a situation with little coerciveness, it is appropriate to hold the shareholders' meeting for confirming shareholders' intent and seek the judgment of the shareholders.
- On the other hand, the exceptional requirements under the Response Policy that would allow the Countermeasures to be invoked at only the Board of Directors are not satisfied, and there are no special circumstances that would justify not confirming the shareholders' intent.
- Therefore, it is reasonable to confirm shareholders' intent regarding the Large-Scale Purchase at the shareholders' meeting.

End

October 31, 2025

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**Notice of the Introduction of a Policy Against Large-Scale Purchases of Share Certificates, etc. of
TOHO HOLDINGS CO., LTD. in Response to the Large-Scale Purchase, etc. of its Shares by 3D**

Investment Partners Pte. Ltd.

TOHO HOLDINGS CO., LTD. (the “Company”) hereby announces that, in response to 3D Investment Partners Pte. Ltd. (“3D”) having rapidly conducted a large-scale buyup of the Company’s share certificates, etc. since 3D announced in its large shareholding report dated June 24, 2024 that it holds the Company’s share certificates, etc. equal to a 5.06% shareholding ratio (5.45% voting rights holding ratio (meaning the percentage of the total number of voting rights held by shareholders as of September 30, 2025 (653,788); the same shall apply hereinafter)) as of June 17, 2024 (the rapid large-scale buyup of the Company’s share certificates by 3D both on and off the market is hereinafter referred to as the “Share Buyup”) and has come to hold the Company’s shares equal to a 21.19% shareholding ratio (23.28% voting rights holding ratio (23.66% if assuming that all stock acquisition rights related to the bonds with stock acquisition rights held by 3D are exercised)) as of August 20, 2025 according to amendment report to large-volume holding report No. 15 submitted by 3D on August 27, 2025 (hereinafter referred to as “Amendment Report No. 15”), and 3D having indicated in a letter received from 3D on July 11, 2025 that it has decided to buy up more of the Company’s share certificates, etc., as well as 3D having made a request on September 10, 2025, October 3, 2025, and October 6, 2025 for the establishment of a strategic review committee premised on mechanisms that would allow 3D’s intentions to be strongly reflected, and having indicated that if such a strategic review committee is not established, it will demand the convocation of an extraordinary general meeting of shareholders, there are strong suspicions that 3D is attempting to effectively acquire the power to control the management of the Company or to exercise significant influence on management without providing appropriate information disclosure, thereby allowing it to compel the Company into management decisions that align with 3D’s intentions. Therefore, by a resolution of its Board of Directors today, the Company decided on a basic policy concerning the appropriate role of parties who control decisions on the Company’s financial and business policies (as defined in Article 118, Paragraph 3 of the Enforcement

Regulations of the Companies Act; hereinafter referred to as the “Basic Policy”).

With the aim of ensuring and enhancing the Company’s corporate value and the common interests of its shareholders, and to prevent decisions on the Company’s financial and business policies from being controlled by parties deemed inappropriate under the Basic Policy (as specified in Article 118, Paragraph 3, Item (ii) of the Enforcement Regulations of the Companies Act), the Company has also resolved to introduce a response policy regarding large-scale purchases of its share certificates, etc. (hereinafter referred to as the “Response Policy”).

To date, by holding regular meetings at the request of 3D and carrying out further communication including by letter, e-mail, and telephone, the Company has created opportunities to discuss 3D’s concerns such as the Company’s action plan for its medium-term management plan, business portfolio growth, share buybacks, policy on sale of strategic shareholdings, the composition of the Board of Directors, and its governance system. The Company takes the opinions and requests that it receives through dialogue with 3D and other shareholders seriously, and it has continuously examined and responded to the Company’s management issues. For example, the Company established the Management Strategy Committee in April 2024 with the objective of accelerating and improving the effectiveness of the policies set forth in the Company’s Medium-term Management Plan 2023-2025 ‘Create the Next Generation,’ and based on the results of the verification by the Management Strategy Committee in November 2024, it formulated and announced the action plan for the already-announced medium-term management plan. In addition, in August 2024, in order to further enhance the governance of the Company Group in areas including compliance and risk management, the Company undertook initiatives to enhance its governance system, for example by creating the Governance Enhancement Special Committee made up of outside members with expertise in fields such as law, finance, and corporate management to serve as an advisory body for the Board of Directors, and it has disclosed the report received from that committee dated as of today and the governance improvement policies based on that report (please see the Company’s press release titled “Notice Regarding the Receipt of the Governance Enhancement Special Committee’s Final Report and the Company’s Policies for Responding to Its Recommendations” dated as of today for details).

During that time, 3D has continued the Share Buyup without making clear the purpose of the purchases through the Share Buyup, the purchase volume, the purchase period, the outline of the purchaser, or the basic policy, etc. for management after the purchase, and 3D filed a large shareholding report on June 24, 2024, stating that it held the Company’s share certificates, etc. in a 5.06% shareholding ratio (5.45% voting rights holding ratio), and according to Amendment Report No. 15, 3D’s shareholding ratio had increased to 21.19% (23.28% voting rights holding ratio) as of August 20, 2025.

In addition, in parallel with the Share Buyup described above, before the Company’s Annual General Meeting of Shareholders held on June 27, 2025 (the “2025 Annual General Meeting of Shareholders”), 3D released materials titled “Maximizing Corporate Value for Toho Holdings” on May 27, 2025 and “Our Position on ‘Our Position Regarding Statements Made by 3D Investment Partners Pte. Ltd. (June

4, 2025)' by Toho Holdings" on June 6, 2025, respectively, in which it found issues with the Company's management and issues with its governance and compliance, and engaged in a campaign to strongly recommend that the Company's shareholders exercise their voting rights in opposition to the proposal to elect Director Edahiro. Meanwhile, the Company released materials titled "Our Position Regarding Statements Made by 3D Investment Partners Pte. Ltd." on June 4, 2025, in which it explained its medium-term management plan and the progress of its schedule for implementation, as well as efforts to enhance governance including the necessity of establishing a third-party committee. The Company has also made efforts to understand the thinking of its shareholders and to explain its own thinking by holding sincere dialogue with the Company's shareholders, for example by holding meetings with certain institutional investors. As a result, the 2025 Annual General Meeting of Shareholders approved all proposals to elect Director candidates, including Representative Director, President and CEO Edahiro against whom 3D expressed its opposition. As set forth in the Company's extraordinary report dated July 1, 2025, Director Edahiro was elected with 70.01% in support, and based on the fact that the number of voting rights held by 3D was about 26.6% on the basis of the number of voting rights that were exercised at the 2025 Annual General Meeting of Shareholders, the election of Director Edahiro would have therefore been supported by an overwhelming number of shareholders other than 3D.

Then, 3D filed amendment report No. 13 on July 8, 2025 immediately after the 2025 Annual General Meeting of Shareholders, making the Company aware that 3D has come to hold a 19.13% shareholding ratio of share certificates, etc. (20.97% voting rights holding ratio) that is approaching 20%, and it was told in a letter from 3D to the Company on July 11, 2025 that 3D had decided to make additional acquisitions of the Company's shares to a certain extent through market transactions until its voting rights ratio reaches a maximum of 30% in combination with its existing holdings during the one-year period from that date (the "Additional Acquisition") for the purpose of encouraging the construction of the Company's governance system. (Furthermore, the Company has received an explanation from 3D that the Additional Acquisition is only being carried out in accordance with future circumstances and market conditions, and currently they have not established any specific details for the additional acquisition such as what number of shares to acquire.)

Based on the decisions for the Share Buyup and the Additional Acquisition having been communicated, in a letter dated July 25, 2025 and a letter dated September 1, 2025, the Company informed 3D of its strong concerns about whether 3D demanding that the Company implement the matters asserted by 3D by it buying up the Company's shares and increasing its influence on the Company's management can be said to contribute to the Company's corporate value and the common interests of shareholders, and asked questions regarding the planned number of shares and voting rights ratio that it currently anticipates that it will additionally acquire, its policy for holding and disposing of the Company's shares, and its opinion and countermeasures, etc. concerning a conflict of interests with general shareholders in a situation in which 3D will have material influence on the Company's management following the additional acquisition, but a satisfactory response has not been received from 3D. During that time, 3D continued the Share Buyup through market purchases, and it filed amendment report No. 14 dated August 1, 2025 on August 1, 2025 and Amendment Report No. 15 on August 27, 2025, and as of August

20, 2025, it has come to hold the Company's shares equal to a 21.19% shareholding ratio (23.28% voting rights holding ratio).

Amid this, in the meetings held on September 10, 2025 and October 3, 2025, and in the letter received from 3D on October 6, 2025, requests were received from 3D to establish a strategic review committee, and to have it conduct a review, listing as the review topics a review of strategic options including restructuring of the industry, and a further verification of the business portfolio, asset holding policy, growth investment, and shareholder returns. However, as discussed above, the Company has already established the Management Strategy Committee as an advisory body for the Board of Directors, and based on the results of the verification by the Management Strategy Committee, it has formulated and announced the action plan for the already-announced medium-term management plan, and after reorganizing the "ideal state of the Company" and current issues based on an environmental analysis, it has formulated a strategy, action plan, roadmap, and promotion structure which it is currently implementing.

In addition, it is proposed that such a strategic review committee would have mechanisms that would allow 3D's intentions to be strongly reflected in the committee, such as having a composition with at least two people recommended by 3D being appointed as members as well as some of the Company's outside directors, excluding executive directors spearheading the current medium-term management plan, one of those people recommended by 3D being made the chairperson of such committee and the group leader of a working group that is established as its subordinate body, and the preparation of a request for proposal during the appointment of independent advisors for such a committee requiring the agreement of 3D, and 3D proposed a draft agreement premised on such mechanisms and demanded the prompt executed of the agreement. In addition to posing problems from the perspective of independence from a major shareholder, these mechanisms do not take into account the fact that the Company's Directors (including Outside Directors) were elected by the approval of the shareholders at the general meeting of shareholders, and can be assessed as mechanisms that are intended to have a material influence on the Company's management decisions behind closed doors where it cannot be seen by general shareholders, without going through the process of the general meeting of shareholders.

Furthermore, because not only failing to present any indication of management issues based on the Company's current condition or any specific reasons that would require the establishment of such a strategic review committee when 3D requested the establishment of such a committee, but also 3D's assertions in the dialogue between the Company and 3D to date have changed back and forth, such as stating that it did not require a verification of governance by such committee, which to that point 3D had asserted as being the Company's largest issue and which it claimed required the establishment of a third-party committee, and immediately after withdrawing the request to restructure the industry proposing it as the agenda of such committee, so it is difficult for the Company to determine whether the intentions or proposals that 3D indicates from time to time are the real intentions of 3D, and the Company believes one cannot help but have strong doubts about whether 3D's proposals were made to improve the Company's medium-to-long-term corporate value.

Additionally, 3D declared in meetings held on September 10, 2025 and on October 3, 2025 that it would

demand the convocation of an extraordinary general meeting of shareholders if the strategic review committee it is requesting is not established, and in this situation there are strong suspicions that 3D is trying to compel the Company into management decisions that align with 3D's intentions by effectively acquiring the power to control the management of the Company or increasing its influence on management through the Share Buyup.

On this point, the ratio of the exercise of voting rights at the 2025 Annual General Meeting of Shareholders was approximately 81.5%, so it is believed that the voting rights ratio that can be assessed as having veto authority for a special resolution matter under the Companies Act at the Company's annual general meeting of shareholders is about 27.17%. Judged by the fact that the voting rights holding ratio held by 3D is already a figure that approaches the aforementioned voting rights ratio, 3D now has material influence over the Company's management, such as by independently having veto authority for special resolution matters at the general meeting of shareholders, and if it carries out further Share Buyup, that influence will increase even further.

Despite that, 3D is continuing the Share Buyup through on and off-market transactions that are not subject to information disclosure rules based on the tender offer system while not providing specific information on the purpose or details, etc. of the Share Buyup beyond that its purpose is to encourage the construction of the governance system of the Company. The Company is concerned that the Share Buyup by 3D may have a significant influence on the Company's operations, while failing to provide sufficient information or adequate time for consideration to the Company or the Company's general shareholders. Furthermore, the Company believes that this situation could have coercive effects, effectively pressuring general shareholders, particularly those concerned about the surrounding circumstances, into selling the Company's shares, and also that it is highly problematic in light of the "Guidelines for Corporate Acquisitions" issued by the Ministry of Economy, Trade and Industry on August 31, 2023. In addition, at the 2025 Annual General Meeting of Shareholders the overwhelming majority of general shareholders other than 3D supported the Company's current management team implementing its medium-term management plan and action plan, etc. that 3D is taking issue with, and in light of the fact that 3D is attempting to forcibly realize management decisions in line with its wishes through the Additional Acquisition despite it being reasonable to believe that 3D's assertions about the Company cannot be called representative of what general shareholders want or the common interests of shareholders, there is a risk that the purpose and results of the Share Buyup pose a conflict of interests between 3D and general shareholders, so the Company believes that one cannot deny the possibility that it will impede the improvement of its medium-to-long-term corporate value and the common interests of shareholders.

Based on the above, in light of the condition of the Share Buyup and its history, etc. to date, in addition to being able to reasonably believe that there is a fairly high possibility that 3D will carry out a large-scale purchase (as defined in Section III 3.(1) below; the same shall apply hereinafter) with the purpose of having its voting rights ratio be at least 24%, and in anticipation of situations where a large-scale purchase by other parties may be contemplated in this situation, the Company's Board of Directors has concluded that, in order to ensure that shareholders are provided with sufficient

information and time to make appropriate decisions regarding the potential impact of such a large-scale purchase by other parties on the Company's corporate value and shareholders' common interests, and to enable the Company's Board of Directors to negotiate or consult with the large-scale purchaser (as defined in Section 3(1) below) regarding such large-scale purchase or the Company's management policies, any such large-scale purchase should be carried out in accordance with procedures established by the Company's Board of Directors.

The Company's Board of Directors believes that requiring large-scale purchase transactions to follow these procedures is in the best interest of maximizing the Company's corporate value and protecting the collective interests of its shareholders.

As a result, the Company's Board of Directors has decided today on a basic policy and to introduce the Response Policy. The introduction of the Response Policy was approved by all directors at the Board of Directors meeting of the Company, including five outside directors (four of whom are members of the Audit and Supervisory Committee).

The primary purpose of introducing the Response Policy is to address a large-scale purchase by 3D or other parties in light of the already concrete Share Buyup, and it is different from so-called advance warning-type takeover defense measures that are introduced in a normal phase.

In addition, in conjunction with the above resolution, the Company's Board of Directors has established an Independent Committee and appointed the Company's three independent Outside Directors as its members, aiming to prevent arbitrary decisions by the Company's Board of Directors and further enhance the fairness and objectivity of the Response Policy's operation. For further details, please refer to Appendix 1 Outline of the Independent Committee Rules and Appendix 2 Career Summary of the Independent Committee Members.

In the event that the Companies Act, the Financial Instruments and Exchange Act, and any other relevant laws and regulations, including rules, cabinet orders, cabinet office ordinances, and ministerial ordinances thereunder, as well as the rules of the financial instruments exchange on which the Company's shares are listed (collectively the "applicable laws and regulations") are amended (including any changes in their names or the enactment of successor laws and regulations; the same shall apply hereinafter) and such amendments come into effect, the provisions of the applicable laws and regulations referenced in the Response Policy shall, unless otherwise determined by the Company's Board of Directors, be deemed replaced with the provisions of the amended applicable laws and regulations that substantially succeed the former provisions.

I. Basic Policy on Persons Who Control Decisions on the Company's Financial and Business Policies

The Company believes that those who control decisions on its financial and business policies should have a sufficient understanding of the Company Group's finances, operations, and sources of corporate value, and be capable of securing and enhancing the corporate value and, ultimately, the

common interests of its shareholders in a continuous and sustainable manner.

The Company does not categorically oppose large-scale purchases of its share certificates, etc. by specific parties, provided such purchases contribute to securing and enhancing corporate value and shareholders' common interests. The Company believes that whether to accept such a large-scale purchase should ultimately be determined based on shareholders' intent.

However, there are many cases in which large-scale purchases of share certificates, etc. do not contribute to the corporate value of the target company or to shareholders' common interests. These include purchases that, based on their objectives, are considered to cause clear harm to corporate value and, ultimately, shareholders' common interests; those that effectively coerce shareholders into selling their shares; those that fail to provide the target company's board of directors and shareholders with sufficient time or information to evaluate the large-scale purchase of share certificates, etc., and for the board to develop alternative proposals; and those that require the target company to engage in discussions and negotiations with the acquirer to obtain more favorable terms than initially presented.

The Company believes that the source of the corporate value of its Group is made up of the trust placed in it by the Company Group's customers and the Company Group's brand power, the Company Group's business model that has established a structure to allow the distribution of secure and safe pharmaceuticals at all times, and the relationships of trust with the Company Group's employees, business partners, and other stakeholders. This corporate value and, ultimately, shareholders' common interests may be undermined if a large-scale purchaser of the Company's share certificates, etc. lacks a sufficient understanding of these sources of corporate value or the ability to maintain and enhance them over the medium to long term. Accordingly, the Company believes that any party engaging in a large-scale purchase that does not contribute to corporate value or shareholders' common interests should not be in a position to control decisions on its financial and business policies. To safeguard its corporate value and, ultimately, shareholders' common interests, the Company considers it necessary to take appropriate countermeasures against large-scale purchases by such parties.

II. Sources of the Company's Corporate Value and Special Initiatives to Support the Basic Policy

1. Sources of the Company's corporate value

Under its corporate slogan of "total commitment to good health" and its mission statement of "we shall live in harmony with society and our customers; together, we shall create new values through the provision of original service; and we shall contribute to the medical care and well-being of people around the world," the Company Group always give top priority to people who wish for good health, and it aims to improve medium-to-long-term corporate value through sustainable growth and establish its corporate brand by making efforts to create customer value in order to increase the trust and satisfaction of customers. Thus, the trust of customers who appreciate the quality of the Company Group's pharmaceuticals and services and the brand power of the Company Group that is an

accumulation of that trust are an important source of the Company Group's corporate value.

In addition to its core pharmaceutical wholesaling business, the Company Group's strength is to engage in a variety of fields that support people's health including the dispensing pharmacy business and the pharmaceutical manufacturing and sales business, while differentiating itself from competitors through the "three business features' to provide added value" by utilizing the "business know-how cultivated through close cooperation among business segments."

<The three business features>

(i) Strong business infrastructure to support the pharmaceutical wholesaling business

The Company Group has developed a system that enables the accurate management of handled products. This system enables the centralized management of necessary information no matter where a sales office or logistics center is located in Japan, and it allows the product development of information terminal "ENIF," which enables the rapid pharmaceutical ordering and confirms the inventory status at the time of ordering a product, and forms the foundation of the customer support system. In addition, by linking the core system with the systems of all logistics centers, it is easy to move products between centers, and a system is in place to allow them to complement each other in the event of an emergency.

(ii) Resolving issues and improving efficiency in the stakeholder supply chain through DX

For more than 30 years, we have developed and provided customer support systems that contribute to solving issues and improving efficiency for stakeholders, which is a major advantage for the Company Group as a business that generates steady profits.

(iii) Safe and secure delivery of pharmaceuticals

In order to fulfill our mission to distribute secure and safe pharmaceuticals from the standpoint of handling life-related products, we have achieved the highest level of quality (thorough quality control), safety (traceability) and efficiency (establishment of an efficient logistics environment) by introducing cutting-edge technologies. In terms of the main initiative, at the large and highly functional logistics center "TBC DynaBASE" that can run at full capacity for 72 hours during emergencies such as the Tokyo Inland Earthquake, the Company Group has established a stable and continuous distribution system backed by shipping accuracy exceeding the 99.99999% through state-of-the-art automation technologies, and shipment accuracy and an advanced temperature control system for specialty pharmaceuticals such as biomedical products and regenerative medical products.

As healthcare is the foundation of society and should be provided equally to all, we must have the sustainability to generate profits as an industry and business. Consequently, the Company Group values our motto – which reflects our desire to continue to be a company needed by society by making

a difference for patients, their families, and all others who wish to be healthy – and our strategy is not to compete on size or price, but to compete on “business features.”

In order to maintain and develop such a business model for the Company Group, it is essential to have employees who have the knowledge and skills, etc. to support it, and it is also essential to have relationships of trust with business partners and other stakeholders who provide pharmaceuticals and appropriate sales environments, etc. to the Company Group.

As explained above, the Company believes that the source of the corporate value of the Company is made up of the trust placed in the Company Group by its customers and the Company Group’s brand power, the Company Group’s business model that has established a structure to allow the distribution of secure and safe pharmaceuticals at all times, and the relationships of trust with the Company Group’s employees, business partners, and other stakeholders.

2. Initiatives for enhancing corporate value

(1) Medium-term management plan

Amid the rapid changes in the environment of the healthcare and pharmaceutical industries, the Group formulated the “Medium-Term Management Plan 2023-2025 ‘Create the Next Generation’” with a view to, as a corporate group engaged in the areas of medical care, healthcare, and nursing care, contributing to extending the healthy life expectancy of people and to establishing and maintaining sustainable social security systems, and it is engaged in concrete measures under the basic policies of (1) business transformation, (2) investment for growth and improvement of profitability, (3) sustainability management, and (4) improvement of capital efficiency and enhancement of shareholder returns.

The Company reorganized itself in March 2024 and established the Corporate Strategy Division and the Logistics and Systems Planning Division, with the aim of strengthening concrete measures.

(i) Business transformation

- Reorganized mainly the sales division of TOHO PHARMACEUTICAL with the aim of shifting to the team system in April 2026
- Implementation of joint promotions by MSs in pharmaceuticals and reagents
- Consolidation of sales offices in the pharmaceutical wholesale business

(ii) Investment for growth and improvement of profitability

- Started handling of regenerative medical products
- Built the Dedicated Management System for proper distribution of products

- Established a Regenerative Medicine Management Office
- Strengthened initiatives through the promotion of various alliances

(iii) Sustainability management

- Formulated short- and medium- to long-term greenhouse gas emission reduction targets and promoted measures to achieve them
- Formulated the Procurement Policy
- Established the Governance Enhancement Special Committee as an advisory body to the Board of Directors

(iv) Improvement of capital efficiency and enhancement of shareholder returns

- Continue to further reduce cross-shareholdings (amount sold in FY2023: 13.1 billion yen; amount sold in FY2024: 7.9 billion yen)
- Share buyback
- Continue to increase dividends to achieve 2% DOE

(2) New action plan

In 2024, the Company established the Management Strategy Committee, which incorporated external viewpoints, and conducted discussions and reviews from a variety of angles. And we developed strategies and action plans to ensure that the Medium-Term Management Plan targets are met, with a specific time frame and commitment, and a clear roadmap without changing the basis and direction of the ongoing Medium-Term Management Plan.

In the specific discussions at the Management Strategy Committee, in order to “improve capital efficiency,” it was finally decided to allocate management resources to the following: measures to strengthen sales and marketing to improve profitability and productivity in the Company’s core pharmaceutical wholesaling business; establishment of a competitive advantage in specialty product distribution; and new businesses that leverage our strength in the customer support business. In order to promote this business portfolio reform, the Company has also decided to strengthen our organization and human resource infrastructure, with an eye to enhancing a holdings structure and utilizing DX, from the standpoint of “enhancement of corporate governance” and “reform of human resource strategies and system.”

Currently, the implementation of this action plan and the realization of the targets for the fiscal year ending March 2029 will be the most important issues, and the Company named this initiative the Transformation Project, and has built a promotion structure and is engaging in initiatives for achieving the targets under the leadership of the CEO. For the details of the action plan, please see the “Notice of Action Plan Developed Based on Verification Results of

Management Strategy Committee - Aiming to Accelerate the Medium-Term Management Plan, Improve its Effectiveness and Further Enhance Corporate Value –” dated November 8, 2024.

(3) Sustainability initiatives

The Company Group recognizes sustainability action as one of our key managerial priorities, and has put in place a corporate governance system with the Sustainability Promotion Committee playing a central role. The Sustainability Promotion Committee is comprised of members from the sales, logistics, pharmaceutical affairs, and administration functions. It identifies materiality (important issues), including matters related to climate change, and deliberates on our sustainability strategy, which involves, among other things, our actions for the Environment (E), Social (S), Governance (G), and digital transformation (DX), etc. The results are reported to the Board of Directors. Chaired by the Senior Executive Managing Director and COO, the Committee conducts action planning, target setting, progress control, and effectiveness assessment based on the Sustainability Policy. Every year, the Committee assesses the impacts of climate change on our business, devises measures to cope with them, and sets relevant targets, all in accordance with a policy aimed at minimizing the identified risks and seizing on the opportunities involved. The Committee also regularly checks the status of achievement of targets and continuously implements measures for improvement.

Important matters related to human capital are also subject to approval by the Board of Directors. These include investments concerning human capital, appointments and dismissals of officials and those of a higher position at key divisions and departments, and decisions on and changes to important standards for working conditions. Appointments and dismissals of other employees and labor management, as well as various measures, including those to advance the administration of health management, are also reported to and supervised by the Board of Directors.

3. Strengthening of Corporate Governance

The Company Group is committed to enhancing corporate governance as one of the most important managerial tasks, because we recognize that it is important to enhance the auditing and supervisory functions concerning corporate management, achieve full compliance, and improve the transparency of management so that we can sincerely fulfill our responsibilities towards various stakeholders, including customers, business partners, shareholders, employees, and government entities, and enhance our corporate value as sustainable companies.

Since transitioning its management structure to a company with an audit and supervisory committee from 2016, the Audit and Supervisory Committee receives reports mainly from directors concerning the execution of operations and checks important decision-making documents. Directors who are Audit and Supervisory Committee Members conduct strict audits by conducting investigations of the status of business and assets in accordance with the audit policy and the division of duties.

From the perspective of the composition of the Board of Directors, after the Annual General Meeting of Shareholders in June 2025, a five-member majority of the nine Directors are now Independent Outside Directors, which is a form that further strengthens the effectiveness of the supervisory function. The Nomination and Compensation Committee is also made up of four Outside Directors and two internal Directors, and the scope and depth of deliberations is further expanded.

In addition to the preceding, as a new initiative, the Company clarified authorities and roles of each committee by newly creating the CGO (Chief Governance Officer) as the person in charge of promoting governance reform, newly creating the Compliance Department to lead to the strengthening of the functions of the internal reporting system, and reorganizing the Group Compliance Risk Management Committee into the Compliance Committee/Risk Management Committee, and is enacting constant reforms to strengthen corporate governance.

In August 2024, the Company established the Governance Enhancement Special Committee as an advisory body for the Board of Directors to further strengthen the Company Group's governance, including compliance and risk management. The Committee consists only of outside members independent of the Company, and after holding a total of 20 consultations regarding issues in the Company Group's governance as a whole and improvement measures from an objective and professional standpoint, the Company received its final report in October 2025.

Based on the results of that report, as future high-priority measures to strengthen corporate governance, the Company Group will make efforts such as (1) improvement of the effectiveness of the Board of Directors, (2) strengthening of the business promotion system, (3) revision of the advisor and consultant system, (4) strengthening of investment rules and group business management, and (5) human capital and development, and will work to improve corporate value through further strengthening of the corporate governance system.

For specifics on the details of the final report from the Governance Enhancement Special Committee and the Company's initiatives and measures, please see the Company's press release "Receipt of Final Report from the Governance Enhancement Special Committee and the Company's Response Policy Based on Recommendations" dated as of today.

III. Purpose and Details of the Response Policy

1. Purpose of the Response Policy

The purpose of introducing the Response Policy, in line with the Basic Policy set out above in section I, is to ensure and enhance the corporate value of the Company and ultimately the common interests of its shareholders.

The Company's Board of Directors believes that its shareholders should make a final decision on whether to accept a large-scale purchase from the perspective of ensuring and enhancing the

corporate value of the Company and ultimately shareholders' common interests. It also believes, for shareholders to make an appropriate decision on whether to accept the large-scale purchase after sufficient consideration, it is necessary to hold a general meeting of shareholders (Note)(“Shareholders' Intent Confirmation Meeting”) to secure an opportunity to confirm its shareholder's intent prior to the commencement of the large-scale purchase. As a prerequisite for an appropriate intent confirmation, it is essential to secure necessary and sufficient information from a large-scale purchaser and enough time to enable its shareholders for consideration. Therefore, the Company set out the Response Policy as a framework in the event a large- scale purchase is implemented, to request large-scale purchasers to provide necessary information; to ensure that the provision of such information is effective; and to ensure sufficient time for the shareholders to carefully consider whether to implement the large-scale purchase based on such information, as follows.

The Company's Board of Directors requests a large-scale purchaser to comply with the Response Policy as above. If a large- scale purchaser does not comply with the Response Policy, the Company will take certain countermeasures, respecting the Independent Committee's opinions to the maximum extent, to ensure an opportunity to obtain judgment of shareholders in accordance with the Response Policy.

Note The Shareholders' Intent Confirmation Meeting refers not only to shareholders meetings convened under the Companies Act to resolve matters stipulated in Article 295 of the said Act, but also to meetings held pursuant to equivalent procedures prescribed for shareholders meetings under the Companies Act, which adopt recommendation resolutions on matters not stipulated in Article 295. The same shall apply hereinafter.

2. Outline of the Response Policy

(1) Procedures for the Response Policy

The Company believes that its shareholders should make a final decision on whether to accept large-scale purchases, as mentioned above. Therefore, if the invocation of countermeasures is approved at a Shareholders' Intent Confirmation Meeting and the large-scale purchase is not canceled, the Company will implement the specified countermeasures to ensure the corporate value of the Company and ultimately shareholders' common interests, respecting the opinions of the Independent Committee to the maximum extent.

In addition, the Response Policy requests a large-scale purchaser to provide required information as a prerequisite of the Company's shareholders' judgment, to ensure necessary time to carefully consider whether to accept the large-scale purchase; and, based on this, to confirm the shareholders' intent on whether to accept the large- scale purchase at a Shareholders' Intent Confirmation Meeting. If such purposes are not achieved, that is, if a large-scale purchaser does not comply with the procedures as defined in 3. below, and intends to carry out a large-scale

purchase prior to the Shareholders' Intent Confirmation Meeting described in 3. (2)(iv) below, the Company's Board of Directors will invoke the specified countermeasures, respecting the Independent Committee's opinions to the maximum extent.

(2) Establishment of the Independent Committee

The Company has established the Independent Committee under the Independent Committee Rules (for the outline, please refer to Appendix 1) to properly operate the Response Policy, to prevent arbitrary judgements by the Company's Board of Directors, and to secure the objectivity and rationality of such decisions. The Independent Committee shall make recommendations to the Company's Board of Directors on whether to invoke countermeasures and other matters necessary to take actions in accordance with the Response Policy. The Company's Board of Directors shall determine the pros and cons of invoking countermeasures, respecting the recommendations of the Independent Committee to the maximum extent.

The Independent Committee may obtain advice from outside experts who are independent from the Board of the Directors and the Independent Committee, including financial advisers, attorneys, certified public accountants, tax accountants, consultants and other advisors, as necessary. The Company shall bear all costs incurred in obtaining such advice to a reasonable extent.

In principle, resolutions at meetings of the Independent Committee shall pass with a majority when all incumbent members of the Independent Committee are in attendance. However, if a member of the Independent Committee is unable to attend a meeting or in other unavoidable circumstances, a resolution shall pass with a majority when a majority of the members of the Independent Committee are in attendance.

(3) Use of gratis allotment of Stock Acquisition Rights as a countermeasure

In case of invoking the countermeasure described as above (1), the Company will allot to all shareholders stock acquisition rights with (i) a discriminatory exercise conditions that Non-qualified parties are not allowed to exercise the stock acquisition rights, and (ii) acquisition clauses to the effects that the Company may acquire the stock acquisition rights in exchange for common shares of the Company from shareholders other than Non-qualified parties and that the Company may acquire the stock acquisition rights in exchange for different stock acquisition rights with certain exercise conditions or acquisition clauses from Non-qualified parties, by means of a gratis allotment of stock acquisition rights (Article 277 and 279 of the Companies Act) (the "Stock Acquisition Rights") to all shareholders (for details, please refer to 4 below.)

(4) Acquisition of the Stock Acquisition Rights by the Company

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Response Policy and all shareholders other than Non-qualified parties received the Company's shares in exchange for the Company's acquiring the Stock Acquisition Rights, the voting rights ratio in the Company held by the Non-qualified parties would be diluted to a certain degree.

3. Details of the Response Policy (Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by Persons Deemed Inappropriate Under the Basic Policy)

(1) Targeted large-scale purchase

The term "large-scale purchase" as used in the Response Policy refers to acts reasonably determined to be the following, excluding any act as the Company's Board of Directors agrees in advance not to be subject to the Response Policy:

- (i) Purchases or other acquisitions of the Company's share certificates, etc. (Note 3) with the aim of increasing the voting rights ratio (Note 2) of a specified shareholder group (Note 1) to 24% or more (including purchases and other acquisitions by such specified shareholder group in case the voting rights ratio of such specified shareholder group has reached 24% or more prior to such acts, including but not limited to market transactions, tender offers, and any other specific purchase method, as well as the commencement of a tender offer; hereinafter the same);
- (ii) Purchases or other acquisitions of the Company's share certificates, etc. of that would result in the voting rights ratio of a specified shareholder group reaching 24% or more; or
- (iii) Regardless of whether any of the acts stipulated in items (i) and (ii) above is conducted, an act that is conducted between a specified shareholder group and one or more other shareholders of the Company and that constitutes an agreement or other act as a result of which the other shareholder(s) become(s) a joint holder of the specified shareholder group, or any act that establishes a relationship (Note 4) whereby the specified shareholder group or the other shareholder(s) substantially control(s) the other or they act jointly or in concert with each other (Note5), provided that would result in the total shareholding ratio of that specified shareholder group and the other shareholder(s) accounting for 24% or more.

In addition, the term "large-scale purchaser" refers to a party who conducts or is attempting to conduct a large-scale purchase alone or jointly in concert with other parties, as above.

Note 1. Specified shareholder group refers to the following:

- (i) Holders of the Company's share certificates, etc. (referring to the holder as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including those included in the holders based on Article 27-23, Paragraph 3 of the same Act) and their joint holders (referring to the joint holders as defined in Article 27-23, Paragraph 5 of the same Act, including those who are deemed to be joint holders based on Paragraph 6 of the same Article;)
- (ii) Parties who perform purchases of the Company's share certificates, etc. (referring to the share certificates, etc. as defined in Article 27-2, Paragraph 1 of the same Act) (referring to the purchase, etc. as defined in Article 27-2, Paragraph 1 of the same Act, including those performed in the commodity market) and a specially related party (referring to a specially related party defined in Article 27-2, Paragraph 7 of the same Act);
- (iii) Parties related with the above (i) or (ii) (referring to a group consisting of such parties and investment banks, securities firms and other financial institutions that have concluded financial advisory agreements with such parties; any other parties who share a substantial common interest with such parties; tender offer agents, attorneys, accountants, tax accountants and other advisors; or those rationally recognized by the Company's Board of Directors as parties substantially controlled by, or acting in concert or coordination with such parties); and
- (iv) a party, who has acquired or succeeded the Company's share certificates from a party falling under (i) through (iv) above through an off-market negotiated transactions or Tokyo Stock Exchange's on-market off-floor trading system (ToSTNet-1).

Note 2. The voting rights ratio refers to the following, depending on a specific acquisition method of specified shareholder group:

- (i) The shareholding ratio of the holders of the Company's share certificates, etc. (referring to the share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act) and the shareholding ratio of the joint holders (referring to the ownership ratio of share certificates, etc. as defined in Article 27-23, Paragraph 4 of the same Act. In this case, the number of share certificates, etc. held by the joint holders of the relevant holder (referring to the number of share certificates, etc. held as defined in the same paragraph) is also taken into account in the calculation, provided that, in the Response Policy, the "number of share certificates, etc. issued by that issuer (the divisor in the calculation of the shareholding ratio) as defined in the same paragraph" will be

read as the “total number of the share certificates, etc. issued by that issuer (excluding the shares held as treasury shares by that issuers)”; or

- (ii) The total shareholding ratio of the parties who perform purchases and other acts of the Company’s share certificates, etc. (referring to the share certificates, etc. as defined in Article 27-2, Paragraph 1 of the same Act) and the specially related party of the relevant purchaser (referring to the ownership ratio of share certificates, etc. as defined in Article 27-2, Paragraph 8 of the same Act.)

In calculating the shareholding ratios, (a) a specially related party as defined in Article 27-2, Paragraph 8 of the same Act; (b) investment banks, securities firms and other financial institutions that have concluded financial advisory agreements with such parties, tender offer agents, underwriting securities companies, attorneys, accountants, tax accountants and other advisors of such parties; and (c) a party, who has acquired or succeeded the Company’s share certificates from a party falling under (a) or (b) above through an off-market negotiated transactions or Tokyo Stock Exchange’s on-market off-floor trading system (ToSTNet-1) are deemed joint holders of such holders under the Response Policy unless the Company’s Board of Directors certifies that such party does not pose any problem from the perspective of ensuring and enhancing the corporate value of the Company and shareholders’ common interests. Also, in calculating the shareholding ratio, joint holders (including those who are deemed joint holders in the Response Policy) are, under the Response Policy, deemed specially related persons of the party who performs the purchase and other acts. Please note that, in calculating the shareholding ratio or ownership ratio of share certificates, etc., the total number of issued shares (referring to those defined in Article 27-23, Paragraph 4 of the same Act), the number of treasury shares held by the issuer, and the total number of voting rights (referring to those defined in Article 27-2, Paragraph 8 of the same Act) may be referred to in the most recently submitted securities report, quarterly securities report and share certificate purchase status report.

Note 3. The term “Share certificates, etc.” refers to the share certificates, etc. as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act.

Note 4. Determination as to whether a “a relationship whereby the specified shareholder group or the other shareholder(s) substantially control(s) the other or they act jointly or in concert with each other” has been established between them will be made based on certain factors such as the current or past capital relationship (including a relationship of joint control), business alliance relationship, business or contractual relationship, relationship of interlocking directorate, financing relationship, credit granting relationship, purchase status of the Company’s share certificates, etc., and a substantial interest in the Company’s share certificates, etc. through derivatives, stock lending, and other transactions, as well as direct or indirect effects on the Company caused by that specified shareholder group and the other shareholder(s).

Note 5. Whether or not an act specified in item (iii) of the main text has been conducted will be rationally determined by the Company's Board of Directors, which will respect the recommendations of the Independent Committee to the maximum extent. Please note that the Company's Board of Directors may request the Company's shareholders to provide necessary information to the extent that is required for making a judgment regarding whether the relevant act satisfies the requirements as defined in (iii) of the main text.

Furthermore, under the Response Policy, if, at the time of announcing the adoption of the Response Policy, the voting rights ratio of a specified shareholder group has reached 24% or more or if the total shareholding ratio of a specified group and the other shareholders has reached 24% or more based on the acts described in (iii) above, that specified shareholder group shall be deemed a large-scale purchaser. In relation with a specified shareholder group, any new purchase listed in either (i) or (ii) above (for the avoidance of doubt, including the act of acquiring one new share of the Company's share certificates, etc.) or any new act conducted between a specified shareholder group and the other shareholder(s) listed in (iii) above shall be treated as a large-scale purchase.

Therefore, at the time of announcing the adoption of the Response Policy, if the shareholding ratio of a specified shareholder group has reached 24% or more, or if the total shareholding ratio of a specified shareholder group and the other shareholders has reached 24% or more due to the act(s) described in (iii) above, that specified shareholder group is required to comply with the procedures set out in the Response Policy for any new purchase listed in (i) and (ii) above (for the avoidance of doubt, including the act of acquiring one new share of the Company's share certificates, etc.) as well as any new act(s) with the other shareholders described in the (iii) above.

(2) Procedures for invoking the Response Policy

As the Response Policy aims to ensure that shareholders have an opportunity to express their intent as to whether to accept the large-scale purchase, a reasonable amount of preparation time is required to hold a Shareholders' Intent Confirmation Meeting of the Company for administrative procedures. In addition, as a prerequisite for shareholders to carefully consider the pros and cons of the large-scale purchase, the Response Policy also aims to request a large-scale purchaser to provide information and to secure the time necessary for shareholders to carefully consider based on such information.

Accordingly, the Company requests large-scale purchasers to comply with the following procedures set forth in the Response Policy, to ensure the holding of a Shareholders' Intent Confirmation Meeting after the Company obtains information on the large-scale purchase from the large-scale purchaser and ensures the contemplation period for its shareholders.

- (i) Submission of a large-scale purchase explanation

If a large-scale purchaser intends to conduct an act deemed a large-scale purchase after the adoption of the Response Policy, the large-scale purchaser shall submit a large-scale purchase explanation in writing to the Company's Board of Directors at least 60 business days prior to such large-scale purchase. In the large-scale purchase explanation, the large-scale purchaser's representative shall state, in Japanese, the details that are equivalent to those to be stated in the Tender Offer Statement as defined in Article 27-3, Paragraph 2 of the Financial Instruments and Exchange Act, depending on the content and manner of the large-scale purchase intended to be carried out, sign or affix his/her name and seal, and attach a qualification certificate of the representative who has signed or affixed his/her name and seal.

Upon receipt of a large-scale purchase explanation from a large-scale purchaser, the Company's Board of Directors will promptly announce that fact and, if necessary, the details thereof.

(ii) Information provision

The Company shall request the large-scale purchaser to submit the information that is deemed to be necessary for shareholders to determine whether to accept the large-scale purchase at a Shareholders' Intent Confirmation Meeting (the "required information") within five business days at the latest after the date of receipt of the large-scale purchase explanation by the Company's Board of Directors (the first day shall not be counted, and the same shall apply hereinafter.) General items of the required information are as described in Appendix 3. The specifics vary depending on the attributes of the large-scale purchaser and the details of the large-scale purchase. In any case, it shall be limited to the extent necessary and sufficient to enable the Company's shareholders to make their decision, and the Company's Board of Directors to form an opinion.

If the required information is submitted, the Company will disclose that fact and the details of such information in a timely and appropriate manner to the extent necessary or useful for shareholders to decide whether to accept the large-scale purchase. If the Company's Board of Directors rationally determine that the information received from the large-scale purchaser is insufficient for shareholders to decide whether to accept such a large-scale purchase in light of the content and manner of the large-scale purchase, it may set a reply period as necessary and, respecting the Independent Committee's opinions to the maximum extent, request the large-scale purchaser to additionally provide information. In such case, the large-scale purchaser should additionally provide such information within the relevant time limit. In case that such information is provided, the Company will also disclose that fact and the details of such information to the extent necessary or useful for shareholders to decide as to whether to accept the large-scale purchase in a timely and appropriate manner.

(iii) The Company's Board of Directors evaluation period

The Company's Board of Directors shall set a period, not longer than 60 business days from the date of receipt of the large-scale purchase explanation from the large-scale purchaser and rationally determined by the Company's Board of Directors, as the period for the Company's Board of Directors to evaluate and consider whether to accept the large-scale purchase (the "Board of Directors evaluation period.") The Board of Directors evaluation period is based on business days, not calendar days, in consideration of the fact that the starting point for the period is the date of receipt of a large-scale purchase explanation, rather than the completion of information provision described in (ii) above.

In addition, if the Company's Board of Directors rationally recognizes information and time insufficient to conduct the above evaluation and review even after the expiration of the initial Board of Directors evaluation period, the Company's Board of Directors may extend the Board of Directors evaluation period by the extent reasonably necessary up to a maximum of 20 business days, based on the recommendations of the Independent Committee. If the Company's Board of Directors resolves to extend the Board of Directors' evaluation period, the reason for the extension and the period of extension shall be disclosed in a timely and appropriate manner in accordance with applicable laws and regulations.

Any future large-scale purchase shall commence only after the Board of Directors evaluation period (provided, however, in case a Shareholders' Intent Confirmation Meeting is decided to be held, after the rejection of the proposal for invoking countermeasures and the conclusion of the meeting.)

(iv) Holding a Shareholders' Intent Confirmation Meeting

If the Company's Board of Directors opposes the large-scale purchase and believes that countermeasures should be invoked, the Company shall, within the Board of Directors evaluation period, decide to hold a Shareholders' Intent Confirmation Meeting and promptly prepare for to a practically reasonable extent and hold the meeting after such decision. In deciding to hold the Shareholders' Intent Confirmation Meeting, the Independent Committee's opinions shall be respected to the maximum extent. At the Shareholders' Intent Confirmation Meeting, the Company will confirm the intent of shareholders as to whether to accept the large-scale purchase by way of requesting approval or disapproval of the proposal for invoking countermeasures. In addition, at such Shareholders' Intent Confirmation Meeting, the Company's Board of Directors may make an alternative proposal to ensure and enhance the corporate value of the Company and ultimately shareholders' common interests in lieu of the large-scale purchase. In making such a proposal, the Company's Board of Directors shall respect the Independent Committee's opinions to the maximum extent. To expedite a Shareholders' Intent Confirmation Meeting, the Company's Board of Directors may set a preliminary reference

date at a stage prior to deciding to hold the Shareholders' Intent Confirmation Meeting.

Shareholders will examine the information on the large-scale purchase and express their judgment as to whether to accept the large-scale purchase in the form of approval or disapproval of the proposal for invoking the countermeasures proposed by the Company's Board of Directors. The proposal for invoking the countermeasures shall be deemed approved, if the proposal is approved by a majority of the voting rights of the shareholders attending the Shareholders' Intent Confirmation Meeting. In holding a Shareholders' Intent Confirmation Meeting, the Company will announce, in a timely and appropriate manner, the scope of shareholders entitled to exercise their voting rights (which will be appropriately determined taking into consideration recent court decisions and the manner of the large-scale purchase); the reference date for exercising voting rights; the date and time of the Shareholders' Intent Confirmation Meeting, and other details.

If a Shareholders' Intent Confirmation Meeting is held, a large-scale purchaser shall not implement a large-scale purchase until the conclusion of the Shareholders' Intent Confirmation Meeting. If a large-scale purchase has already been implemented, the large-scale purchaser shall take appropriate measures such as suspending purchases or extending the tender offer period.

(v) Countermeasures

If the large-scale purchaser refuses to suspend or withdraw the large-scale purchase even after the shareholders of the Company approved the proposal regarding the invocation of countermeasures the Company's Board of Directors proposed at the Shareholders' Intent Confirmation Meeting, the Company's Board of Directors will implement the following countermeasures, described in 4. below, in accordance with the shareholders' intent, respecting the Independent Committee's opinions to the maximum extent:

- (a) a gratis allotment of stock acquisition rights with discriminatory exercise conditions and acquisition provisions; and
- (b) subsequently, compulsory acquisition of the Stock Acquisition Rights from holders other than Non-qualified parties in exchange for the Company's shares, thereby diluting the voting rights held by the Non-qualified parties.

Conversely, if the shareholders do not approve invocation of such countermeasures at the Shareholders' Intent Confirmation Meeting, the Company's Board of Directors will not implement the countermeasures in accordance with the shareholders' intent.

However, if the large-scale purchaser fails to comply with the procedures set forth in (i) through (iii) above and attempts to carry out or continue the large-scale purchase prior to convening the Shareholders' Intent Confirmation Meeting set forth in (iv), it would become

impossible to secure sufficient time for shareholders to carefully consider the information the large-scale purchaser provides and for us to have an opportunity to confirm the shareholders' intent. Accordingly, unless there are special circumstance, the Company's Board of Directors intends to implement the countermeasures without going through the Shareholders' Intent Confirmation Meeting. The Company's Board of Directors will respect the opinion of the Independent Committee to the maximum extent when determining whether to invoke countermeasures, and if the Company's Board of Directors resolves the invocation of the countermeasures, the Company will carry out disclosure in a timely and appropriate manner per applicable laws and regulations.

4. Overview of the countermeasures (Gratis allotment of Stock Acquisition Rights)

The overview of the gratis allotment of Stock Acquisition Rights to be implemented as a countermeasure under the Response Policy is as follows (Further details of the Stock Acquisition Rights shall be separately determined by the Company's Board of Directors upon the resolution for the gratis allotment of the Stock Acquisition Rights):

(1) Details of the Stock Acquisition Rights to be allotted

(i) Type of shares to be issued upon exercise of the Stock Acquisition Rights
The Company's shares

(ii) Number of shares to be issued upon exercise of the Stock Acquisition Rights

The number of shares to be issued upon exercise of one Stock Acquisition Right shall be separately determined by the Company's Board of Directors.

(iii) Amount to be contributed upon exercise of the Stock Acquisition Rights

Contribution upon exercise of the Stock Acquisition Rights shall be in cash, and its value shall be one yen multiplied by the number of shares to be issued upon exercise of each Stock Acquisition Right.

(iv) Exercise period of the Stock Acquisition Rights

The exercisable period of the Stock Acquisition Rights shall be a specified period determined separately by the Company's Board of Directors.

(v) Exercise conditions of the Stock Acquisition Rights

(a) As a general rule, Non-qualified parties may not exercise the Stock Acquisition Rights (including those held substantively).

"Non-qualified parties" refer to the parties that fall under any of the following (Note 1). In determining whether parties constitute Non-qualified parties (Note 2), the Company's Board of Directors shall consult with the Independent Committee and respect the Committee's recommendations to the maximum

extent.

- (i) Large-scale purchasers (the large-scale purchaser and its controlling shareholders, etc., as defined in Article 14-7, Paragraph 1, Item 2 of the Order for Enforcement of the Financial Instruments and Exchange Act)
- (ii) Joint holders of the large-scale purchaser (as defined in Article 27-23, Paragraphs 5 and 6 of the Financial Instruments and Exchange Act)
- (iii) Parties with whom joint holders of the large-scale purchaser have a special capital relationship (as defined in Article 9, Paragraph 1, Item 2 of the Order for Enforcement of the Financial Instruments and Exchange Act) (including those who have a special capital relationship; the same applies hereinafter)
- (iv) Specially related parties of the large-scale purchasers (as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act)
- (v) Parties with whom specially related parties of the large-scale purchaser have a special capital relationship (including those who have a special capital relationship; the same applies hereinafter)
- (vi) Any party the Company's Board of Directors rationally certifies to fall under any of the following:
 - (x) Any party who was transferred or succeeded without the Company's approval, the Stock Acquisition Rights from the parties falling under (i) through (vi) ; or
 - (y) "Affiliated parties" of the parties falling under (i) through (vi) (Note 3).

Note 1: Notwithstanding the foregoing, parties that otherwise fall under the above categories shall not be deemed Non-qualified parties if the Company's Board of Directors determines that such party's acquisition or holding of the Company's shares does not harm the Company's corporate value or shareholders' common interests, or if the Company's Board of Directors designates such parties separately at the time of the resolution regarding the gratis allotment of the Stock Acquisition Rights.

Note 2: The Company's Board of Directors may request that such parties provide the information necessary to determine whether they are Non-qualified parties.

Note 3: "Affiliated parties" refer to the followings: investment banks, security firms, and other financial institution having a financial advisory agreement with Non-qualified parties, as well as those having the substantively same interests of such parties; tender offer agents, attorneys, accountants, tax accountants, other advisors, or any other parties substantively controlled by or acting in concert or coordination with Non-qualified parties. When assessing whether

associations or other funds fall into Affiliated parties, it shall be considered whether their fund managers are substantively identical to Non-qualified parties.

- (b) The Stock Acquisition Rights holders may exercise the Stock Acquisition Rights only if the holders submit the following to the Company:
- the documentation containing representations and warranties clauses, indemnification clauses, and other form prescribed by the Company as to the fact that they do not fall into Non-qualified parties set in (v)(a) (in the case that they exercise the Stock Acquisition Rights on behalf of the third parties, the documentation stating that such third parties do not fall into Non-qualified parties set in (v)(a));
 - materials showing that they satisfy the exercise conditions to a reasonable extent; and
 - any other documents required under applicable laws and regulations.
- (c) Nonresidents of Japan who are required to follow certain procedures under applicable foreign laws and ordinances to exercise the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the Company acknowledges that all the procedures and exercise conditions are fulfilled. Even if such procedures or conditions would enable nonresident holders to exercise the Stock Acquisition Rights, the Company shall not be obligated to undertake or fulfill them.
- (d) For the purpose of confirming the satisfaction of the conditions set in (v)(c), the Company's Board of Directors sets the procedures similar to those set in (v)(b).

(vi) Acquisition provisions

The Company may acquire any unexercised Stock Acquisition Rights, either for consideration at the price determined by the Company's Board of Directors or without consideration, on the day determined by the Company's Board of Directors on or after the effective date of the gratis allotment of the Stock Acquisition Rights.

- (a) In the case of invoking the countermeasure (acquisition from the holders other than Non-qualified parties)

If the Company invokes the countermeasure under the Response Policy, it may acquire the unexercised Stock Acquisition Rights that are exercisable (i.e. held by other than Non-qualified parties) pursuant to the provisions in (v)(a) and (b) above (referred to as "Eligible Stock Acquisition Rights" in (vi)(b) below) on the day determined by the Company's Board of Directors on or after the effective date of the gratis allotment of the Stock Acquisition Rights. These may be exchanged for the Company's shares in a number equivalent to the number of the Stock Acquisition Rights for acquisition multiplied by the number of the Company's shares to be issued, rounded down to the nearest whole number.

(b) In the case of invoking the countermeasure (acquisition from Non-qualified parties)

If the Company invokes the countermeasure under the Response Policy, it may acquire unexercised Stock Acquisition Rights except for the Eligible Stock Acquisition Rights on the day determined by the Company's Board of Directors on or after the effective date of the gratis allotment of the Stock Acquisition Rights. These may be exchanged for an equal number of the Stock Acquisition Rights (any fractional shares below one share shall be rounded down) which are subject to certain restrictions (the exercise conditions and acquisition provision as set out below and other matters determined by the Company's Board of Directors) for exercise by Non-qualified parties (hereinafter referred to as the "Second Stock Acquisition Rights.")

(i) Exercise conditions

If following conditions of (x) and (y) are satisfied, or if otherwise determined by the Company's Board of Directors, the holders of the Second Stock Acquisition Rights may exercise such rights only to the extent that the voting rights ratio of the large-scale purchasers after exercise, which are approved by the Board of Directors, remains below 24% or such other percentage as may be separately determined by the Company's Board of Directors (if 3D's voting rights ratio pertaining to the share certificates, etc. as of today exceeds 24%, in relation to 3D, "24% or such other percentage as may be separately determined by the Company's Board of Directors" will be read as "the voting rights ratio of the large-scale purchaser as of today"; the same applies hereinafter).

(x) The large-scale purchaser must suspend or withdraw its large-scale purchase and pledge in writing that it will not engage in any such activities in the future; and

(y) (α) The voting rights ratio of the large-scale purchaser, which is approved by the Company's Board of Directors, is less than 24% or such other percentage as may be separately determined by the Company's Board of Directors. (Provided that, for the purpose of such calculation, any Non-qualified parties other than the large-scale purchaser, their joint holders, or their specially related parties shall be deemed to be joint holders or specially related parties of the large-scale purchasers, and any Second Stock Acquisition Rights held by such Non-qualified parties that do not satisfy the exercise conditions shall be excluded from the calculation.); or (β) in the event that the voting rights ratio of the large-scale purchasers, which are approved by the Company, is more than 24% or such other percentage as may be separately determined by the Company's Board of Directors, the large-scale purchasers or other Non-qualified parties sell the Company's shares on the market via security firms approved by the

Company, and after the sale, the voting rights ratio of the large-scale purchaser falls below 24% or such other percentage as separately determined by the Company's Board of Directors.

(ii) Acquisition provision

On a separately determined date set by the Company's Board of Directors between the 10th and 11th anniversaries of the date on which the Second Stock Acquisition Rights were granted, the Company may acquire any unexercised Second Stock Acquisition Rights for which the exercise conditions are not satisfied, in exchange for cash consideration equivalent to their fair value at that time.

(c) For the purpose of confirming the satisfaction of the conditions for the compulsory acquisition of the Stock Acquisition Rights, the Company's Board of Directors sets the procedures similar to those set in (v)(b). Furthermore, if the Company's Board of Directors deems it appropriate for the Company to acquire the Stock Acquisition Rights, the Company may acquire all outstanding Stock Acquisition Rights without compensation on a date separately determined by the Company's Board of Directors, at any time up to the day immediately preceding the commencement date of the exercise period for the Stock Acquisition Rights.

(vii) Transfer approval

Acquiring the Stock Acquisition Rights via the transfer requires the approval of the Company's Board of Directors.

(viii) Share capital and legal capital surplus

Matters regarding the increases in share capital and legal capital surplus resulting from the exercise or acquisition based on the acquisition provision of the Share Acquisition Rights shall be defined in accordance with applicable laws and regulations.

(ix) Fractional share

If the number of shares to be delivered upon exercise of the Share Acquisition Rights includes any fractional share less than one share, such fraction shall be rounded down. However, if a holder of the Share Acquisition Rights exercises multiple rights simultaneously, the number of shares to be delivered upon the exercise can be aggregated in calculating the fractional share.

(x) Issuing the Stock Acquisition Rights

Certificates shall not be issued for these Share Acquisition Rights.

- (2) Number of the Stock Acquisition Rights to be allotted to shareholders
The Share Acquisition Rights shall be allotted at a ratio of one right per one share of the Company's share (excluding treasury shares held by the Company).
- (3) Shareholders eligible for the gratis allotment of Share Acquisition Rights
The Share Acquisition Rights shall be allotted to all shareholders (excluding the Company) who are recorded or registered in the final shareholders' register as of the record date separately determined by the Company's Board of Directors.
- (4) Total number of Stock Acquisition Rights
The total number of Stock Acquisition Rights shall be equal to the total number of outstanding shares (excluding treasury shares held by the Company) on the record date separately determined by the Company's Board of Directors.
- (5) Effective date of the gratis allotment of Stock Acquisition Rights
The effective date of the gratis allotment of Stock Acquisition Rights shall be a day on or after the record date and separately determined by the Company's Board of Directors.
- (6) Other
The gratis allotment of the Share Acquisition Rights shall become effective if either (i) or (ii) is met:
 - (i) approval is obtained at the Shareholders' Intent Confirmation Meeting and the large-scale purchase has not been suspended or withdrawn (in the case that it is reasonably confirmed ex-post facto that a large-scale purchase has taken place, the holding of the Company's shares that are deemed a large-scale purchase or possibility thereof is not eliminated within a reasonable period determined by the Company's Board of Directors based on the recommendation of the Independent Committee); or
 - (ii) the large-scale purchaser fails to comply with the procedures set forth in 3.(2) above and attempts to carry out a large-scale purchase (including additional acquisitions) (in the case that it is reasonably confirmed ex-post facto that a large-scale purchase has taken place, the holding of the Company's shares that are deemed a large-scale purchase or possibility thereof is not eliminated within a reasonable period determined by the Company's Board of Directors based on the recommendation of the Independent Committee).

Furthermore, even after initiating the procedures for the gratis allotment of the Share Acquisition Rights as a countermeasure, if the Company's Board of Directors determines that it is no longer necessary to invoke the countermeasure, it may suspend or withhold the implementation of such countermeasure. Such examples include instances where the large-

scale purchaser withdraws the large-scale purchase and pledges, in writing, not to engage in any such purchase in the future.

If the Company's Board of Directors resolves to suspend or withdraw the countermeasure that has already been invoked, it shall promptly disclose such decision.

5. Impact on shareholders and investors

(1) Impact on shareholders and investors upon introduction of the Response Policy

Since the gratis allotment of the Stock Acquisition Rights does not occur at the time of introduction of the Response Policy, there is no direct specific impact on the legal rights or economic interests of shareholders and investors.

(2) Impact on shareholders and investors at the time of the gratis allotment of the Stock Acquisition Rights

Shareholders as of the record date will receive the Stock Acquisition Rights at a ratio of one right for each share held. Accordingly, on the assumption that such rights are exercised, there will be no dilution in the value of the Company's shares held by shareholders.

However, if shareholders do not exercise the Stock Acquisition Rights within the exercise period, the shares of such shareholders will be diluted due to the exercise of the Stock Acquisition Rights by the other shareholders. That said, the Response Policy assumes that, in principle, the Company acquires all of the Share Acquisition Rights that are satisfied prior to the commencement of the exercise period, based on the acquisition provisions attached thereto and delivers shares of the Company in exchange for those Rights that satisfy the exercise conditions. If the Company takes such acquisition procedures, shareholders other than Non-qualified parties will receive the Company's shares without exercising the Stock Acquisition Rights or paying the cash amount equivalent to the exercise price. In this case, the value per share that has already been held by shareholders will be diluted, but the value of the shares held as a whole, including the newly issued shares, will not be diluted.

In the event that the Company cancels the gratis allotment of the Stock Acquisition Rights or makes compulsory acquisition of the Stock Acquisition Rights allotted without consideration after the shareholders who are to receive the gratis allotment of the Stock Acquisition Rights have been determined, the dilution of the value per share will not occur. Therefore, investors who have traded based on the assumption that the value per share will be diluted may suffer commensurate damage depending on fluctuations in the share price.

Accordingly, investors should note that even after the Company resolved to implement the gratis allotment of the Share Acquisition Rights, whether the value of the Company's shares is diluted or not depends on various circumstances.

As the exercise or acquisition of the Share Acquisition Rights is accompanied by discriminatory conditions, the legal rights or economic interests of Non-qualified parties may be diluted upon

such exercise or acquisition. Even in such cases, there will be no direct specific impact on the legal rights or economic interests of shareholders other than Non-qualified parties. Nonetheless, the transfer of the Stock Acquisition Rights is restricted. Therefore, if the shareholders receive the Company's shares as a result from the exercising or Company's acquiring the Stock Acquisition Rights after the allotment date, they may be exposed to fluctuations in the value of their investment attributable to the Stock Acquisition Rights, until the allotted shares are registered in the shareholders' transfer accounts.

If the large-scale purchaser complies with the procedures described in 3.(2) above and the shareholders do not approve the proposal to invoke the countermeasure at the Shareholders' Intent Confirmation Meeting, the gratis allotment of the Share Acquisition Rights will not be carried out. Furthermore, even after the Company initiates the procedures for the gratis allotment of the Share Acquisition Rights as a countermeasure, if the Company's Board of Directors determines that it is no longer necessary to invoke such countermeasure (for instances where the large-scale purchaser withdraws the large-scale purchase and pledges, in writing, not to engage in any such purchase in the future), the Company may suspend or withhold the implementation of the countermeasure (in that case, the Company disclose the fact in an appropriate and timely manner per applicable laws and regulations). Shareholders and investors who have traded based on the assumption that the value per share will be diluted may suffer commensurate damage depending on fluctuations in the share price.

(3) Procedures for shareholders and investors at the time of the gratis allotment of the Stock Acquisition Rights

(a) Procedures at the time of the gratis allotment of the Stock Acquisition Rights

If the Company's Board of Directors resolves to make a gratis allotment of the Stock Acquisition Rights, the Company will set the record date of the gratis allotment of the Stock Acquisition Rights (the "Allotment date") and disclose the fact in timely and appropriate manner. In this case, the Company will make a gratis allotment of Stock Acquisition Rights in a number corresponding to the number of common shares held by the shareholders recorded in the Company's final register of shareholders as of the Allotment date. Accordingly, the shareholders recorded or registered in the final register of shareholders will automatically receive the Stock Acquisition Rights without further procedures.

(b) Procedures for exercising Stock Acquisition Rights

In principle, the Company will send an exercise request form and a document necessary to be submitted for the exercise of the Stock Acquisition Rights (containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise, the exercise date for the Stock Acquisition Rights, the transfer accounts for registry of the Company's share other than special accounts, as well as representations and warranties

regarding matters such as that the shareholders themselves satisfy the exercise conditions of the Stock Acquisition Rights, indemnity clauses, and other covenants in the prescribed form by the Company). After the Stock Acquisition Rights are allotted, shareholders submit those documents within the exercise period. Then, shareholders will receive the number of shares determined by the Company's Board of Directors per Stock Acquisition Right by paying an amount equal to one yen multiplied by the number of shares to be issued, through the designated paying agent.

Pursuant to the provisions of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc., the Company's shares to be issued as a result of the exercise of the Stock Acquisition Rights cannot be recorded in special accounts. Accordingly, shareholders who wish to exercise the Stock Acquisition Rights must open a transfer account, such as a securities account.

(c) Procedures for the acquisition of the Stock Acquisition Rights by the Company

For the purpose of the Stock Acquisition Rights allotted to shareholders, exercise conditions and procedures are described as in section 4.(1) above. As a general rule, prior to the commencement of the exercise period, the Company will acquire all of the Stock Acquisition Rights forcibly pursuant to the acquisition provisions attached thereto, and deliver shares in exchange for those Rights that satisfy the prescribed exercise conditions. In such a case, the Company will make a public announcement at least two weeks prior to the acquisition date, and then purchase them in accordance with applicable laws and regulations.

However, if the Company acquires the Stock Acquisition Rights based on the acquisition provisions set forth in section 4.(1)(vi) above, shareholders will receive the Company's shares in exchange for the Company's acquisition of the Stock Acquisition Rights without paying cash equivalent to the exercise price. In such a case, shareholders do not have to pay any cash but may have to take certain procedures to set up a transfer account for the registry of the Company's shares to be issued.

Non-qualified parties should take a different approach to exercising or acquiring the Stock Acquisition Rights from those of other shareholders. They acquire the Stock Acquisition Rights in compensation for the Second Stock Acquisition Rights set in 4.(1)(vi)(b).

(d) Other

The Company will disclose the details of each procedure above in a timely and appropriate manner as required by applicable laws and regulations when such procedures become necessary. Please confirm the relevant details.

IV. Reasonableness of the Response Policy

1. The Response Policy based on Guidelines for Takeover Defense Measures during the Normal Phase

The Response Policy is different from so-called advance warning-type takeover defense measures that are introduced in a normal phase, and it is formulated based on; the content of “Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests” published by the Ministry of Economy, Trade and Industry (the “METI”) and the Ministry of Justice on May 27, 2005; the suggestions of “Takeover Defense Measures in Light of Recent Environmental Changes” published by the Corporate Value Study Group of the METI on June 30, 2008; “Guidelines for Corporate Takeovers -Enhancing Corporate Value and Securing Shareholders’ Interests-” published by the METI on August 31, 2023; the Rules on the Introduction of Takeover Defense Measures stipulated by Tokyo Stock Exchange for anti-takeover measures at normal phase; and the purpose of “Principle 1.5 Anti-Takeover Measures” of Japan's Corporate Governance Code (after the revision on June 11, 2021) which Tokyo Stock Exchange introduced due to Revisions to the Securities Listing Regulations and started implementation in June 2015. The Company believes that the Response Policy satisfies the requirements for response policies during an emergency phase, specified in these guidelines and so on.

2. Respect for Shareholders’ Intent (Mechanism Directly Reflecting Shareholders’ Intent)

When the invocation of measures is carried out under the Response Policy, the Company will hold a Shareholders’ Intent Confirmation Meeting to reflect their intent. As long as the large-scale purchaser complies with the procedures described in III 3.(2) above, the decision to take measures will ultimately be made solely based on the shareholders’ intent expressed at the Shareholders’ Intent Confirmation Meeting.

In addition, if the large-scale purchaser attempts to proceed with a large-scale purchase without following the procedures described in III 3.(2) above, the Company’s Board of Directors may carry out measures solely at its discretion while respecting the Independent Committee’s opinions to the maximum extent, but this would be due to the large-scale purchaser’s decision not to provide shareholders with an opportunity to carefully consider the necessary and sufficient information before deciding whether to accept the large-scale purchase, and the Company believes that taking measures against such large-scale purchases that ignore the intent of shareholders is unavoidable in order to protect the Company’s corporate value and the common interests of its shareholders. Even if the large-scale purchaser does not comply with the procedures described in III 3.(2) above, in order to respect the intent of shareholders as much as possible, the Company’s Board of Directors may, at its discretion, make the taking of measures conditional on approval at the Shareholders’ Intent Confirmation Meeting.

In this way, the Response Policy maximizes respect for the intent of the Company’s shareholders.

3. Elimination of Arbitrary Decisions by the Company’s Board of Directors

As stated in 2 above, the Company will hold a Shareholders’ Intent Confirmation Meeting meeting and decide whether the invocation of measures is carried out against the large-scale purchases, in accordance with the shareholders’ intent. Provided that the large-scale purchaser complies with the procedures set forth in III 3.(2) above, the decision to take measures will be made based on the results

of the Shareholders' Intent Confirmation Meeting, and measures will not be taken at the arbitrary discretion of the Company's Board of Directors.

Furthermore, as stated in III 2.(2) above, in order to ensure the necessity and appropriateness of the Response Policy and to prevent its abuse for the sake of the management's self-preservation, the Company has established that it will always obtain recommendations from the Independent Committee composed of independent outside directors regarding matters necessary for determining whether to implement measures or take other actions in accordance with the Response Policy.

The Company's Board of Directors shall respect the opinion of the Independent Committee to the maximum extent possible in order to ensure the fairness of its decisions and to eliminate arbitrary decisions by the Company's Board of Directors. In addition, the Independent Committee may, as necessary, seek advice from external experts (such as financial advisors, attorneys, certified public accountants, and tax accountants) who are independent of both the Company's Board of Directors and the Independent Committee. As a result, the objectivity and reasonableness of the Independent Committee's decisions are ensured.

Therefore, the Response Policy is designed to eliminate arbitrary decisions by directors.

4. No Dead-hand Takeover Defense Measures Nor Slow-hand Takeover Defense Measures

As stated in V. below, the Response Policy may be terminated at any time by a resolution of the Company's Board of Directors appointed by the general meeting of shareholders of the Company. That means the Response Policy is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority members of the Company's Board of Directors are replaced, the invocation of the measures cannot be stopped). Also, the Response Policy is not a slow-hand takeover defense measure (a takeover defense measure in which the invocation of the measures takes more time to stop due to the fact that all members of the board of directors cannot be replaced at once.)

V. Abolition procedure and effective period of the Response Policy

The Response Policy shall take effect today, and its initial effective period shall expire at the conclusion of the first meeting of the Annual General Meeting of Shareholders of the Company held in June 2026 (the "Annual General Meeting of Shareholders"). However, at the conclusion of the first meeting of the Company's Board of Directors held after the Annual General Meeting of Shareholders, if there is person who is actually carrying out a large-scale purchase or a person who intends to carry out such a purchase and who is a person stipulated by the Company's Board of Directors, that effective period will be extended to the extent necessary to respond to that purchase that is being carried out or is intended. As stated above, the Response Policy is being introduced primarily to address large-scale purchases by 3D or other parties including the Share Buyup in progress. Accordingly, the Company does not intend to maintain the Response Policy once it is determined that the specific large-scale purchase is no longer contemplated.

Even before the expiration of the effective period, if the Company's Board of Directors resolves to terminate the Response Policy, the Response Policy shall be terminated at that time.

End

Appendix 1

Outline of the Independent Committee Rules

- The Independent Committee shall be established by a resolution of the Board of Directors of the Company.
- The Independent Committee shall consist of three (3) or more members. The members shall be elected by the Board of Director of the Company from among persons who are either (i) Outside Directors of the Company or (ii) outside experts and who are independent from the management in charge of business execution of the Company. Outside experts shall be senior corporate executives with a proven track record, ex-government officials, persons who are acquainted with investment banking business or the Company's business domains, attorneys at law, certified public accountants, scholars mainly studying the Companies Act of Japan and the like, or persons equivalent thereto, who shall enter into an agreement with the Company containing a clause for the duty of due care of a prudent manager etc. designated separately by the Company's Board of Directors.
- The term of office of a member of the Independent Committee shall expire at the conclusion of the first meeting of the Board of Directors of the Company held after the annual general meeting of shareholders for the final fiscal year ending within one (1) year from the time of his or her election. However, it shall not apply if the Company's Board of Directors resolves otherwise. The term of office of a member of the Independent Committee who is Outside Directors of the Company shall expire at the same time if the member is no longer Outside Directors of the Company (except when reappointed). Notwithstanding the foregoing, if the Response Policy is terminated during the term of office of a member of the Independent Committee, the term of office of a member of the Independent Committee shall expire on the date of such termination.
- The Independent Committee shall decide the matters listed in the following items and recommend its decisions to the Company's Board of Directors clarifying the basis of the decisions. Each Independent Committee member shall make deliberations and resolutions

solely from the perspective of whether the matter in question contributes to the corporate value of the Company and, ultimately, the common interest of its shareholders and shall not do so for the purpose of seeking personal benefits for him/herself or the management of the Company:

- (i) whether countermeasures under the Response Policy should be invoked;
 - (ii) suspension of the invocation of countermeasures under the Response Policy;
 - (iii) in addition to (i) and (ii) above, matters for which the Independent Committee is authorized to perform under the Response Policy;
 - (iv) any other matters related to the Response Policy that the Company's Board of Directors of the Company voluntarily consults with the Independent Committee.
- The Independent Committee may have Directors and employees of the Company or any other persons deemed necessary by the Committee attend its meeting and request their explanation about matters specified by the Independent Committee in order to collect necessary information.
 - The Independent Committee may, at the cost of the Company, obtain advice from independent third parties (including financial advisors, certified public accountants, attorneys at law, certified tax accountants, consultants, and other advisors).
 - Each Independent Committee member may convene the Independent Committee at any time in cases of the Purchase and others.
 - The chairperson of the Independent Committee shall be elected by mutual vote among the Independent Committee members.
 - A resolution of the Independent Committee shall, in principle, be made with the attendance of all members of the Independent Committee (including attendance via video/audio conference call; the same applies hereinafter) and adopted by a majority vote of the members present. However, in the event of an accident involving a member or other unavoidable circumstances, a resolution may be made provided that a majority of the Independent Committee members are present and approved by a majority of the votes of the members present.

Career Summary of the Independent Committee Members

The Company elected the following three as the initial members of the Independent Committee for the Response Policy.

Name:	Hidehito Kotani	
Date of Birth:	December 27, 1967	
Career summary	January 1998	Joined Banyu Pharmaceutical Co., Ltd. (current MSD K.K.)
	July 2009	Corporate Officer in charge of Corporate Services and General Manager of the President's Office of Banyu Pharmaceutical Co., Ltd.
	March 2012	Vice President, Corporate Officer, General Manager of Sales Division, General Manager of President's Office of MSD K.K
	March 2012	Vice President of Merck & Co., Inc. (USA)
	September 2015	Representative Director and President, CEO and CTO of Panasonic Healthcare Holdings Corporation (current PHC Holdings Corporation)
	September 2019	Representative of Frederick Research GK (to present)
	February 2022	Representative Director of Novocure Corporation (to present)
	June 2022	Outside Director of the Company (Audit and Supervisory Committee Member)

Mr. Kotani is currently Outside Director (Audit and Supervisory Committee Member) of the Company. The Company has notified the Tokyo Stock Exchange that he is an independent director of the Company.

There is no significant interest between Mr. Kotani and the Company.

Name: Manako Haga

Date of Birth:	September 2, 1963	
Career summary	April 1986	Joined J.P., Morgan Trust Bank Ltd.
	September 1989	Joined James Kaepel Securities
	April 1992	Joined S.G. Warburg Securities Co., Ltd.
	May 1995	Joined Klein Oat Benson Investment Management Co., Ltd.
	July 1998	Joined Merrill Lynch Investment Managers, Inc.
	May 2002	Joined Fidelity Asset Management Co., Ltd.

June 2016	Director of Fidelity Asset Management Co., Ltd. and Fidelity Securities Co., Ltd. General Manager of Finance Department and President's Office Business Manager
June 2017	Advisor of Matsui Securities Co., Ltd.
November 2017	Joined The British School in Tokyo
June 2019	Director of Matsui Securities Co., Ltd.
June 2020	Director of HR & General Affairs of Matsui Securities Co., Ltd. (to present)
June 2025	Outside Director of the Company (to present)

Ms. Haga is currently Outside Director of the Company. The Company has notified the Tokyo Stock Exchange that he is an independent director of the Company.
There is no significant interest between Ms. Haga and the Company.

Name:	Miho Saito	
Date of Birth:	April 8, 1963	
Career	April 1986	Joined Nomura Securities Co., Ltd
Summary	March 1988	Joined Credit Suisse Trust & Banking
	November 1989	Joined SPARX Asset Management Co., Ltd. (current SPARX Group Co., Ltd.)
	September 1997	Joined Government of Singapore Investment Corporation (GIC)
	January 2006	Joined Clay Finlay Inc
	November 2009	Joined United Nations Joint Staff Pension Fund
	June 2024	Executive Officer of Strategy Advisors Co., Ltd, Capital Markets Division
	March 2025	DE&I training course coordinator and speaker Outside Director (Audit and Supervisory Committee Member) of ELAN Corporation (to present)
	June 2025	Outside Director of Yamaguchi Financial Group, Inc. (to present) Outside Director of the Company (Audit and Supervisory Committee Member) (to present)

Ms. Saito is currently Outside Director (Audit and Supervisory Committee Member) of the Company. The Company has notified the Tokyo Stock Exchange that she is an independent director of the Company.

There is no significant interest between Ms. Saito and the Company.

Information To Be Required From the Large-Scale Purchaser

1. Details (including name, business details, career background or history, capital structure, financial position, investment policy details, and information on experience in businesses similar to those of the Company and the Group companies, and details of the account holder who holds the Company's shares) of the large-scale purchaser and its group (including joint holders, specially related parties, partners (in the case of a fund), and other members)
2. Purpose, method, and details of the large-scale purchase (including whether there is an intent to participate in management, the type and number of share certificates, etc. that will be the subject of the large-scale purchase, the shareholding ratio pertaining to the Company's share certificates, etc. after the purchase pertaining to the large-scale purchase is carried out, the amount and type of consideration for the large-scale purchase, the timing of the large-scale purchase, the counterparties of transactions pertaining to the large-scale purchase, the structure of any related transactions, the legality of the method of the large-scale purchase, the feasibility of the large-scale purchase and any related transactions (if certain conditions are attached to the large-scale purchase, the details of those conditions), and the policy for holding the Company's share certificates, etc. after the completion of the large-scale purchase (including whether there is a plan to sell to a third party and those details))
3. Basis for calculation of the consideration for the Company's shares pertaining to a large-scale purchase and that calculation background (including facts and assumptions underlying the calculation, calculation method, name of the calculation organization and information on that calculation organization, numerical information used in the calculation, details of synergies and dis-synergies expected to arise from a series of transactions related to the large-scale purchase, and the amount and basis for calculation thereof)
4. Support for funds for the large-scale purchase (including the specific names of providers of funds (including substantial providers of funds (regardless of whether direct or indirect), financing methods, whether there are any conditions in order to close and their details, whether there is any security or covenant after the provision of funds and the details thereof, and details of any related transactions)
5. Policy on the intended exercise of rights, etc. as a shareholder of the Company, intent to dispatch and candidates for officers (including information on their experience in businesses similar to those of the Company and the Group companies), management policy, business plan, financial plan, funds

plan, investment plan, capital policy (including policy concerning share buybacks), and dividend policy (including plans concerning the sale, provision as security, distribution, and other disposition of the assets of the Company and the Company Group and plans concerning cooperative business or alliances with third parties after the completion of the large-scale purchase) of the Company and the Group companies intended after the completion of the large-scale purchase

6. Philosophy on how to contribute to the corporate value of the Company and the common interests of shareholders through the large-scale purchase (including whether there are any changes, and the details thereof, in the relationships between the Company and Company Group companies and their stakeholders, including customers, business partners, and employees, after the completion of the large-scale purchase)
7. If the acquisition of all of the share certificates of the Company through the large-scale purchase is not intended, the policy for handling the possibility of a conflict of interests with the Company's general shareholders after the completion of the large-scale purchase

Business Report

1. Current Situation of the Corporate Group

(1) Principal Business Locations (as of March 31, 2026)

Company name	Business office	Location	
The Company	Head office	4-43-11, Daizawa, Setagaya-ku, Tokyo	
	Yaesu office	2-2-1, Yaesu, Chuo-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) eKenkoshop (Tokyo) eHealthcare (Tokyo) Nextit Research Institute (Hyogo)	
TOHO PHARMACEUTICAL (Pharmaceutical wholesaling business)	Head office	4-43-11, 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	Ishikawa, Toyama, Fukui, 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 Hokuriku (Ishikawa), TBC Hanshin (Hyogo), TBC Hiroshima (Hiroshima), TBC Kyushu (Kumamoto)		
Subsidiary	SAYWELL (Hiroshima) Koyo (Kagawa) Kyushu Toho (Fukuoka)		
Pharma Cluster (Dispensing pharmacy business)	Head office	2-2-1, Yaesu, Chuo-ku, Tokyo	
	Subsidiary	Pharma Mirai (Tokyo) Strelitzia (Tokyo) J. Mirai Medical (Osaka) Aobado (Osaka) K・Create (Okayama) Pharma-Daiwa (Kumamoto)	

(Note) Strelitzia and J. Mirai Medical are subsidiaries of PHARMA MIRAI.

(2) Status of Employees (as of March 31, 2026)

1) Number of Employees of the Corporate Group

Number of employees	Increase/decrease from the previous consolidated fiscal year-end
7,675	Increased by 66

(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
199	Increased by 6	48 years and 4 months	18 years and 11 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 five (25) persons who were temporarily transferred to other companies.

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

(3) Status of Major Banks (as of March 31, 2026)

Bank	Borrowing (million yen)
Mizuho Bank, Ltd.	2,338
MUFG Bank, Ltd.	592
Sumitomo Mitsui Banking Corporation	1,946

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

2. 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)	23	Common stocks 2,300 shares	1,505 yen per share	1 yen per share	From September 25, 2013 to September 24, 2043	1 Director
The second subscription rights to shares (December 24, 2015)	22	Common stocks 2,200 shares	2,585 yen per share	1 yen per share	From December 25, 2015 to December 24, 2045	3 Directors
The third subscription rights to shares (February 6, 2017)	65	Common stocks 6,500 shares	2,191 yen per share	1 yen per share	From February 7, 2017 to February 6, 2047	3 Directors

- (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.

3. Matters Concerning Company's Executives

- (1) Outline of Limitation of Liability Contracts
 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has concluded with Director, Ms. Manako Haga, and Directors who are Audit and Supervisory Committee Members, Mr. Yoshiaki Kamoya, Mr. Hidehito Kotani, Ms. Chie Goto and Ms. Miho Saito 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.
- (2) 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. Pursuant to that insurance contract, this means damages, litigation expenses, etc., and the like which the insured would suffer owing to a claim for damages which arises from an act performed by the insured in the position of an officer or the like of the Company. In this respect, to prevent the properness of execution of duties by the insured from being impaired, if the insured commits a criminal act or intentional violation of laws and regulations, a loss arising from the act or violation will not be made up pursuant to the insurance contract. The insured persons under the policy are main executors such as Directors and auditors of the Company and its subsidiaries.

4. 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	80
Total amount of cash and other economic benefits payable by the Company and its subsidiaries to the Accounting Auditor	143

- (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 comprehensively evaluates the qualifications,

independence, quality control of audits, and performance of duties of the Accounting Auditor every fiscal year. If it is found difficult for the Accounting Auditor to perform its duties appropriately, the Audit and Supervisory Committee decides the content of a proposal regarding the dismissal or non-reappointment of the Accounting Auditor, and the Board of Directors submits the proposal to the General Meeting of Shareholders.

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

The Basic Policy on Internal Control System resolved by the Company's Board of Directors is as follows.

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

1) Directors of the Group shall execute their duties in accordance with laws and regulations, the Articles of Incorporation, the Board of Directors regulations, the decision-making rules, etc. They shall act in compliance with laws and regulations, as well as social norms, and shall adhere to the Kyoso Mirai Group Code of Ethics (the "Code of Ethics"), which establishes ethical standards and behavioral guidelines that must be observed and practiced. The Company shall appoint a Governance Officer to promote governance in the Group.

2) The Company shall set up a Compliance Committee to promote the establishment of a system of compliance with laws, regulations and social norms as well as corporate ethics in the Group.

3) The Company shall adopt a corporate officer system to strengthen the supervisory function of the Board of Directors and directors, separating the supervisory function of the Board of Directors and directors from the business operation function of the corporate officers.

4) To enable the Board of Directors to supervise the execution of duties by directors, directors shall accurately report the business operation status of the Company and its Group companies to the Board of Directors, and shall mutually monitor and supervise the execution of duties by other directors.

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

6) The Group shall establish a whistleblowing system to prevent misconduct, detect it early, and correct it promptly. The Group shall set up contact points for whistleblowing both within and outside the company and prohibit any disadvantageous treatment of whistleblowers. Furthermore, to prevent the occurrence of harassment incidents and ensure prompt response to them, the Group shall set up contact points for consultation and whistleblowing both within and outside the company, thoroughly publicize them, and ensure appropriate handling.

7) The Company shall establish the committees as an advisory body to the Board of Directors as follows:

a. The Nomination and Compensation Committee (composed of three or more directors, with a majority of members and the chairperson selected from outside directors), whose objective is to conduct necessary deliberations regarding the appointment and dismissal of directors and the representative director, the determination of Directors' compensation and other matters, succession plans for the Representative Director and others, etc., and to contribute to the transparency of decision-making.

b. the Sustainability Promotion Committee, whose purpose is to recognize responses pertaining to sustainability as important issues in management and promote sustainability management.

c. the Investment Committee, whose purpose is to have discussions about the appropriateness of investment projects in making a decision on the investment projects.

d. the Management Strategy Committee, whose purpose is to consider important management and business strategies, etc., connected with the Company and the Group toward sustained enhancement of corporate value.

e. the Governance Enhancement Special Committee, whose purpose is to strengthen governance, including compliance and risk management, in order to achieve sustainable growth and increase the medium- to long-term value of the Group.

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

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

and enlightening employees about the system.

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

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

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

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

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

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

1) The Company shall establish a Risk Management Committee to advance the development of the Group's risk management system. The committee shall strive to identify and understand potential risks facing the Group at an early stage, thereby promoting risk management throughout the Group.

2) The Company shall establish a Kyoso Mirai Group Disaster Countermeasures Committee. The committee shall formulate disaster countermeasures and business continuity plans in preparation for the occurrence of a disaster or other emergency in the Group. In the event of a disaster, the committee shall strive to minimize damage to the organization, swiftly restore operations, and continue business.

3) In the event of an emergency within the Group, the Company shall establish a countermeasures headquarters at the Company or an operating company, directed by the Representative Director, President (or a person designated by the Representative Director, President). In accordance with the business continuity plan prescribed in the preceding item, the countermeasures headquarters shall take prompt action to maintain, restore or establish the pharmaceutical supply system.

4) The Company shall establish an Information Security Committee pursuant to the Basic Rules on Information Security, which stipulate the creation of a system for the protection of information assets, and shall build a company-wide management system for maintaining information security.

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

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

1) The Board of Directors meeting is normally held on a monthly basis, and an extraordinary meeting is held when necessary. In these meetings, important matters concerning the management are deliberated and resolved, and the business execution by the directors is supervised.

2) The Company shall ensure a system to make prompt and appropriate decisions on important matters to be submitted to the Board of Directors by, for example, having the Group's Management Committee fully examine them in advance.

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

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

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

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

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

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

In accordance with the provisions and other systems for managing the risk of loss set forth in (4), the Company shall identify and understand risks that may arise throughout the Group at an early stage and minimize their

negative impact.

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

Pursuant to the basic policies stipulated in the "Affiliates Management Rules," the Company has established the reporting system shall have the Company's Board of Directors deliberate and receive reports on important matters connected with subsidiaries' business and management.

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

a. The Company requires its subsidiaries to strictly follow the Code of Conduct based on the ethical standards defined in the Code of Ethics for ensuring the proper business operations.

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

(7) Matters Relating to an employee to support the duties of Audit and Supervisory Committee

1) The Company shall require the appointment of employees to assist the Audit and Supervisory Committee where no full-time Audit and Supervisory Committee member is appointed, and shall appoint such employees as otherwise necessary.

2) Matters related to the personnel changes and personnel evaluations and other personnel affairs of such employees assigned to assist with the duties of the Audit and Supervisory Committee will be determined through discussion with the Audit and Supervisory Committee and with the full-time Audit and Supervisory Committee member.

(8) Matters Relating to Reporting to Audit and Supervisory Committee

1) The Audit and Supervisory Committee members attend important decision-making meetings such as the Board of Directors or inspect meeting minutes when necessary to receive reports on important matters from directors and the Group's employees.

2) Directors and Corporate Officers shall immediately report to the Audit and Supervisory Committee or full-time Audit and Supervisory Committee members if they determine that a violation of laws, regulations, or the Articles of Incorporation, or any other material event causing substantial damage to the Company has occurred or is highly likely to occur.

3) The decision-making documents approved by the representative director are submitted to the Audit and Supervisory Committee members immediately after approval.

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

The Company prohibits the Group's officers and employees who submit reports to the Audit and Supervisory Committee or the full-time Audit and Supervisory Committee member from being treated unfairly for filing such reports, and the Company makes the Group's officers and employees fully aware of this.

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

1) The Company shall bear the expenses of attorneys, certified public accountants, consultants, etc. utilized by the Audit and Supervisory Committee as necessary for the execution of its duties.

2) In addition to the measures mentioned above, the Company shall also bear the expenses needed by the Audit and Supervisory Committee members when executing their duties.

(11) Other Systems for Ensuring the Effective Execution of Audits by Audit and Supervisory Committee Members

1) The representative director regularly meets with the Audit and Supervisory Committee and exchanges opinions on issues to be tackled by the Company, the progress in developing an environment for the Audit and Supervisory Committee to conduct audits, and crucial auditing issues, in an effort to deepen mutual understanding.

2) The Audit and Supervisory Committee regularly receive reports on audit plans, methods, and results from the accounting auditor and exchange information to conduct efficient auditing.

3) The Internal Audit Division submits internal audit results and information and other necessary information to the Audit and Supervisory Committee to maintain close contact with the Committee. Besides, the Committee can ask for survey on audit matters to the Internal Audit Division if necessary.

4) The Company ensures that the Audit and Supervisory Committee concludes an advisory contract not with a corporate lawyer but with a lawyer working only for the Audit and Supervisory Committee, and uses the services of such lawyer.

(12) Basic concept and system for the elimination of antisocial forces

The Group stands firmly against antisocial forces and organizations that threaten the order and safety of civil society. In order to prevent them from being involved in the Group's management activities and from harming the Group, the Group has established a basic policy of thoroughly severing all ties with them in the Code of Ethics and other documents. The Group has also established organizational structures and is working to eliminate any connections with them through information gathering in cooperation with police authorities and other relevant bodies, as well as through awareness-raising activities for its officers and employees.

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

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

- In principle, the Board of Directors meets once a month, and extraordinary meetings are also held as necessary to ensure appropriate business execution and prompt decision-making. In the fiscal year under review, the Board of Directors met 13 times.
- The Group's Management Committee, consisting of Directors, division managers, and others, has been established to discuss and review matters related to the Group's management strategies, business strategies, and important business execution. In principle, the Committee meets once a month to discuss and consider important matters to be submitted to the Board of Directors, progress reports on initiatives in each business, measures to address issues, etc. In the fiscal year under review, the Committee met 12 times.
- five (5) of the Company's nine (9) Directors are Outside Directors, and all three are Audit and Supervisory Committee Members. These Outside Directors attend the aforementioned meetings and other important meetings to express their opinions as necessary from time to time. With regard to other important matters, the Company has established and is operating a system to appropriately communicate information necessary for auditing to Audit and Supervisory Committee Members through the confirmation of important approval documents, etc.

(2) Efforts to Promote Compliance and Manage Risks

- In June 2025, we established the position of Chief Governance Officer (CGO), who serves as the person responsible for promoting governance reforms. By overseeing and implementing the Group-wide compliance and risk management frameworks, the CGO is driving the establishment of an effective governance structure.
- In October 2025, following receipt of the final report from the Governance Enhancement Special Committee, which is composed of outside members, we formulated specific action plans to steadily implement the recommended measures and are proceeding with these initiatives under the supervision of the CGO.
- The Group requires all executives and employees to complete compliance training, and we also conduct specialized training sessions led by external experts on laws and regulations that we consider particularly important and technical, such as the Antimonopoly Act, anti-bribery laws, and procurement-related regulations.
- The entire Group is working to raise employee awareness and knowledge through education, training and enlightenment activities using the Code of Ethics, which serves as a guideline for the Company's conduct.
- In April 2025, we established a new Compliance Promotion Department to strengthen and enhance the internal whistleblowing system. The state of operation of the internal whistleblowing system is reported to the Compliance Committee and the Board of Directors.
- With regard to risk management, the Risk Management Committee identifies risks facing the Group, pinpoints major risks through risk mapping based on frequency and impact, formulates response policies, and comprehensively promotes and oversees risk management across the entire Group.
- To prepare for natural disasters and other emergencies, we regularly conduct safety confirmation drills and disaster prevention drills. Additionally, the Kyoso Mirai Group Disaster Countermeasures Committee reviews the criteria for establishing a disaster response headquarters, thereby ensuring that we have an organized response system in place and can maintain business operations appropriately in the event of an unforeseen emergency.
- With regard to information security, we are striving to protect information assets entrusted to us by our business partners and information assets we get hold of in the course of our business operations in accordance with the Basic Policy on Information Security and Basic Rules on Information Security. The Information Security Committee plans and promotes information security measures to ensure information security throughout the Group.

(3) Group management system

As for the management of Group companies, in addition to the management system mentioned above, we have developed a reporting system and manage subsidiaries appropriately in accordance with the Affiliated Company Management Rules. We have also established a system whereby the management status of major subsidiaries is monitored and important matters are discussed by the Group's Management Committee. Furthermore, the Company's internal audit division, the Group Audit Office, conducts internal audits of Group companies based on auditing plans.

(4) Efforts to ensure the effectiveness of audits

Audit and Supervisory Committee Members attend meetings of the Board of Directors, meetings of the Group's Management Committee, and other important meetings to obtain information about business execution and management as well as information on the effectiveness of internal controls.

The Committee members also meet regularly with Representative Directors and managers of each department to exchange opinions, and receive reports from, and exchange information with, the Accounting Auditor, the Group Audit Office, and auditors of subsidiaries on a regular or ad-hoc basis. By working closely with the relevant departments through these efforts, Audit and Supervisory Committee Members ensure the effectiveness of audits.

6. Basic Policy on Control of the Company

(1) Basic Policy on Persons Who Control Decisions on the Company's Financial and Business Policies

The Company believes that those who control decisions on its financial and business policies should have a sufficient understanding of the Company Group's finances, operations, and sources of corporate value, and be capable of securing and enhancing the corporate value and, ultimately, the common interests of its shareholders in a continuous and sustainable manner.

The Company does not categorically oppose large-scale purchases (Note) of its share certificates, etc. by specific parties, provided such purchases contribute to securing and enhancing corporate value and shareholders' common interests. The Company believes that whether to accept such a large-scale purchase should ultimately be determined based on shareholders' intent.

However, there are many cases in which large-scale purchases of share certificates, etc. do not contribute to the corporate value of the target company or to shareholders' common interests. These include purchases that, based on their objectives, are considered to cause clear harm to corporate value and, ultimately, shareholders' common interests; those that effectively coerce shareholders into selling their shares; those that fail to provide the target company's board of directors and shareholders with sufficient time or information to evaluate the large-scale purchase of share certificates, etc., and for the board to develop alternative proposals; and those that require the target company to engage in discussions and negotiations with the acquirer to obtain more favorable terms than initially presented.

The Company believes that the source of the corporate value of its Group is made up of the trust placed in it by the Company Group's customers and the Company Group's brand power, the Company Group's business model that has established a structure to allow the distribution of secure and safe pharmaceuticals at all times, and the relationships of trust with the Company Group's employees, business partners, and other stakeholders. This corporate value and, ultimately, shareholders' common interests may be undermined if a large-scale purchaser of the Company's share certificates, etc. lacks a sufficient understanding of these sources of corporate value or the

ability to maintain and enhance them over the medium to long term. Accordingly, the Company believes that any party engaging in a large-scale purchase that does not contribute to corporate value or shareholders' common interests should not be in a position to control decisions on its financial and business policies. To safeguard its corporate value and, ultimately, shareholders' common interests, the Company considers it necessary to take appropriate countermeasures against large-scale purchases by such parties.

(Note) This means a "large-scale purchase" as defined in the "Notice of the Introduction of a Policy Against Large-Scale Purchases of Share Certificates, etc. of TOHO HOLDINGS CO., LTD. in Response to the Large-Scale Purchase, etc. of its Shares by 3D Investment Partners Pte. Ltd." dated October 31, 2025 (the "Response Policy Introduction Release"); the same shall apply hereinafter.

(2) Overview of the Specific Details of the Initiatives

(i) Special Initiatives to Support the Implementation of the Basic Policy

Initiatives for enhancing corporate value

- Medium-term management plan

The Company formulated the "Medium-Term Management Plan 2023-2025 'Create the Next Generation'," and it has been engaged in concrete measures under the basic policies of "business transformation," "investment for growth and improvement of profitability," "sustainability management," and "improvement of capital efficiency and enhancement of shareholder returns." Specifically, the Company is implementing measures such as the reorganization mainly of the sales division and implementation of joint promotions by MSs in pharmaceuticals and reagents, building of the Dedicated Management System for proper distribution of products, strengthening of initiatives through the promotion of various alliances, establishment of the Governance Enhancement Special Committee, and the ongoing reduction of cross-shareholdings and continued increase in dividends.

- Action plan

In order to achieve the goals set forth in the "Medium-Term Management Plan 2023-2025 'Create the Next Generation'," in 2024, the Company, through discussions incorporating external viewpoints at the Management Strategy Committee, developed action plans that give concrete form to the Medium-Term Management Plan from the perspectives of time frame and commitment, and clarified a roadmap. In the specific discussions at the Management Strategy Committee, in order to improve "capital efficiency," it was finally decided to allocate management resources to the following: measures to strengthen sales and marketing to improve profitability and productivity in the Company's core pharmaceutical wholesaling business; establishment of a competitive advantage in specialty product distribution; and new businesses that leverage our strength in the customer support business. In order to promote this business portfolio reform, the Company has also decided to strengthen our organization and human resource infrastructure, with an eye to enhancing a holdings structure and utilizing DX, from

the standpoint of “enhancement of corporate governance” and “reform of human resource strategies and system.”

- New Medium-Term Management Plan

As of April 28, 2026, the Company formulated a new three-year “Medium-Term Management Plan 2026–2028: ‘Soaring into the Next Generation’” (the “Medium-Term Plan 2026–2028”) covering the fiscal years ending March 2027 through March 2029. The period of the Medium-Term Plan 2026–2028 is positioned as a “monetization phase” based on the “foundation” created in the preparatory phase and driven by further investments aimed at growth, during which the Company will implement strategies and initiatives focused on achieving discontinuous growth in operating profit. We have adopted the slogan “Soaring into the Next Generation” to express our determination to establish a profitable business structure capable of sustaining autonomous growth while adapting flexibly to changes in the external environment, and to rise powerfully toward the future.

While strengthening the profitability of its core pharmaceutical wholesaling business, the Company will transform itself into a “Total Healthcare Solutions Provider” that creates and delivers new value to all stakeholders in the healthcare industry by leveraging our experience and strengths to actively form alliances aimed at expanding rapidly into new business areas. Furthermore, by evolving into a value-creating organization led by self-reliant employees who are unafraid to take on challenges, the Company will make a powerful leap forward in this rapidly changing era and achieve sustainable growth and an increase in corporate value over the medium to long term.

- Sustainability initiatives

We recognize sustainability action as one of our key managerial priorities, and have put in place a corporate governance system centered on the Sustainability Promotion Committee, which is chaired by the Senior Executive Managing Director and COO. The Committee is comprised of members from the sales, logistics, pharmaceutical affairs, and administration functions. It identifies materiality (important issues), including matters related to climate change, and deliberates on our sustainability strategy, which involves, among other things, our actions for the Environment (E), Social (S), Governance (G), and digital transformation (DX), etc. The results are reported to the Board of Directors. Chaired by the Senior Executive Managing Director and COO, the Committee conducts action planning, target setting, progress control, and effectiveness assessment based on the Sustainability Policy. Every year, the Committee assesses the impacts of climate change on our business, devises measures to cope with them, and sets relevant targets, all in accordance with a policy aimed at minimizing the identified risks and seizing on the opportunities involved. The Committee also regularly checks the status of achievement of targets and continuously implements measures for improvement.

We have established a system in which important matters related to human capital are also subject to approval by the Board of Directors. These include investments concerning human

capital, appointments and dismissals of officials and those of a higher position at key divisions and departments, and decisions on, changes to, and other actions relating to important standards for working conditions. Appointments and dismissals of other employees and labor management, as well as various measures, including those to advance the administration of health management, are also reported to and supervised by the Board of Directors.

Strengthening of Corporate Governance

The Company Group is committed to enhancing corporate governance as one of the most important managerial tasks, because we recognize that it is important to enhance the auditing and supervisory functions concerning corporate management, achieve full compliance, and improve the transparency of management so that we can sincerely fulfill our responsibilities towards various stakeholders, including customers, business partners, shareholders, employees, and government entities, and enhance our corporate value as sustainable companies.

Since transitioning its management structure to a company with an audit and supervisory committee from 2016, the Audit and Supervisory Committee receives reports mainly from directors concerning the execution of operations and checks important decision-making documents. Directors who are Audit and Supervisory Committee Members conduct strict audits by conducting investigations of the status of business and assets in accordance with the audit policy and the division of duties.

With respect to the composition of the Board of Directors, by structuring it so that independent outside directors constitute a majority from June 2025, it has taken a form that further strengthens the effectiveness of the supervisory function. The Nomination and Compensation Committee is also made up of four Outside Directors and two internal Directors, and the scope and depth of deliberations is further expanded.

In addition, the Company is implementing constant reforms to strengthen corporate governance by, for example, newly establishing the position of CGO as the person in charge of promoting governance reform and establishing the Compliance Department to lead to the strengthening of the functions of the internal reporting system.

Moreover, based on the final report of the Governance Enhancement Special Committee which is composed entirely of external members, as future high-priority measures, the Company Group will make efforts such as (1) improvement of the effectiveness of the Board of Directors, (2) strengthening of the business promotion system, (3) revision of the advisor and consultant system, (4) strengthening of investment rules and group business management, and (5) human capital and development, and will work to improve corporate value through further strengthening of the corporate governance system.

- (ii) Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by Persons Deemed Inappropriate Under the Basic Policy

At a meeting of the Board of Directors held on October 31, 2025, the Company decided on a basic

policy concerning the appropriate role of parties who control decisions on the Company's financial and business policies (as defined in Article 118, Item (iii) of the Enforcement Regulations of the Companies Act; hereinafter referred to as the "Basic Policy") with the aim of ensuring and enhancing the Company's corporate value and the common interests of its shareholders, and also resolved to introduce a response policy regarding large-scale purchases of its share certificates, etc. (hereinafter referred to as the "Response Policy") to prevent decisions on the Company's financial and business policies from being controlled by parties deemed inappropriate under the Basic Policy (as specified in Article 118, Paragraph 3, Item (ii) of the Enforcement Regulations of the Companies Act). The primary purpose of introducing the Response Policy is to address a large-scale purchase by 3D Investment Partners Pte. Ltd. or other parties in light of the already concrete buying-up of the Company's shares, and it is different from so-called advance warning-type takeover defense measures that are introduced in a normal phase.

The following is a summary of the Response Policy; for further details, please refer to Appendix A to Proposal No. 4 in the Reference Documents for the General Meeting of Shareholders or the Company's website (https://www.tohohd.co.jp/en/assets/data/20251031-1_E.pdf).

The Company's Board of Directors believes that its shareholders should make a final decision on whether to accept a large-scale purchase from the perspective of ensuring and enhancing the corporate value of the Company and ultimately shareholders' common interests. It also believes, for shareholders to make an appropriate decision on whether to accept the large-scale purchase after sufficient consideration, it is necessary to hold a general meeting of shareholders ("Shareholders' Intent Confirmation Meeting") to secure an opportunity to confirm its shareholders' intent prior to the commencement of the large-scale purchase. As a prerequisite for an appropriate intent confirmation, it is essential to secure necessary and sufficient information from a large-scale purchaser (Note 1) and enough time to enable its shareholders for consideration.

The Response Policy has been adopted as a framework in the event a large-scale purchase is implemented, to request large-scale purchasers to provide necessary information; to ensure that the provision of such information is effective; and to ensure sufficient time for the shareholders to carefully consider whether to implement the large-scale purchase based on such information.

If a large-scale purchaser does not comply with the Response Policy, the Company will take certain countermeasures, respecting the Independent Committee's opinions to the maximum extent, to ensure an opportunity to obtain judgment of shareholders in accordance with the Response Policy.

Specifically:

- (i) If a large-scale purchaser intends to conduct an act deemed a large-scale purchase after the adoption of the Response Policy, the large-scale purchaser shall submit a large-scale purchase explanation in writing to the Company's Board of Directors at least 60 business days prior to such large-scale purchase.
- (ii) The Company shall request the large-scale purchaser to submit the information that is deemed to be necessary for shareholders to determine whether to accept the large-scale purchase at a Shareholders' Intent Confirmation Meeting within five business days at the latest after the date of receipt of the large-scale purchase explanation by the Company's Board of Directors (the first day shall not be counted, and

the same shall apply hereinafter).

(iii) The Company's Board of Directors shall set a period, not longer than 60 business days from the date of receipt of the large-scale purchase explanation from the large-scale purchaser and rationally determined by the Company's Board of Directors, as the period for the Company's Board of Directors to evaluate and consider whether to accept the large-scale purchase (the "Board of Directors evaluation period"). Any large-scale purchase shall commence only after the Board of Directors evaluation period (provided, however, in case a Shareholders' Intent Confirmation Meeting is decided to be held, after the rejection of the proposal for invoking countermeasures and the conclusion of the meeting).

(iv) If the Company's Board of Directors opposes the large-scale purchase and believes that countermeasures should be invoked, the Company shall, within the Board of Directors evaluation period, decide to hold a Shareholders' Intent Confirmation Meeting and promptly hold the meeting to a practically reasonable extent.

(v) If the large-scale purchaser refuses to suspend or withdraw the large-scale purchase even after the shareholders of the Company approved the proposal regarding the invocation of countermeasures the Company's Board of Directors proposed at the Shareholders' Intent Confirmation Meeting, the Company's Board of Directors will implement the following countermeasures, in accordance with the shareholders' intent, respecting the Independent Committee's opinions to the maximum extent:

(a) a gratis allotment of stock acquisition rights with discriminatory exercise conditions and acquisition provisions; and

(b) compulsory acquisition of the Stock Acquisition Rights from holders other than Non-qualified parties (Note 2) in exchange for the Company's shares, thereby diluting the voting rights held by the Non-qualified parties.

However, if the large-scale purchaser fails to comply with the procedures set out in (i) through (iii) above and attempts to carry out or continue a large-scale purchase prior to the convening of a Shareholders' Intent Confirmation Meeting set forth in (iv) above, the Company's Board of Directors may implement the countermeasures without holding a Shareholders' Intent Confirmation Meeting unless there are exceptional circumstances.

The Response Policy took effect from October 31, 2025, and its initial effective period will expire at the conclusion of the first meeting of the Company's Board of Directors held after this Annual General Meeting of Shareholders. However, at the conclusion of the first meeting of the Company's Board of Directors held after this Annual General Meeting of Shareholders, if there is person who is actually carrying out a large-scale purchase or a person who intends to carry out such a purchase and who is a person stipulated by the Company's Board of Directors, the effective period will be extended to the extent necessary to respond to that action that is being carried out or is intended.

(Note 1) This refers to a "large-scale purchaser" as defined in the Response Policy Introduction Release; the same applies hereinafter.

(Note 2) This refers to "Non-Qualified Parties" as defined in the Response Policy Introduction Release;

the same applies hereinafter.

(3) The Board of Directors' Decision Regarding Specific Initiatives and the Reasons Therefor

Since the initiative described in (2) above is intended to ensure and enhance the Company's corporate value and the common interests of its shareholders, the Company's Board of Directors believes it is consistent with the Basic Policy described in (1) above, and for the reasons set forth below, does not consider it to be intended to maintain the positions of the Company's officers.

(i) The Response Policy based on Guidelines for Takeover Defense Measures during the Normal Phase

The Response Policy is different from so-called advance warning-type takeover defense measures that are introduced in a normal phase, and it is formulated based on the purpose of various guidelines regarding takeover defense and the Corporate Governance Code announced by the Ministry of Economy, Trade and Industry and others. The Company believes that the Response Policy satisfies the requirements for response policies during an emergency phase, specified in these guidelines and so on.

(ii) Respect for Shareholders' Intent (Mechanism Directly Reflecting Shareholders' Intent)

When the invocation of measures is carried out, the Company will hold a Shareholders' Intent Confirmation Meeting to reflect their intent. As long as the large-scale purchaser complies with prescribed procedures, the decision to take measures will be made solely based on the shareholders' intent expressed at the Shareholders' Intent Confirmation Meeting.

On the other hand, if the large-scale purchaser fails to follow those procedures, the Board of Directors may carry out countermeasures solely at its discretion while respecting the Independent Committee's opinions to the maximum extent in order to secure the Company's corporate value and the common interests of its shareholders, against an acquisition that does not give shareholders an opportunity for careful consideration. However, even in such instances, in order to respect the intent of shareholders as much as possible, the Company's Board of Directors may, at its discretion, make the taking of measures conditional on approval at the Shareholders' Intent Confirmation Meeting.

In this way, the Response Policy is designed to maximize respect for the intent of the Company's shareholders.

(iii) Elimination of Arbitrary Decisions by the Company's Board of Directors

The Company will hold a Shareholders' Intent Confirmation Meeting and decide whether the invocation of measures is carried out against the large-scale purchases, in accordance with the shareholders' intent. Provided that the large-scale purchaser complies with prescribed procedures, the decision to take measures will be made based on the results of the Shareholders' Intent Confirmation Meeting, and measures will not be taken at the arbitrary discretion of the Company's Board of Directors. Furthermore, in order to ensure the necessity and appropriateness of the Response Policy and to prevent its abuse for the sake of the management's self-preservation, the

Company has established that it will always obtain recommendations from the Independent Committee composed of independent outside directors, and that the Company's Board of Directors will respect the Independent Committee's opinions to the maximum extent. In addition, the objectivity and reasonableness of the Independent Committee's decisions are ensured by it being possible for the Independent Committee, as necessary, to seek advice from external experts who are independent of both the Company's Board of Directors and the Independent Committee. Therefore, the Response Policy is designed to eliminate arbitrary decisions by directors.

(iv) No Dead-hand Takeover Defense Measures Nor Slow-hand Takeover Defense Measures

The Response Policy may be terminated at any time by a resolution of the Company's Board of Directors appointed by the general meeting of shareholders of the Company. That means the Response Policy is not a dead-hand takeover defense measure (a takeover defense measure in which even if a majority members of the Company's Board of Directors are replaced, the invocation of the measures cannot be stopped). Also, the Response Policy is not a slow-hand takeover defense measure (a takeover defense measure in which the invocation of the measures takes more time to stop due to the fact that all members of the board of directors cannot be replaced at once).

7. Policies Concerning the Decisions on Dividends of Surplus

The Company considers shareholder returns as one of the important management priorities, and recognizes that it is the Company's responsibility to increase the earnings per share. In terms of the distribution of profits, the Company will make efforts for the enhancement of the internal reserve in order to strengthen the future profit base and in preparation for changes in market conditions. The Company 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 120 yen per share based on the above policies. The annual dividend amounts to 165 yen per share in total with the interim dividend of 45 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 Statement of Changes in Shareholders' Equity

(April 1, 2025 - March 31, 2026)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2025	10,649	45,212	218,932	-28,819	245,975
Changes of items during the consolidated fiscal year					
Dividends from surplus			-5,449		-5,449
Profit attributable to owners of parent			17,327		17,327
Purchase of treasury stock				-10,002	-10,002
Disposal of treasury stock			-703	12,047	11,344
Change in scope of consolidation			-6		-6
Increase/decrease due to merger with non-consolidated subsidiary			114		114
Reversal of revaluation reserve for land			161		161
Net changes of items other than shareholders' equity during the consolidated fiscal year					
Total changes of items during the consolidated fiscal year			11,445	2,044	13,490
Balance as of March 31, 2026	10,649	45,212	230,378	-26,775	259,465

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for sale securities	Revaluation reserve for land	Total accumulated other comprehensive income			
Balance as of April 1, 2025	15,089	-4,409	10,679	126	116	256,897
Changes of items during the consolidated fiscal year						
Dividends from surplus						-5,449
Profit attributable to owners of parent						17,327
Purchase of treasury stock						-10,002
Disposal of treasury stock						11,344
Change in scope of consolidation						-6
Increase/decrease due to merger with non-consolidated subsidiary						114
Reversal of revaluation reserve for land						161
Net changes of items other than shareholders' equity during the consolidated fiscal year	1,327	-162	1,164	-3	10	1,172
Total changes of items during the consolidated fiscal year	1,327	-162	1,164	-3	10	14,662
Balance as of March 31, 2026	16,417	-4,572	11,844	123	126	271,560

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

Notes to Consolidated Financial Statements

1. Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

1) Consolidated subsidiaries

- Number of consolidated subsidiaries: 19

- Names of principal consolidated subsidiaries:

TOHO PHARMACEUTICAL

Kyushu Toho

SAYWELL

Koyo

SQUARE-ONE

Toho System Service

Pharma Cluster

Pharma-Daiwa

J. Mirai Medical

Pharma Mirai

Strelitzia

K • Create

Aobado

KYOSOMIRAI PHARMA

Tokyo Research Center of Clinical Pharmacology

ALF

Nextit Research Institute

eKenkoshop

eHealthcare

K • Create, which was a non-consolidated subsidiary in the previous fiscal year, has been included in the scope of consolidation from the current fiscal year due to its increased importance.

In addition, Seiko Medical Brain and VEGA PHARMA were merged into Strelitzia, and Kosei was merged into Aobado, respectively, during the current fiscal year.

2) Non-consolidated subsidiaries

- Names of principal non-consolidated subsidiaries:

Okinawa Toho Co., Ltd.

- Reason for exclusion from the scope of consolidation:

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

(2) Application of the equity method

1) Number of affiliates to which the equity method is applied: 3

- Names of principal companies:

SAKAI MEDICINES CO., LTD.

AYUMI Pharmaceutical Holdings

AYUMI Pharmaceutical Corporation

The goodwill of AYUMI Pharmaceutical Holdings arising from the application of the equity method is amortized on a straight-line basis over 20 years.

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

- Names of principal non-consolidated subsidiaries:

Okinawa Toho Co., Ltd.

- Names of principal affiliates:

Wakaba

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

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

(3) Fiscal year, etc. of consolidated subsidiaries

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

(4) Accounting standards

1) Standards and methods for the valuation of securities

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

Other securities

- Securities other than shares, etc. without market value:

The fair value method based on the market price, etc., as of the last day of the consolidated fiscal year (All valuation differences are reported as a component of net assets, with the cost of securities sold calculated according to the moving-average method.)

- Shares, etc. without market value:

The cost method using the moving-average method.

For securities with no market value, the Company compares the amount of net assets per share with the acquisition cost and considers whether or not impairment is necessary if the amount of net assets per share is less than 50% of the acquisition cost. However, if it is deemed reasonable to take the value reflecting future excess earning power, etc. as the real value, the Company considers whether or not impairment is necessary for the real value to be applied instead of the amount of net assets.

As for investments in limited liability investment partnerships and other similar partnerships (considered as securities according to Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the most recent available financial report of the partnership, according to the reporting date stipulated in the partnership contract, is recorded.

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

KYOSOMIRAI PHARMA CO., LTD. is stated at cost method of the first-in, first-out basis (method of write-down of book value due to decline in profitability).

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

3) Depreciation method for fixed assets

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

The fixed-rate method is applied (However, the straight-line method is applied for buildings

(excluding auxiliary facilities of buildings) acquired on or after April 1, 1998 and for auxiliary facilities of buildings and structures acquired on or after April 1, 2016).

Principal useful lives are as follows:

Buildings and structures: 8-50 years

Machinery, equipment and vehicles: 4-8 years

Furniture and fixtures: 5-20 years

ii) Intangible assets (excluding lease assets)

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

iii) Lease assets

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

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

4) Standards for reporting significant allowances and provisions

i) Allowance for doubtful accounts

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

ii) Provision for bonuses

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

iii) Provision for directors' bonuses

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

iv) Provision for loss on guarantees

To provide for losses on debt guarantees, an estimated amount of losses borne is recorded by taking into account the financial condition of guaranteed parties and other factors.

5) Revenue and expense recording standards

The details of major performance obligations of major businesses relating to revenue arising from contracts with customers of the Company and its consolidated subsidiaries and the ordinary time of fulfillment of such performance obligations (ordinary time of recognition of revenue) are as follows.

i) Pharmaceutical Wholesaling

In Pharmaceutical Wholesaling, the Company sells prescription pharmaceuticals, reagents, test equipment, customer support systems, etc. to medical institutions, etc., and provides maintenance services related to customer support systems. In addition, equipment manufacturers, etc. are involved in some of the sales of test equipment, etc., and the Company group's performance obligation is to arrange for the equipment manufacturers, etc. to provide test equipment, etc. to customers and collect the money from the customers. For this reason, the Company has determined that the Company's group engages in

transactions as an agent in such transactions. In addition, the Company group is obligated to accept returns under its sales contract for prescription pharmaceuticals, and is obligated to refund the price of the product when the product is returned from the customer.

Sales of prescription pharmaceuticals, reagents, test equipment, customer support systems, etc. are recognized as revenues at the time of delivery or acceptance of the product to the customer, since control over the product is transferred to the customer through delivery or acceptance of the product and the performance obligation is satisfied. However, these transactions are all domestic sales and are delivered to customers on the day of shipment or the following day. Therefore, revenue is recognized at the time of delivery based on the judgment that it is the normal number of days required for shipment and delivery. An obligation to perform maintenance services, etc. that is satisfied for a certain period of time is recognized as revenue on a straight-line basis according to the period in which the obligation to perform is deemed to have been satisfied because the customer receives benefits throughout the service provision period.

ii) Dispensing Pharmacy

In Dispensing Pharmacy, prescription pharmaceuticals are mainly prescribed to patients with dosing guidance, and dispensing fees are received based on the points of dispensing fees stipulated in the Health Insurance Act.

Prescriptions for prescription pharmaceuticals are recognized as revenues when the drugs are delivered to patients and dosing guidance is implemented, because the control over the drugs is transferred and the performance obligation is satisfied.

iii) Pharmaceutical Manufacturing and Sales

In Pharmaceutical Manufacturing and Sales, the Company manufactures and sells prescription pharmaceuticals, mainly generic drugs.

Prescription pharmaceuticals sales are recognized as revenue when a product is delivered to a customer because the delivery of the product transfers control over the product to the customer and fulfills performance obligations. However, since this transaction is a domestic sale and is delivered to the customer on the day of shipment or the following day, the Company judges that it is a normal number of days required for shipment and delivery, and recognizes the time of shipment as the time of delivery to determine the time of revenue recognition.

iv) Other peripheral businesses

In other peripheral businesses, the Company sells customer support systems and information processing equipment, etc., creates websites for medical institutions, and provides maintenance services related to customer support systems.

In the sales of customer support systems, information processing equipment, etc., and the creation of websites for medical institutions, revenue is recognized at the time of delivery of products to customers or acceptance of products, since control over the products is transferred to customers through delivery or acceptance of products, and performance obligations are satisfied. An obligation to perform maintenance services, etc. that is satisfied for a certain period of time is recognized as revenue on a straight-line basis according to the period in which the obligation to perform is deemed to have been satisfied because the customer receives benefits throughout the service provision period.

6) Other significant matters for preparation of consolidated financial statements

i) Accounting treatment method for retirement benefits

When calculating retirement benefit obligations and costs, 10 consolidated subsidiaries (Pharma-Daiwa, J. Mirai Medical, Pharma Mirai, Strelitzia, KYOSOMIRAI PHARMA, Tokyo Research Center of Clinical Pharmacology, ALF, Nextit Research Institute, Aobado and K・Create) are subject to the application of the simplified method, under which the hypothetical amount required to be paid for all employees upon their retirement for personal reasons as of the end of the fiscal year is considered to be the amount of retirement benefit obligations.

In line with the full transition to the defined contribution pension system, the Company and two consolidated subsidiaries (TOHO PHARMACEUTICAL and Toho System Service) have introduced an interim measure for compulsory retirees, who were employed at the time of the transition. Under the interim measure, part of the retirement benefits payable for past services rendered by the employees is paid as a retirement lump-sum payment. Accordingly, the retirement benefit obligations as of the end of March 2026 are provided to cover the payment of the retirement benefits for the employees. Because the actuarial differences are minor, they are treated as costs in each year when actuarial differences arise.

ii) Depreciation method and period of goodwill and negative goodwill

Goodwill is evenly depreciated over 5 or 10 years.

2. Notes on Accounting Estimates

Items for which an amount has been recorded in the consolidated financial statements for the consolidated fiscal year under review based on accounting estimates and which may have a significant effect on the consolidated financial statements for the following consolidated fiscal year are as follows:

(1) Valuation of stocks of non-consolidated subsidiaries without market value

1) The amount recorded in the consolidated financial statements for the consolidated fiscal year under review
Investment securities: 1,600 million yen

2) Information contributing to understand the content of accounting estimates

The Company group adopts the cost method using the moving-average method for stocks of its nonconsolidated subsidiaries and affiliates without market value. When the net asset value per share is lower than 50% of the acquisition cost, it will be examined for impairment loss. In addition, if it is judged that it is reasonable to take the value reflecting future excess earning power, etc. as the real value, the Company examines the necessity of impairment accounting using the real value instead of the amount of net assets. In assessing the need for impairment, the Company has a policy not to recognize impairment losses if it determines that future excess earning power, etc. has not been impaired and the real value has not declined significantly, taking into account the status of achievement of business plans obtained from the investee and the feasibility of future plans, or if it prepares an investment value recovery plan for the Group and, although the real value is more than 50% below the acquisition cost, there is a feasible and reasonable investment value recovery plan and the recoverability is supported by sufficient evidence.

The major assumptions in the business plan of investee and the adjusted investment value recovery plan that form the basis for future calculation of excess earning power are the sales growth rate and gross profit margin. In formulating the investment recovery plan, the sales growth rate and the gross profit margin will reflect the past performance and the effects of specific support measures, and targets without specific support measures will be adjusted to a reasonable and practicable level by being stressed.

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

3. Notes to the Consolidated Balance Sheet

(1) Outstanding receivables arising from contracts with customers

Notes receivable-trade 1,595 million yen

Accounts receivable-trade 345,489 million yen

(2) Accumulated depreciation of property, plant and equipment 72,088 million yen

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

1) Assets provided as security

Fixed-term deposits 105 million yen

Buildings 811 million yen

Land 1,365 million yen

Investment securities 1,169 million yen

Total 3,451 million yen

2) Obligations pertaining to security

Notes payable and accounts payable 3,586 million yen

Short-term borrowings 80 million yen

Long-term borrowings (including those to be reimbursed within 1 year) 698 million yen

Total 4,365 million yen

(4) Guarantee obligations

Bank guarantee obligations 262 million yen

Joint and several suretyship obligations for rents pertaining to fixed-term building lease contracts during the remaining term under the contracts 2,132 million yen

Sub total 2,394 million yen

Provision for loss on guarantees -566 million yen

Total 1,828 million yen

(5) Land revaluation

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

Revaluation method

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

Date of revaluation March 31, 2002

The difference between the fair value of the revaluated land as of the end of the consolidated fiscal year under

review and the book value after the revaluation of the revaluated land 293 million yen

4. Notes to Consolidated Profit and Loss Statement

The amount of revenue generated from contracts with customers in net sales 1,553,066 million yen

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

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

Type of shares	Number of shares at the beginning of the fiscal year under review	Number of increased shares during the fiscal year under review	Number of decreased shares during the fiscal year under review	Number of shares at the end of the fiscal year under review
Shares issued				
Common stocks	73,025 thousand shares	—	— thousand shares	73,025 thousand shares
Total	73,025 thousand shares	—	— thousand shares	73,025 thousand Shares
Treasury shares				
Common stocks (Notes)	10,422 thousand shares	1,993 thousand shares	4,092 thousand shares	8,324 thousand shares
Total	10,422 thousand shares	1,993 thousand shares	4,092 thousand shares	8,324 thousand shares

(Notes) 1. The increase of 1,993 thousand shares in treasury shares of common stock consisted of an increase of 1,992 thousand shares by resolution of the Board of Directors, an increase of 0 thousand shares due to the purchase of shares less than one unit, and an increase of 0 thousand shares due to the gratis acquisition of restricted stock (RS).

2. The decrease of 4,092 thousand shares in treasury shares of common stock consisted of a decrease of 4,080 thousand shares due to the exercise of share acquisition rights of Euro-yen convertible bonds due 2028, a decrease of 10 thousand shares due to disposal as restricted stock remuneration, and a decrease of 1 thousand shares due to the exercise of stock options.

(2) Subscription rights to shares, etc.

Company name	Breakdown	Type of target shares	Number of target shares (Thousand shares)				Balance as of the end of the consolidated fiscal year under review (Million yen)
			Beginning of the consolidated fiscal year under review	Increase	Decrease	End of the consolidated fiscal year under review	
Filing company	Euro-yen convertible corporate bonds due 2028 with subscription rights to shares	Common stocks	4,675	38	4,080	634	-

	(Notes 1,2,3,4)						
	Share acquisition rights as stock options (Notes 5)	Common stocks	60	-	1	58	123
Toatl			4,735	38	4,081	692	123

- (Notes)
1. The above number of the target shares of share acquisition rights is the number of shares calculated based on the presumption that the subscription rights to shares options have been exercised.
 2. For the convertible bonds with share subscription rights, the all-inclusive method is used.
 3. An increase of 38 thousand shares in the number of shares that are the purpose of Euro-yen convertible bonds due 2028 is due to the conversion value adjusted in accordance with conversion value adjustment matters included in the main points of the corporate bonds.
 4. The decrease of 4,080 thousand shares in the number of shares underlying euro-yen convertible bonds due 2028 was due to the exercise of stock acquisition rights.
 5. The decrease of 1 thousand shares in the number of target shares of share acquisition rights as stock options is attributable to exercise of the rights.

(3) Dividends from surplus

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

Resolution	Types of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 14, 2025	Common stocks	2,504 million yen	40 yen	March 31, 2025	June 6, 2025
Meeting of the Board of Directors held on November 12, 2025	Common stocks	2,944 million yen	45 yen	September 30, 2025	December 1, 2025

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

Resolution	Types of shares	Total amount of dividends	Dividends per share	Record date	Effective date
Meeting of the Board of Directors held on May 13, 2026	Common stocks	7,765 million yen	120 yen	March 31, 2026	June 5, 2026

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

6. Notes to Financial Instruments

1. Status of financial instruments

(1) Policies toward financial instruments

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

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

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

Securities and investment securities mainly consist of Held-to-maturity bonds and shares of companies with which the Company has business relationships. Although these securities are exposed to risks such as market price fluctuation risk, the finance department regularly monitors their fair value to manage such risks.

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

Regarding borrowings, the Company group uses a short-term borrowing method mainly for the purpose of procuring funds for business transactions, or as a short-term bridge loan to be borrowed until investment funds are procured by means of long-term borrowings; the Company group uses long-term borrowings and corporate bonds mainly for the purpose of making capital investments. The Company group uses long-term borrowings mainly at fixed interest rates to mitigate the risk of interest rate fluctuations.

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

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

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

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

2. Fair value, etc., of financial instruments

The amounts reported in the consolidated balance sheet, fair values, and differences between them as of March 31, 2026 are as follows. "Cash and deposits," "Notes receivable-trade," "Accounts receivable-trade," "Purchase rebates receivable" and "Notes and accounts payable-trade" are omitted because they are cash and are settled in a short period of time, and their fair values approximate their book values.

(Unit: Million yen)

	Amount reported in the consolidated balance sheet	Fair value	Difference
(1) Securities and investment securities			
Held-to-maturity bonds	4,000	3,961	-38
Other securities	32,735	32,735	-
(2) Other investments, etc.			
Long-term deposits	4,000	3,930	-69
(3) Corporate bonds	1,753	3,062	1,308
(4) Long-term borrowings	5,676	5,626	-50

(Note) Matters concerning securities

(1) Securities and investment securities

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

1) Held-to-maturity bonds

Category	Type	Acquisition cost	Amount reported in the consolidated balance sheet	Difference
Item for which the amount reported in the consolidated balance sheet exceeds the acquisition cost	Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Subtotal	—	—	—
Item for which the amount reported in the consolidated balance sheet is no more than the acquisition cost	Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Others	4,000	4,000	—
	Sub total	4,000	4,000	—
Total		4,000	4,000	—

2) Other securities

(Unit: Million yen)

Category	Type	Acquisition cost	Amount reported in the consolidated balance sheet	Difference
Item for which the amount reported in the consolidated	Shares	6,117	29,530	23,413
	Bonds			
	Government	—	—	—

balance sheet exceeds the acquisition cost	bonds, municipal bonds, etc.			
	Corporate bonds	—	—	—
	Others	—	—	—
	Others	16	37	21
	Subtotal	6,133	29,568	23,434
Item for which the amount reported in the consolidated balance sheet is no more than the acquisition cost	Shares	199	167	-31
	Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	—	—	—
	Others	—	—	—
	Others	3,000	3,000	—
	Sub total	3,199	3,167	-31
Total		9,332	32,735	23,402

- Notes: 1. The acquisition cost for the current fiscal year is the amount after deducting an impairment loss of 28 million yen.
2. Impairment losses are recognized when the fair value at the end of the fiscal year has declined by approximately 50% or more compared to the acquisition cost. In addition, when the fair value has declined by approximately 30% to 50%, the average fair value at the end of each month for the past year is calculated, and an impairment loss is recognized if such average fair value has declined by 30% or more compared to the acquisition cost.

3) Other securities sold during the consolidated fiscal year (From April 1, 2025 to March 31, 2026)

(Unit: Million yen)

Category	Sales value	Total profit on sales	Total loss on sales
Shares	14,753	9,492	—
Bonds	—	—	—
Others	—	—	—
Total	14,753	9,492	—

(Note 2) Shares, etc. without market value are not included in "(1) Securities and investment securities."

The amounts recorded in the consolidated balance sheets of the financial instruments are as follows.

(Unit: Million yen)

Category	Amount
Unlisted stocks, etc.	27,499

(Note 3) Investments in partnerships and other similar entities, the net amount of which is recorded on the consolidated balance sheets, are not included in "(1) Securities and investment securities." The amount of these investments reported on the consolidated balance sheets is 2,063 million yen.

(Note 4) In accordance with generally accepted accounting principles, the net asset value of investment trusts is deemed to be the market value and is included in "(1) Securities and investment securities."

(Note 5) Long-term deposits are included in "Other" under investments and other assets in the consolidated balance sheets.

(Note 6) The reimbursement schedule of monetary claims and securities with a maturity date, after the consolidated settlement date

(Unit: Million yen)

Category	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Deposits	87,169	—	—	—
Notes receivable-trade	1,595	—	—	—
Accounts receivable-trade	345,489	—	—	—
Purchase rebates receivable	11,648	—	—	—
Securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	—	—	—	—
Others	4,000	—	—	—
Other securities	3,000	2	—	—
Other investments, etc.				
Long-term deposits	—	4,000	—	—

(Note 7) The reimbursement schedule of corporate bonds, long-term borrowings, lease obligations and other interest-bearing debts, after the consolidated settlement date

(Unit: Million yen)

Category	Within 1 year	More than 1 year and within 5 years	More than 5 years and within 10 years	More than 10 years
Corporate bonds	—	1,750	—	—
Long-term borrowings	394	4,827	243	211

3. Matters concerning the breakdown, etc. of fair value of financial instruments by appropriate category

The fair values of financial instruments are classified into the following three levels according to the observability and significance of the inputs used to calculate the fair values.

Level 1 Fair Value: Market value of the same asset or liability, as determined by the unadjusted market value of the same asset or liability in an active market

Level 2 Fair Value: Calculated using directly or indirectly observable inputs other than Level 1 inputs
Fair value

Level 3 Fair Value: Calculated using inputs for which no significant observations can be made
If multiple inputs that have a significant impact on the calculation of fair value are used, the fair value is classified to the level with the lowest priority in the calculation of market value among the levels to which the inputs belong.

(1) Financial instruments reported on the consolidated balance sheet at fair value

(Unit: Million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Other securities	29,735	3,000	—	32,735

(2) Financial instruments other than financial instruments reported on the consolidated balance sheet at fair value

(Unit: Million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds				
Corporate bonds	—	—	—	—
Others	—	3,961	—	3,961
Other investments, etc.				
Long-term deposits	—	3,930	—	3,930
Total assets	—	7,892	—	7,892
Corporate bonds	—	3,062	—	3,062
Long-term borrowings	—	5,626	—	5,626
Total liabilities	—	8,688	—	8,688

(Note) Explanation of valuation techniques and inputs used to calculate fair value

Securities and investment securities

Held-to-maturity bonds and other securities included in securities are infrequently traded in the market. Therefore, they are measured based on prices and other information provided by counterparty financial institutions and are classified as Level 2 fair value.

On the other hand, listed shares included in investment securities are traded in active markets. Therefore, they are evaluated using market quoted prices and are classified as Level 1 fair value.

Long-term deposits

Long-term deposits are classified as Level 2 Fair Value as the total amount of principal and interest is discounted at the interest rate that would be applicable to a similar deposit.

Corporate bond

Corporate bonds issued by the Company are valued at quoted prices. Corporate bonds issued by the Company are classified into Level 2 fair values because the frequency of transactions in the market is low and they are not recognized as quoted prices in active markets.

Long-term borrowings

The fair value of long-term borrowings is calculated using the discounted present value method based on the total amount of principal and interest, and the interest rate that takes into account the remaining term of the debt and credit risk, and is classified into the level 2 fair value.

7. Notes to Rental Real Property

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

8. Notes to Revenue Recognition

(1) Breakdown of revenue arising from contracts with customers

(Unit: Million yen)

	Reportable segments				Total
	Pharmaceutical Wholesaling	Dispensing Pharmacy	Pharmaceutical Manufacturing and Sales	Other Peripheral Businesses	
Prescription pharmaceuticals	1,273,705	76,110	2,624	—	1,352,440
Reagents	71,415	—	—	—	71,415
Other	99,292	24,419	30	5,468	129,210
Revenue from customer contracts	1,444,413	100,529	2,654	5,468	1,553,066
Other revenue	284	5	—	7	297
Sales to external customers	1,444,698	100,535	2,654	5,475	1,553,364

(2) Information that forms the basis for understanding revenue

1) Pharmaceutical Wholesaling

In Pharmaceutical Wholesaling, the Company sells prescription pharmaceuticals, reagents, test equipment, customer support systems, etc. to medical institutions, etc., and provides maintenance services related to customer support systems.

Sales of prescription pharmaceuticals, reagents, test equipment, customer support systems, etc. are recognized as revenues at the time of delivery or acceptance of the product to the customer, since control over the product is transferred to the customer through delivery or acceptance of the product and the performance obligation is satisfied. However, these transactions are all domestic sales and are delivered to customers on the day of shipment or the following day. Therefore, revenue is recognized at the time of delivery based on the judgment that it is the normal number of days required for shipment and delivery. An obligation to perform maintenance services, etc. that is satisfied for a certain period of time is recognized as revenue on a straight-line basis according to the period in which the obligation to perform is deemed to have been satisfied because the customer

receives benefits throughout the service provision period. Advances may be received for some of the sales of maintenance services, etc., but the usual due date for payment is 60 to 90 days from the time of delivery or acceptance of the product, and the transaction price does not include any significant financial element.

In the sale of prescription pharmaceuticals, there is a practice in which the transaction price is determined through price negotiation after delivery, and as a result of price negotiation, the transaction price may change due to a discount, and this is recognized as variable compensation. For this reason, the transaction price is estimated based on the price that is most likely to be reached through price negotiation, taking into consideration the past sales performance by customer and product. The amount of variable consideration shall be included in the transaction price only to the extent that there is a high possibility that there will be no significant reduction in revenue recorded by the time when the uncertainty concerning the variable consideration is resolved *ex post facto*. At the end of the term, the transaction price tends to be almost decided, although the settlement will be in the next term.

Under the terms of the agreement of prescription pharmaceuticals, the Company group is obligated to accept returns, and if the customer returns the product, it is obligated to refund the price of the product. For returns, the Company calculates the expected refund amount that may occur in light of the actual returns, etc., and calculates the transaction price using the method of deducting it from revenue. As a result, the Company recognizes liability for returns and recognizes revenue only to the extent that there is a high probability that no material returns will occur.

In part of the sale of test equipment, etc., equipment manufacturers are involved in the transaction, and the Company group's performance obligation is to arrange for the equipment manufacturers, etc. to provide test equipment, etc. to customers and collect the money from the customers. For this reason, the Company has determined that the Company's group engages in transactions as an agent in such transactions. As a result, for a portion of sales of test equipment, etc., the transaction price is calculated based on the net amount obtained by deducting the amount to be paid to the equipment manufacturer, etc. from the amount of consideration received from customers.

Sales of test equipment and customer support systems and the provision of maintenance services related to customer support systems are included in "Other" in the breakdown of earnings.

2) Dispensing Pharmacy

In Dispensing Pharmacy, prescription pharmaceuticals are mainly prescribed to patients with dosing guidance and dispensing fees are received based on the points of dispensing fees stipulated in the Health Insurance Act.

Prescriptions for prescription pharmaceuticals are recognized as revenues when the drugs are delivered to patients and dosing guidance is implemented, because the control over the drugs is transferred and the compliance obligation is satisfied.

The payment of prescription pharmaceuticals and dispensing fees at health insurance pharmacies is mainly received 30% from patients at the time of prescription, and 70% from the Federation of National Health Insurance Associations or the Social Insurance Medical Fee Payment Fund approximately two months later. Therefore, none of the payments are made for a period longer than one year, and the transaction price does not include any significant financial element.

Dispensing fees are included in "Other" in the breakdown of earnings.

3) Pharmaceutical Manufacturing and Sales

In Pharmaceutical Manufacturing and Sales, the Company manufactures and sells prescription pharmaceuticals, mainly generic drugs.

Prescription pharmaceuticals sales are recognized as revenue when a product is delivered to a customer because the delivery of the product transfers control over the product to the customer and fulfills performance obligations. However, since this transaction is a domestic sale and is delivered to the customer on the day of shipment or the following day, the Company judges that it is a normal number of days required for shipment and delivery, and recognizes the time of shipment as the time of delivery to determine the time of revenue recognition.

The receivables corresponding to these revenues are normally due for payment of approximately 60 days from the date of delivery of the products, none of the payments are made for a period longer than one year, and the transaction price does not include a significant financial element.

4) Other peripheral businesses

In other peripheral businesses, the Company sells customer support systems and information processing equipment, etc., creates websites for medical institutions, and provides maintenance services related to customer support systems.

In the sales of customer support systems, information processing equipment, etc., and the creation of websites for medical institutions, revenue is recognized at the time of delivery of products to customers or acceptance of products, since control over the products is transferred to customers through delivery or acceptance of products, and performance obligations are satisfied. An obligation to perform maintenance services, etc. that is satisfied for a certain period of time is recognized as revenue on a straight-line basis according to the period in which the obligation to perform is deemed to have been satisfied because the customer receives benefits throughout the service provision period.

Advances may be received for some of the sales of maintenance services, etc., but the usual due date for payment is 60 to 90 days from the time of delivery or acceptance of the product, and the transaction price does not include any significant financial element.

Sales of customer support systems, information processing equipment, etc., creation of medical institution websites, provision of maintenance services related to customer support systems, etc. are included in "Other" in the breakdown of earnings.

(3) Information for understanding the amount of revenue for the relevant consolidated fiscal year and the following consolidated fiscal year and thereafter

1) Balance of contractual liabilities, etc.

(Unit: Million yen)

Claims arising from contracts with customers (beginning balance)	332,491
Claims arising from contracts with customers (year-end balance)	347,084
Contract Liabilities (beginning balance)	162
Contract liabilities (year-end balance)	105

Contractual liabilities mainly relate to advances received from customers for unexpired periods in relation to contracts with customers who are provided maintenance services, etc. for a certain period of time, and are reversed in accordance with recognition of income.

Of the amount of revenue recognized in the current consolidated fiscal year, the amount included in the balance of contractual liabilities at the beginning of the period was 134 million yen.

There are no significant changes in the balance of contractual liabilities.

The amount of revenue (mainly changes in transaction prices) recognized in the current consolidated fiscal year is immaterial due to performance obligations satisfied (or partially satisfied) in the past period.

2) Transaction price allocated to remaining performance obligations

The transaction price allocated to the Company group's remaining performance obligation is omitted because the amount is immaterial.

9. Notes to Per Share Information

- (1) Net assets per share: 4,193.25 yen
 (2) Net income per share: 271.18 yen

10. Notes to Significant Subsequent Events

Not applicable.

Statement of Changes in Shareholders' Equity

(April 1, 2025 - March 31, 2026)

(In millions of yen)

	Shareholders' Equity								
	Share capital	Capital surplus			Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Reserve for reduction entry of land	General reserve	Retained earnings brought forward	
Balance as of April 1, 2025	10,649	46,177	–	46,177	664	2,629	6,336	99,807	109,437
Changes of items during the fiscal year									
Provision of reserve for tax purpose reduction entry of land						666		-666	–
Reversal of reserve for reduction entry of land						-46		46	–
Dividends from surplus								-5,449	-5,449
Net income								14,502	14,502
Purchase of treasury stock									
Disposal of treasury stock								-703	-703
Reversal of revaluation reserve for land								161	161
Net changes of items other than shareholders' equity during the fiscal year									
Total changes of items during the fiscal year						620		7,892	8,512
Balance as of March 31, 2026	10,649	46,177	–	46,177	664	3,249	6,336	107,700	117,950

	Shareholders' Equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments		
Balance as of April 1, 2025	-28,859	137,405	17,299	-4,386	12,912	126	150,444
Changes of items during the fiscal year							
Provision of reserve for tax purpose reduction entry of land		–					–
Reversal of reserve for reduction entry of land		–					–
Dividends from surplus		-5,449					-5,449
Net income		14,502					14,502
Purchase of treasury stock	-10,002	-10,002					-10,002
Disposal of treasury stock	12,047	11,344					11,344
Reversal of revaluation reserve for land		161					161
Net changes of items other than shareholders' equity during the fiscal year			619	-162	456	-3	453
Total changes of items during the fiscal year	2,044	10,557	619	-162	456	-3	11,010
Balance as of March 31, 2026	-26,814	147,962	17,918	-4,549	13,369	123	161,455

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

Notes to Non-consolidated Financial Statements

1. Notes to Significant Accounting Policies

(1) Standards and methods for the valuation of securities

Shares of subsidiaries and affiliates

The cost method using the moving-average method.

For shares of subsidiaries and affiliates with no market value, the Company compares the amount of net assets per share with the acquisition cost and considers whether or not impairment is necessary if the amount of net assets per share is less than 50% of the acquisition cost. However, if it is deemed reasonable to take the value reflecting future excess earning power, etc. as the real value, the Company considers whether or not impairment is necessary for the real value to be applied instead of the amount of net assets.

Other securities

- Securities other than shares, etc. without market value:

The fair value method based on the market price, etc., as of the last day of the fiscal year (All valuation differences are reported as a component of net assets, with the cost of securities sold calculated according to the moving-average method.)

- Shares, etc. without market value:

The cost method using the moving-average method.

For securities with no market value, the Company compares the amount of net assets per share with the acquisition cost and considers whether or not impairment is necessary if the amount of net assets per share is less than 50% of the acquisition cost. However, if it is deemed reasonable to take the value reflecting future excess earning power, etc. as the real value, the Company considers whether or not impairment is necessary for the real value to be applied instead of the amount of net assets.

For investments in an investment limited partnership or other similar partnerships (Securities as defined in Article 2, paragraph 2 of the Securities Exchange Law), the Company books the net value of proportional holdings based on the most recent available financial report of the association, according to the financial settlement date stipulated in the association contract.

(2) Depreciation method for fixed assets

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

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

Principal useful lives are as follows:

Buildings and structures: 8-50 years

Furniture and fixtures: 5-20 years

2) Intangible assets

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

3) Lease assets

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

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

- 4) Long-term prepaid expenses
Evenly depreciated.

(3) Standards for reporting significant allowances and provisions

- 1) Allowance for doubtful accounts

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

- 2) Provision for bonuses

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

- 3) Provision for directors' bonuses

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

- 4) Provision for retirement benefits

In line with the full transition to the defined contribution pension system in April 2005, the Company has introduced an interim measure for compulsory retirees, who were employed at the time of the transition. Under the interim measure, part of the retirement benefits payable for past services rendered by the employees is paid as a retirement lump-sum payment. Accordingly, the retirement benefit obligations as of the end of March 2026 are provided to cover the payment of the retirement benefits for the employees. Because the actuarial differences are minor, they are treated as costs in each year when actuarial differences arise.

- 5) Provision for loss on guarantees

To provide for losses on debt guarantees, an estimated amount of losses borne is recorded by taking into account the financial condition of guaranteed parties and other factors.

(4) Revenue and expense recording standards

The Company provides consulting and other services to Group companies.

As the Group companies receive benefits from the performance obligations of consulting services, etc. over a certain period of time, the Company considers that the performance obligations have been satisfied during the period of service provision and recognizes revenue at a fixed amount according to the period.

2. Notes on Accounting Estimates

Items for which an amount has been recorded in the financial statements for the fiscal year under review based on accounting estimates and which may have a significant effect on the financial statements for the following fiscal year are as follows:

Valuation of stocks of non-consolidated subsidiaries without market value

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

Investment securities: 1,605 million yen

2) Information contributing to understanding the content of accounting estimates

This is the same as stated in Notes to Consolidated Statements, "3. Notes on Accounting Estimates (1) Valuation of stocks of non-consolidated subsidiaries without market value."

3. Notes to the Non-consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment: 23,177 million yen

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

Assets provided as security

Buildings	167 million yen
Land	440 million yen
Total	607 million yen

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

Fixed-term deposits	105 million yen
Buildings	142 million yen
Land	282 million yen
Investment securities	1,169 million yen
Total	1,699 million yen

(3) Guarantee obligations

Guarantee obligations to banks	5,139 million yen
Guarantee obligations to accounts payable	45,446 million yen
Joint and several suretyship obligations for rents pertaining to fixed-term building lease contracts during the remaining term under the contracts	2,132 million yen
Sub total	52,717 million yen
Provision for loss on guarantees	-566 million yen
Total	52,151 million yen

(4) Monetary receivables and monetary obligations to affiliates

Short-term monetary receivables	18,080 million yen
Long-term monetary receivables	3,664 million yen
Short-term monetary obligations	64,292 million yen

(5) Land revaluation

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

Revaluation method

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

Date of revaluation March 31, 2002

The difference between the fair value of the revaluated land as of the end of the fiscal year under review and the book value after the revaluation of the revaluated land 475 million yen

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

Amount of transactions with affiliates	
Amount of business transactions	
Business revenue	15,500 million yen
Amount of transactions other than business transactions	607 million yen

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

Number of treasury shares

Type of shares	Number of shares at the beginning of the fiscal year under review	Number of increased shares during the fiscal year under review	Number of decreased shares during the fiscal year under review	Number of shares at the end of the fiscal year under review
Common stocks (Notes)	10,411 thousand shares	1,993 thousand shares	4,092 thousand shares	8,312 thousand shares

- (Notes)1. The increase of 1,993 thousand shares in treasury shares of common stock consisted of an increase of 1,992 thousand shares by resolution of the Board of Directors, an increase of 0 thousand shares due to the purchase of shares less than one unit, and an increase of 0 thousand shares due to the gratis acquisition of restricted stock (RS).
2. The decrease of 4,092 thousand shares in treasury shares of common stock consisted of a decrease of 4,080 thousand shares due to the exercise of share acquisition rights of Euro-yen convertible bonds due 2028, a decrease of 10 thousand shares due to disposal as restricted stock remuneration, and a decrease of 1 thousand shares due to the exercise of stock options.

6. Notes to Deferred Tax Accounting

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

(Millions of yen)

Deferred tax assets	
Accrued enterprise tax	187
Provision for bonuses	39
Allowance for doubtful accounts	628
Investment securities	1,383
Stocks of subsidiaries and affiliates	1,575
Other noncurrent liabilities	1
Impairment loss	31
Asset retirement obligations	652
Stock options	24
Restricted stock compensation	31
Others	576
<hr/> Subtotal of deferred tax assets	<hr/> 5,132
Valuation reserve	-4,734
<hr/> Total of deferred tax assets	<hr/> 397
Deferred tax liabilities	
Reserve for reduction entry of land	-1,494
Valuation differences on available-for-sale of securities	-8,253
Valuation differences of securities resulting from merger of subsidiaries	-144
Asset retirement obligations	-445
Others	-3
<hr/> Total of deferred tax liabilities	<hr/> -10,341
<hr/> Net amount of deferred tax liabilities	<hr/> -9,943

7. Notes concerning Related Party Transactions

Subsidiaries and affiliates, etc.

Attribute	Company name, etc.	Ownership ratio of voting rights, etc. (%)	Relationship with related party	Transaction content	Transaction amount (million yen)	Item	Balance as of the end of the fiscal year (million yen)
Subsidiary	TOHO PHARMACEUTICAL	Ownership Direct 100.0%	Conclusion of business management contract Financial support Leasing of real estate properties Interlocking officers	Lending of funds	-7,553	Loans (CMS loans)	16,982
				Interest income (Notes 1)	46		
				Consulting fee income (Notes 2)	1,463		
				Real estate lease revenue (Notes 3)	4,147		
				Dividend income (Notes 4)	9,237		
				Debt guarantees (Notes 5)	45,446		
Subsidiary	Kyushu Toho	Ownership Indirect 100.0%	Financial support Interlocking officers	Deposits of funds	-830	Deposits (CMS deposits)	9,731
				Interest due (Notes 1)	72		
Subsidiary	SAYWELL	Ownership Indirect 100.0%	Financial support Interlocking officers	Deposits of funds	577	Deposits (CMS deposits)	25,423
				Interest due (Notes 1)	144		
Subsidiary	SQUARE-ONE	Ownership Direct 100.0%	Financial support	Debt guarantees (Notes 6)	2,931	—	—
Subsidiary	Pharma Mirai	Ownership Indirect 100.0%	Financial support	Deposits of funds	1,091	Deposits (CMS deposits)	20,677
				Interest due (Notes 1)	102		

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

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

4. The amount of the dividend income is determined based on prescribed dividend standards.
5. Debt guarantees were provided for accounts payable.
6. Debt guarantees were provided for borrowings from banks.

8. Notes to Revenue Recognition

The Company provides consulting and other services to Group companies.

As the Group companies receive benefits from the performance obligations of consulting services, etc. over a certain period of time, the Company considers that the performance obligations have been satisfied during the period of service provision and recognizes revenue at a fixed amount according to the period.

The deadline for payment of consulting fees is the last day of the month in which consulting services are provided, and the Company receives monthly payments from Group companies. None of the payments are made for a period longer than one year, and the transaction price does not include significant financial factors.

9. Notes to Per Share Information

(1) Net assets per share	2,493.03 yen
(2) Net income per share	226.93 yen

10. Notes to Significant Subsequent Events

Not applicable.