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Written Statement of Mr. Akira Umada

On November 30, 2020, at the Tokyo District Public Prosecutors Office, I, in my official capacity, informed the suspect in advance that there was no obligation to make a statement against their will, and conducted the interview accordingly. The suspect voluntarily gave the following statement:

I currently serving as representative director and president of Toho Pharmaceutical Co., Ltd., conducted what is commonly referred to as “order coordination.”, regarding the general competitive bids for pharmaceutical unit price purchase contracts conducted by JCHO in June 2016 and June 2018. In connection with these bids, ● of our Sales Management Main Department, Pharmaceutical Sales Medical Main Department, Hospital Management Department and other members, played central roles. Together with our company, and among those referred to as the “four major pharmaceutical wholesalers”—Alfresa Corporation Inc, Suzuken Co., Ltd., and Mediceo Corporation—the respective persons in charge of bidding coordinated in advance to select the designated successful bidders before the bid. In order to ensure that the designated successful bidder could actually win each pharmaceutical group, we exchanged bid prices and cooperated.

(Omitted) At the time of these bids, I was the Senior Managing Director (Senmu) of our company, and also served as the head of the Sales Management Main Department and the head of the Pharmaceutical Sales Medical Main Department, who supervises the Hospital Management Department responsible for these bids, as well as served as the head of the Hospital Management Department.

Regarding these bids, I did not receive any specific reports about the actual circumstances of the order coordination at that time. However, here, I will talk about my experiences related to order coordination involved in these bids.

(Omitted) First, I would like to talk about my career background. (Omitted)

At the time of these bids, as I have just mentioned, I also served as the head of the Hospital Management Department, which was responsible for these bids.

However, to state my conclusion first, during each of these bids, although I received reports from ●, the person in charge of sales, and their supervisor, ●, via documents such as the “information-only forms” prior to each bid—informing me, for example, that a bid announcement had been made—and after each bid, I was also briefed on the bid results, I did not receive any interim reports about the

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status of order coordination among the persons in charge of bidding of the four major pharmaceutical bidding representatives, including our company.

Nonetheless, based on my own past experience, I was already aware that, in joint pharmaceutical bids ● conducted by organizations such as JCHO ●, order coordination among pharmaceutical wholesalers, including our company, had long been the norm, and I understood that similar coordination was likely still taking place.

Therefore, even when I received written reports from ● and ● about the results of each JCHO bid, I assumed that the figures for our company's order share and other data listed in those reports were the “outcome of skillful coordination” among the persons in charge of bidding of the four major pharmaceutical wholesalers that participated in the bids—in other words, that each company yielded where appropriate, asserted its claims where necessary, and ultimately, through mutual discussion and cooperation, coordinated the allocation of orders.

Of course, through training about compliance with laws and regulations and improvement of compliance within the company and self-study, I recognized that such order coordination constitutes an illegal act prohibited by the Antimonopoly Act because it hinders free competition.

However, despite having this understanding and awareness, I prioritized our company's sales, profits, and securing of order share, and I did not take any action, such as instructing the persons in charge of bidding to stop order coordination, to eliminate this practice.

(Omitted)

Afterward, until my dismissal in July 2018●, I concurrently held positions such as company executive and head of the Main Sales Department.

During this period, regarding nationwide joint bidding, ●the Joint National Insurance Association, abbreviated as “Zensharen,” and the Independent Administrative Institution for Pension and Health Insurance Welfare Facility Reorganization, abbreviated as “RFO,” began conducting joint bids. From the fiscal year 2014, joint bidding was introduced by JCHO, which was established through the reorganization of RFO.

In my understanding, until around late May 2016●, regarding order coordination with other pharmaceutical wholesalers, ● primarily participated directly in negotiations and tasks related to

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these negotiations were handled by ●'s subordinates, such as ●, ●, ●, and others, although there are some variations depending on the time.

It should be noted that, ● remained in the hospital management division with titles such as special advisor or consultant and continued to be engaged in nationwide joint bids for Zensharen, RFO, JCHO, and others even after he retired from the company due to reaching the mandatory retirement age.

On the other hand, ● from June 2016 onward—specifically for these JCHO bids—I understood that ● and ● were mainly in charge. Although I never received any reports about order coordination with persons in charge of sales from the other four major pharmaceutical wholesalers, I assumed those two were primarily handling such matters.

For each joint bid ● by Zensharen, RFO, and JCHO, I received reports that announcements had made before each bid and, about the results of the bids, such as our company's order share and the outcomes for each participating company after the bids. The reports were made by ● before ●. They were made by ● after ●.

However, I generally did not receive reports about the specific details of how order coordination was conducted by ●, ●, ● or others with persons in charge of sales from other pharmaceutical wholesalers.

This is my speculation, but I believe that ●, with whom I never really got along and who probably felt some pride or resentment due to our reversed positions as supervisor and subordinate, deliberately chose not to report interim developments to me and also didn't have ●'s subordinates, such as ●, ● or others, make such reports to me.

Therefore, regarding these nationwide joint bids, I thought, “●, ●, ● and the others are probably handling order coordination well. Even if there is friction with persons in charge of sales from Alfresa, Suzuken, or Mediceo, ● will know when to yield and when to assert, and will find a way to reach a compromise, because ● has extensive experience.”

Thus, even though I was fully aware that illegal order coordination likely occurred during these joint bids, I took the stance of “let sleeping dogs lie,” reasoning that, if it contributed to securing our company's sales and profits, it was unavoidable, and I tolerated it for a long time.

(Omitted)

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As described above, in the past, I witnessed and heard situations where our company's other persons in charge of sales coordinated orders with the persons in charge of sales from competing pharmaceutical wholesalers during bids or quotation negotiations. Although these instances were few, I also have personal experience directly participating in order coordination.

Therefore, regarding the 2016 JCHO bid and the 2018 JCHO bid, I did not receive any reports or consultations from ● or ● about order coordination or its interim progress, nor did I give any instructions on these matters. However, when I saw the written reports of the bid results, I assumed that the results indicated that successful order coordination had been carried out with the persons in charge of sales of the other four major pharmaceutical wholesalers.

Akira Umada (seal)

Tokyo District Public Prosecutors Office Prosecutor ●
Prosecutorial Clerk ●

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Written Statement of Mr. Akira Umada

On November 30, 2020, at the Tokyo District Public Prosecutors Office, I, in my official capacity, informed the suspect in advance that there was no obligation to make a statement against their will, and conducted the interview accordingly. The suspect voluntarily gave the following statement:

(Omitted)

Now, I will talk about the measures which our company and the Toho Group as a whole are taking to prevent recurrence.

Even before the recent order coordination was uncovered, our company regularly, repeatedly, reminded everyone to "be fully aware of compliance violations both inside and outside the company when conducting business operations" and "never engage in any conduct that violates laws such as the Antimonopoly Act or the Pharmaceutical Affairs Act" during monthly televised morning meetings attended by all employees and various other types of meetings.

However, these were essentially measures intended for government authorities like the Fair Trade Commission and the Ministry of Health, Labour and Welfare—in other words, they were outward-facing, formal anti-collusion measures with abstract content and no real substance.

As I mentioned on another occasion, in the past, I witnessed and heard about other persons in charge of sales at our company engaging in order coordination with persons in charge of sales from competing companies during bids or price quotations conducted by hospitals and other institutions. I myself have also been directly involved in order coordination. Therefore, in the pharmaceutical wholesale industry, it was taken for granted that companies would coordinate bids with competitors, and frankly, although the term isn't ideal, I saw it as a "necessary evil."

Therefore, I prioritized our company's sales, profits, and market share, and I chose not to instruct my subordinates to stop such order coordination and instead continued to tolerate it, while I supposed that persons in charge of sales from various pharmaceutical wholesalers were coordinating orders, even though I was a director (Senmu) as the head of the Sales Management Main Department and the head of the Pharmaceutical Sales Medical Main Department, who supervises the Hospital Management Department responsible for these bids at the time of the JCHO bids,

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Furthermore, after I became the company's representative director and president in June of 2018, I continued to neglect implementing any concrete measures to prevent order coordination in tenders, just as I had before.

With this mindset, both myself and our company only regarded anti-collusion measures as something to be carried out formally. Until this incident came to light, we implemented only superficial, abstract measures without any real substance, as previously described.

It is obvious that such outward-facing anti-collusion measures were extremely inadequate from an objective perspective, and I was fully aware of that myself.

(Statements regarding instructions to strengthen legal compliance and compliance omitted)

Now, as representative director and president at the top of the company, I must first reflect deeply on the past, not only regarding the bids by JCHO but also the illegal practices such as order coordination that had become entrenched as bad customs in the pharmaceutical wholesale industry, being mindful of my role. I am currently reflecting profoundly on these actions.

With that in mind, I pledge to ensure that this issue is not forgotten and to devote myself to thoroughly eliminating such order coordination and other illegal practices from this industry in the future.

Moreover, I intend to instill a strong awareness of legal compliance and enhanced compliance throughout our company and, for the sake of all citizens nationwide who need pharmaceuticals, to set a clear path for rebuilding our company.
I sincerely apologize for this incident.

Akira Umada (seal)

Tokyo District Public Prosecutors Office Prosecutor ●

Prosecutor's Office Clerk ●

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Written Statement of Hiromi Edahiro

On November 24, 2020, at the Tokyo District Public Prosecutors Office, I, in my official capacity, informed the suspect in advance that there was no obligation to make a statement against their will, and conducted the interview accordingly. The suspect voluntarily gave the following statement:

I am currently serving as representative director and the chairman of ● Toho Pharmaceutical Co., Ltd. (Omitted) At the time of these bids, I was serving as the representative director and president of Toho Pharmaceutical Co., Ltd. Here, I will speak about my understanding, from the perspective of representative director and president, regarding the company's order cooperation and related activities with the other three companies.

(Many sections of career history redacted)

Then, in June 2015, I became representative director and president of the company.

(Omitted)

Now, I would like to speak about my understanding and other matters related to the coordination of orders in the 2016 JCHO bid and the 2018 JCHO bid.

In conclusion, as someone in the pharmaceutical wholesale industry, from the time of the 2016 JCHO bid and the 2018 JCHO bid, I thought that order coordination was being conducted not only for those JCHO bids ●, but also among the so-called “four major pharmaceutical wholesalers”—Toho Pharmaceutical, Alfresa, Mediceo, and Suzuken—and their industry peers in general.

This is because I was aware, even in ●, that when bids or competitive quotations for pharmaceutical purchases were conducted at medical institutions, although the specific methods may have differed, local wholesalers in that region would adjust order allocations among themselves. Thus, I recognized that order coordination was widespread in the pharmaceutical wholesale industry.

At ●, although I was long engaged in administrative roles such as general affairs and Human Resources and was not directly involved with bidding operations, I did occasionally hear conversations among those in charge of bidding that suggested they were engaged in order coordination.

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In addition, in the pharmaceutical wholesale industry, which is often described as a low-margin, high-volume business, I believed that the quickest way to secure sales and profits was to maintain ongoing business relationships of pharmaceuticals—so-called “Choai”—and that, naturally, order coordination would sometimes be necessary to achieve this.

After that, when I became the representative director and president of Toho Pharmaceutical, I had fewer opportunities to hear about the specific situations at individual bidding sites, but instead, I increasingly attended meetings with executives from pharmaceutical wholesalers and manufacturers.

Furthermore, at such meetings, I would exchange suggestive words with executives from competing companies, such as "Let's continue to cooperate with each other going forward." I understood these words to mean that, during pharmaceutical purchase bids, in order to secure each company's sales and profits, we should make concessions where necessary and work together smoothly through order coordination and I responded to these conversations with that understanding.

As representative director and president of Toho Pharmaceutical, I received written reports about the details, schedules, and results of various bids, including the 2016 JCHO bid and the 2018 JCHO bid. In these reports, I would look at Toho Pharmaceutical's share of successful bids as stated in the documents.

Upon reviewing these reports, I noticed that the share of orders won by the four major pharmaceutical wholesalers, including Toho Pharmaceutical, barely changed from bid to bid. Therefore, I thought that the personnel in charge of bidding at each company, including Toho Pharmaceutical, were coordinating—simply put, I believed that "the personnel in charge from each company were managing things well among them."

However, when it came to the specifics of individual bids—such as which pharmaceutical wholesalers were designated as the expected successful bidders, what specific price adjustments were made to ensure the designated expected successful bidders could actually win the bid, or, in cases where coordination didn't go smoothly and disputes arose, who spoke with whom to reach a final resolution—I left such details to the staff in charge of bidding and their managers. I did not receive reports or consultations about how the orders were ultimately won, so I am not familiar with the details.

In this way, I can say for certain that, at the time of the 2016 JCHO bid and the 2018 JCHO bid, I thought that the bidding staff at Toho Pharmaceutical were coordinating order allocations with those

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from other companies, so that the designated successful bidders would actually be able to win the orders.

However, as I mentioned earlier regarding my background, I have primarily worked in the general affairs and administration departments for most of my career, regardless of whether it was at Toho Pharmaceutical or elsewhere. I do not have experience working in the sales field for pharmaceutical wholesaling, nor have I ever personally been in charge of order coordination. Therefore, with respect to individual bids, I never actually engaged in such coordination prior to the bidding process or received reports from my subordinates about conducting advance order coordination.

Furthermore, I have never witnessed any specific situations in which order coordination was actually taking place.

Even at Toho Pharmaceutical, during time of the 2016 JCHO bid and the 2018 JCHO bid, on the surface, we did instruct officers and employees through meetings and training sessions that they must not engage in illegal activities such as order coordination that would violate the Antimonopoly Act.

However, although I, as representative director and president, supposed that order coordination and similar activities might have been taking place between Toho Pharmaceutical and competing companies during bidding and quotation processes, my desire to prioritize Toho Pharmaceutical's sales, profits, and securing order share prevented me from directly instructing the bidding personnel or their supervisors not to engage in such coordination. I also did not try to take proactive measures to prevent such conduct.

As a result, this led to the current situation where we are being investigated by the Fair Trade Commission and the Tokyo District Public Prosecutors Office for alleged violations of the Antimonopoly Act.

In reality, it should have been precisely someone like myself, with a long background in general affairs and administration and no experience in sales, who, as representative director and president of Toho Pharmaceutical at that time, should have ensured thorough compliance within the company. I should have demonstrated leadership to the sales division as well, breaking away from negative customs and ties with competitors and promoting fair competition.

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I understand that the ultimate responsibility for the investigation and prosecution in this matter lies with my inadequate supervision and insufficient enforcement of compliance, and I am currently reflecting deeply on this.

In response to this incident, Toho Pharmaceutical, under the leadership of Umada, a representative director and president, is implementing recurrence prevention measures through awareness activities at various meetings and is continuing to examine effective and concrete strategies to thoroughly eliminate such issues and ensure they do not happen again.

Hiromi Edahiro [Seal]

Tokyo District Public Prosecutors Office Prosecutor ●

Prosecutor's Clerk ●