

*In respect of information that has been prepared by 3DIP (and not otherwise attributed to any other party) and which appears in the English language version of this document, in the event of any inconsistency between the English language version and the Japanese language version of this document, the meaning of the Japanese language version shall prevail unless otherwise expressly indicated.*

January 16, 2026

104-0028

2-2-1 Yaesu, Chuo-ku, Tokyo

Tokyo Midtown Yaesu

Yaesu Central Tower, 9th Floor

TOHO HOLDINGS CO., LTD.

To: The Board of Directors

1 Temasek Avenue  
#20-02A Millenia Tower, Singapore  
3D Investment Partners Pte. Ltd.

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[Signature appears in the publicly disclosed Japanese version]

YIP SAI FAI, DIRECTOR

### **Large-Scale Purchase Action Explanation Statement**

We provide discretionary investment management services to a fund that is a shareholder of your company. In this connection, CITCO TRUSTEES (UT) LIMITED AS TRUSTEE OF 3D ENDEAVOR MASTER FUND – II (the “Acquirer”), for which Citco Trustees (UT) Limited acting as trustee and to which we provide discretionary investment management services, has decided to acquire shares of your company as described below (the “Acquisition”). (The Acquirer, our company, and the funds to which we provide discretionary investment management services are collectively referred to as the “3D” or “we.”)

Under the Takeover Defense Measures introduced by your company (as defined in Section 3(2)②(f) below, the same shall apply to the following.), if we engage in certain purchase actions with respect to your company’s shares, we are required to submit in advance a Large-Scale Purchase Action Explanation Statement containing information substantially equivalent to a tender offer statement. While we have serious suspicions that the introduction of the Takeover Defense Measures was based on a “self-created emergency phase” by your company, we have nevertheless decided to comply with the procedures required under the Takeover Defense Measures and to respond with the utmost consideration to your company’s assertions of “information deficit.” Accordingly, we hereby submit this document to your company as the Large-Scale Purchase Action Explanation Statement prescribed by the Takeover Defense Measures.

## Details

### 1. Name of the Issuer of the Shares Subject to the Acquisition

TOHO HOLDINGS CO., LTD.

### 2. Type of Securities Subject to the Acquisition

Common stock

### 3. Purpose of the Acquisition

#### (1) Overview of the Acquisition

As described in (2) below, your company has not established a governance structure sufficient to enhance corporate value. As a result, your company's share price is significantly below its intrinsic value. Through 3D's past engagement with your company, 3D is firmly convinced that if governance deficiencies are remedied and appropriate governance functions effectively, your company's corporate value will increase substantially. Accordingly, the Acquirer has decided to implement the Acquisition in expectation of a significant increase in corporate value resulting from improvements to your company's governance structure.

The details of the Acquisition are set forth in (3) below. However, the Acquisition is intended solely to generate returns through investment and is not intended to seize your company's management control. To make this clear, 3D has set the upper limit of shares to be acquired in the Acquisition at a level that takes into account the number of shares that your company claims constitutes a de facto veto threshold. Specifically, 3D has set the cap at 1,537,200 shares, calculated by subtracting the number of shares held by 3D as of the date of submission of this document (16,023,534 shares) from the number of shares corresponding to a 27% voting rights ratio after the Acquisition (17,560,700 shares). (This calculation includes shares to be delivered upon conversion of convertible bonds with stock acquisition rights held by 3D. Figures are rounded up to the nearest 100 shares; the same shall apply to the following.)<sup>1</sup>

#### (2) Background, Purpose and Decision-Making Process Leading to the Acquisition, and Management Policy After the Acquisition

##### ① Overview of the Acquirer

The Acquirer is a trust established under the laws of the Cayman Islands, by Citco Trustees (UT) Limited, a trust company established in 2010 under the laws of the Cayman Islands, acting as trustee.

We are an independent asset management company<sup>2</sup> established in 2015 under the laws of

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<sup>1</sup> The number of shares used in this document is based on your company's Share Repurchase Status Report dated January 9, 2026.

<sup>2</sup> The term "independent asset management company" is used to mean an entity that has no capital relationship with

Singapore, and we provide discretionary investment management services to Citco Trustees (UT) Limited, the trustee of the Acquirer. Our investment policy is to conduct value investing focused on Japan, targeting companies whose share prices and other metrics are undervalued relative to intrinsic value, and our investment philosophy is long-term return generation aimed at creating medium- to long-term value through compounding capital growth.

The Acquirer is an open-ended fund with no redemption maturity.

② **Background and Decision-Making Process Leading to the decision to Implement the Acquisition**

(a) **Proposals and presentations of corporate value enhancement measures as a part of proactive management**

Since beginning our investment in July 2020, 3D has continuously held your company's shares and have consistently engaged in constructive dialogue with your company to enhance medium- to long-term corporate value.

At the outset of this dialogue, 3D assumed that your company, as a company listed on the Prime Market, had a standard governance and compliance framework, and therefore focused on proposing corporate value enhancement measures as a part of proactive management.

For example, on August 17, 2023, 3D proposed specific and detailed measures, including improving the profitability of the core business and optimizing excess assets to generate funds for investment. In addition, on October 18, 2024, 3D presented measures including a potential integration with industry peers. These integration-related measures were presented as one option your company could take to leverage its strengths to lead industry consolidation and address its challenges, and were intended to encourage your company to consider them positively.

However, discussions on these proposals were not further pursued. With respect to the above integration, your company immediately responded that it would not consider it, citing reasons prioritizing the status quo, such as a potential reduction in managerial positions.

(b) **Dysfunction in your company's defensive management (from June 2024)**

In June 2024, it was reported that TOHO Pharmaceutical Co., Ltd., your company's wholly owned subsidiary ("TOHO Pharmaceutical"), was involved in the creation of illicit funds by paying part of discounts on prescription drugs sold to Nihon University Hospital and Nihon University Itabashi Hospital, through a paper company under the guise of consulting fees, in connection with former Nihon University executives, and that the illicit funds thus created amounted to at least JPY 101.65 million (the "Nihon University Hospital Case"). In response, 3D investigated the causes and related circumstances by reviewing the litigation case records of the damages lawsuit which was a basis of the media report (Tokyo District Court, Reiwa 5

(Wa) No. 7791, Claim for Damages; Plaintiff: Nihon University; Defendants: Hidetoshi Tanaka, et al.) (the “Litigation Records”).

As a result, suspicions arose that “risk management and internal controls” at your company were not functioning sufficiently, and that responses to misconduct were therefore delayed. In addition, emails contained in the Litigation Records sent by Mr. Akira Umada (your company’s Director, Senior Managing Executive Officer (*Senmu*) and COO; “COO Umada”) suggested that transactions via “tunnel companies” had become commonplace at your company.

Accordingly, 3D became seriously concerned about the existence of similar cases at your company and requested detailed information and an appropriate investigation. However, because your company did not make voluntary disclosures even after the above media report and did not seek to conduct an investigation, 3D had no choice but to conclude that your company’s self-corrective mechanisms were not functioning, and therefore shifted the focus of dialogue to your company’s defensive governance.

**(c) Recognition of issues with your company’s governance foundations (since March 2025)**

Despite dialogue between 3D and your company, your company left unaddressed issues regarding “risk management and internal controls” and concerns about similar cases. As a result, 3D developed serious suspicions as to whether Mr. Hiromi Edahiro, Representative Director, President and CEO of your company (“CEO Edahiro”), lacks suitability to serve as Representative Director and President of your company, and whether there are defects in the “qualifications and structure of the Board of Directors,” which is expected to supervise the execution of your company’s business operations.

Accordingly, 3D decided to conduct a final confirmation before raising the issue of CEO Edahiro’s suitability. As a way of asking whether he possesses the intention to lead transformation at your company, we approached CEO Edahiro about conducting an integration-related study using external experts. For the avoidance of doubt, this approach was intended to request an objective assessment of the potential advantages and disadvantages, including constraints under the Antimonopoly Act and potential profitability improvement effects of an integration, and was not a proposal that your company implement an integration.

However, CEO Edahiro also immediately rejected this approach. 3D therefore concluded that the root causes of the issues at your company are CEO Edahiro’s lack of suitability to serve as Representative Director and President, and defects in the “qualifications and structure of the Board of Directors” responsible for supervising management execution. Accordingly, at your company’s annual general meeting of shareholders held in June 2025, 3D made assertions and proposals to address these issues; however, your company stated, among other things, that “no similar cases exist” and “there is no involvement by top

management,” and as a result, we were unable to obtain the understanding of shareholders of your company.

**(d) Decision by 3D to acquire additional shares of your company (since July 2025)**

Based on the above, 3D concluded that the root causes of the issues at your company are CEO Edahiro’s lack of suitability to serve as Representative Director and President and defects in the “qualification and structure of the Board of Directors” that supervises him, and that resolving these governance deficiencies is indispensable to improving medium- to long-term corporate value. At the same time, we became convinced that if these deficiencies are remedied, the situation in which management issues are left unaddressed would be corrected and, as described below, the contradictions between your company’s “high value-added nature” and “low profitability,” as well as the dysfunction in its capital policy, would be resolved, leading to a significant increase in corporate value.

**a. Resolving the contradiction between “high value-added nature” and “low profitability”**

The pharmaceutical wholesale business is a critically important social infrastructure supporting Japan’s healthcare system and inherently has very high value-added characteristics.

Nevertheless, your company’s profit margin has continued to decline over many years. This indicates that, as a result of ineffective governance, your company has been unable to pursue proactive management, has continued unreasonable trading practices, and has failed to build a mechanism to receive appropriate return commensurate with its high value added nature.

**b. Dysfunction in capital policy**

Your company’s core pharmaceutical wholesale business has the potential, based on its underlying capabilities, to generate an ROIC of approximately 15%. However, your company holds a large amount of excess assets unnecessary for the business (cash and deposits, and investment securities), which significantly depresses capital efficiency. Your company sets a target ROE of 8%, but in light of the above potential, this target ROE merely indicates substantial room to make more effective use of non-operating assets. At the same time, this shows that, due to ineffective governance, your company has been unable to pursue proactive management and has not utilized its non-operating assets.

In this way, governance deficiencies at your company have left management issues unaddressed, suppressing intrinsic value and demonstrating that your company’s shares are undervalued. Conversely, if governance deficiencies are remedied, it is expected that the

above management issues will be resolved and your company's intrinsic value will become apparent. Accordingly, from the perspective of pursuing returns as a pure investment and increasing the weighting of your company's shares in our portfolio, 3D decided on July 11, 2025 to acquire an additional amount of your company's shares through on-market transactions (the "Additional Acquisition Decision").

As described above, the Additional Acquisition Decision is intended to pursue returns as a pure investment and is not intended to obtain control of your company's management.

Accordingly, to avoid any misunderstanding by your company regarding the purpose of the Additional Acquisition Decision, 3D notified your company of the Additional Acquisition Decision by letter dated July 11, 2025. At that time, 3D also clearly communicated the following matters to your company.

- (i) Any additional acquisition of your company's shares pursuant to the Additional Acquisition Decision is not intended to obtain control of management or to pursue short-term capital gains.
- (ii) In light of the purpose set forth in (i) above, we intend that, until one year has elapsed from the date of receipt of the letter dated July 11, 2025, the upper limit of additional acquisitions will be set at a maximum of 30% of voting rights, inclusive of shares already held.
- (iii) If your company so desires, we will provide a legally binding written pledge regarding the upper limit of additional acquisitions.

In addition, in our response dated August 8, 2025 to your company's questions regarding the Additional Acquisition Decision, 3D also clearly communicated the following matters to your company. At that time, 3D also delivered to your company a draft of the written pledge referenced in (iii) above.

- (iv) Any additional acquisition of your company's shares pursuant to the Additional Acquisition Decision will be made in light of future circumstances and market conditions, and specific details, including the number of shares to be acquired, have not been determined.
- (v) Because the Additional Acquisition Decision is not intended to obtain control of your company's management or to pursue short-term capital gains, 3D will not acquire additional shares of your company that would cause our voting rights to exceed 30%.

**(e) Arbitrary distortion of information and introduction of the defense measures by your company (from August 2025)**

In parallel with the Additional Acquisition Decision, 3D continued investigating your company's past misconduct in order to assess your governance structure and related matters.

As a result, in August 2025, by obtaining copies of criminal case records regarding an alleged violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade involving TOHO Pharmaceutical <sup>3</sup>(the “Antimonopoly Act Violation Case,” and together with the Nihon University Hospital Case, the “Misconduct Matters”), we obtained written statements made by CEO Edahiro and COO Umada (the “Written Statements”).

In summary, the Written Statements included the following:

➤ CEO Edahiro’s statement

- ✓ At meetings with executives from pharmaceutical wholesalers and manufacturers, he heard remarks such as “let’s continue to cooperate with each other going forward,” and understood that such remarks also meant “let’s work together smoothly through order coordination.”
- ✓ With respect to the 2016 JCHO bid and the 2018 JCHO bid, he received written reports about the details, schedules, and results of each bid. Because the share of orders won by the four major pharmaceutical wholesalers, including Toho Pharmaceutical, barely changed from bid to bid, he thought that the personnel in charge of bidding at each company, including Toho Pharmaceutical, were coordinating orders.
- ✓ At the time of the 2016 JCHO bid and the 2018 JCHO bid, when CEO Edahiro was President and Representative Director of Toho Pharmaceutical, he thought that bidding staff at Toho Pharmaceutical were coordinating order allocations with those from other companies, so that the designated successful bidders would actually be able to win the orders.

➤ COO Umada’s statement

- ✓ Although he recognized that order coordination was being conducted at Toho Pharmaceutical and understood that such coordination was illegal, he did not take any action to eliminate it, prioritizing the company’s sales, profits, and securing of order share.
- ✓ In the past, he had seen and heard that other sales personnel at Toho Pharmaceutical coordinated orders with sales personnel from competing pharmaceutical wholesalers during bids or quotation negotiations, and COO Umada himself had experience being involved in order coordination.

As described above, the Written Statements expressly stated, among other things, that CEO Edahiro and COO Umada condoned bid rigging as a “necessary evil.” These facts give rise to strong suspicions that, at your company, there are multiple similar cases not only in connection with the Nihon University Hospital Case but also in relation to the Antimonopoly

#### Act Violation Case.

In addition, the content of the Written Statements materially diverges from your company's explanations regarding the annual general meeting of shareholders in June 2025. As a result, while CEO Edahiro's suitability as a director of your company was at issue, your company did not disclose facts that could materially affect determination of his suitability, meaning that your shareholders' true intentions were not reflected in the resolutions.

3D presented copies of the Written Statements to your company on August 14, 2025.

#### **(f) Introduction of the takeover defense measures by your company (from October 2025)**

Notwithstanding the above, on October 31, 2025, your company introduced a policy for responding to purchase actions by 3D with respect to your company's shares (the "Takeover Defense Measures") (the press release dated October 31, 2025 titled "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." (the "Press Release Regarding the Introduction of the Takeover Defense Measures"))).

In the Press Release Regarding the Introduction of the Takeover Defense Measures, your company states, among other things, that it strongly suspects that 3D is aiming to obtain control of your company's management. However, as described in (d) above, 3D clearly informed your company that the Additional Acquisition Decision was not intended to obtain control of your company's management or to pursue short-term capital gains, and also submitted a draft of a legally binding written pledge regarding the upper limit of additional acquisitions of your company's shares (note that, in the Press Release Regarding the Introduction of the Takeover Defense Measures, your company makes no reference whatsoever to the draft written pledge provided by 3D).

In addition, in September 2025, 3D proposed the establishment of a Strategy Review Committee as an advisory body to the Board of Directors to conduct highly specialized deliberations independent from management. This committee would merely be an advisory body to support the Board's decision-making, with the final decision-making authority regarding management policy and other matters remaining with the Board of Directors. At that time, in light of the circumstances in which your company's deliberations in the Management Strategy Committee implemented in 2024 ended without sufficient consideration, 3D intended to recommend individuals with appropriate expertise who would be independent of both 3D and your company. Despite this, the Press Release Regarding the Introduction of the Takeover Defense Measures contains statements that give the impression that 3D would become members of the Strategy Review Committee to influence discussions and, furthermore, would cause the Board of Directors to fully follow its recommendations, thereby intending to obtain control of your company's management. Such statements are not



consistent with the actual facts, may give shareholders an inaccurate impression and lead them to make erroneous judgments, and must be described as misleading to your company's shareholders.

In addition to these circumstances, given that the Takeover Defense Measures were introduced only approximately two months after August 14, 2025, when 3D presented copies of the Written Statements to your company, it must be concluded that the Takeover Defense Measures were introduced in order to avoid, among other things, 3D's pursuit of the remediation of your company's governance deficiencies. Accordingly, the Takeover Defense Measures must be understood as having been introduced by your company through insisting that it strongly suspects that 3D is aiming to obtain control of your company's management (i.e., by feigning the existence of an emergency).

**(g) It became clear that your company lacks self-corrective capabilities due to its refusal to conduct an investigation (December 2025)**

Following your company's introduction of the Takeover Defense Measures, on December 3, 2025, 3D made a final request to your company's outside directors to establish a third-party committee, conduct an investigation, and disclose the investigation results. This was based on our view that there may have been a possibility that your company's outside directors had not been informed of the existence of the Written Statements and, as a result, had not reached a decision to establish a third-party committee, conduct an investigation, and disclose the results as requested by 3D.

In addition, by letter dated December 15, 2025, 3D submitted to your company a demand for filing litigation (Companies Act, Article 847, Paragraph 1) seeking to pursue the responsibility of your company's directors (including former directors), including CEO Edahiro and COO Umada, in connection with, among other matters, the Antimonopoly Act Violation Case (the "Litigation Demand"). The Litigation Demand was submitted to present "legal issues" to be considered when determining the scope of any investigation by such third-party committee in connection with the above final request.

However, by letter dated December 26, 2025, your company's outside directors responded that they would not establish a third-party committee, citing reasons such as that your company's current governance and compliance framework differs materially from the circumstances at the time of the Misconduct Matters. This position maintains the discrepancy uncorrected, despite a significant gap between your company's explanation that "all past misconduct has been fully addressed" and "no similar cases exist," and the facts suggested by the Written Statements. This demonstrates that governance at your company is not functioning and evidences the absence of self-corrective capabilities.

In this regard, your company established the "Governance Enhancement Special Committee" on August 6, 2024, and on October 31, 2025, announced a response policy

reflecting the recommendations in its final report. However, the Governance Enhancement Special Committee is described as “not a so-called investigation committee for the purpose of investigating past misconduct and pursuing the responsibility of those involved, etc.” (the “Governance Enhancement Special Committee Final Report - Recommendations on Strengthening the Governance Framework and Improving Operations,” dated October 9, 2025, p. 2). Accordingly, the Governance Enhancement Special Committee does not investigate whether there are similar cases related to the Misconduct Matters, nor does it investigate the true causes of governance deficiencies at your company, and therefore its final report cannot be considered to resolve your company’s governance deficiencies.

3D was deeply disappointed by the response from your company’s outside directors. However, we remain strongly convinced that resolving your company’s governance deficiencies will substantially increase corporate value. Therefore, as your company’s largest shareholder, we will not abandon the pursuit of appropriate governance at your company and will continue constructive dialogue with your company.

**(h) Unreasonableness of your company’s assertions**

**(i) The outcome of your company’s 77th Annual General Meeting of Shareholders does not reflect shareholders’ true intentions**

Your company claims that, at the 77th Annual General Meeting of Shareholders held on June 27, 2025, the proposals to elect directors, including CEO Edahiro, were approved by a majority, and therefore “an overwhelming majority of shareholders other than 3D supported” your company.

However, your company convened the above annual general meeting while withholding information that is indispensable for shareholders to assess directors’ suitability. As a result, your shareholders exercised their voting rights without knowing that there are strong suspicions that multiple similar cases related to the Misconduct Matters exist at your company, that CEO Edahiro and others were involved in the creation of illicit funds, and that they condoned or participated in order coordination, while receiving from your company explanations that “all past misconduct has been fully addressed” and “no similar cases exist,” which are suspected to be inconsistent with the Written Statements.

Accordingly, the resolutions at your company’s 77th Annual General Meeting of Shareholders were made in the absence of material information necessary for shareholders’ voting decisions, and therefore the outcome does not reflect shareholders’ true intentions. Nevertheless, your company generalizes from this outcome that it “obtained support from an overwhelming majority of shareholders other than 3D,” and arbitrarily interprets the facts to assert that effective responses to the Misconduct Matters are unnecessary and that the current management policy is sufficient.

Furthermore, your company characterizes our views - seeking to correct the governance issue of withholding such material information - as “different from other shareholders,” and treats us as if we were an “entity that could impair corporate value,” using this characterization as a basis to justify the introduction of the Takeover Defense Measures.

**(ii) Your company’s explanation regarding 3D’s additional acquisitions may cause shareholders to misunderstand**

In the Press Release Regarding the Introduction of the Takeover Defense Measures, your company states that 3D decided to acquire additional shares “until the voting rights ratio, together with shares already held, reaches a maximum of 30%,” thereby suggesting as if 3D decided to acquire shares until our voting rights ratio reaches 30%.

However, as described in (d) above, 3D merely stated that “the upper limit of additional acquisitions of your company’s shares is intended to be set at a maximum of 30% of voting rights, inclusive of shares already held.” We also explained that any additional acquisitions would be made in light of future circumstances and market conditions and that specific details, including the number of shares to be acquired, had not been determined at that time. Notwithstanding this, your company’s above statement disregards these facts and may cause your shareholders to misunderstand, and it must be said that your company is attempting to deliberately create a “fictitious emergency” as if 3D was seeking to obtain control of your company’s management.

**(iii) 3D has provided sufficient information and has made proposals to your company on a consistent basis**

In the Press Release Regarding the Introduction of the Takeover Defense Measures, your company states that 3D’s acquisitions of your company’s shares are being made without providing sufficient information and may be coercive to shareholders.

However, as described in (d) above, 3D has provided sufficient information to your company regarding our acquisitions. In addition, while 3D has suspicions as to the legitimacy of the Takeover Defense Measures as noted above, it is nevertheless complying with its procedures and, through this document, explaining in detail the content of the Acquisition that 3D intends to carry out. Further, as described in ⑤ below, 3D has also submitted materials titled “Specific Recommendations for the Establishment of a Governance Framework,” explaining specific and detailed proposals regarding the governance framework 3D envisions for your company. In this manner, because 3D does not seek to obtain control of your company’s management, 3D is proactively disclosing information that would not otherwise be necessary, thereby ensuring transparency regarding the Acquisition.

Your company also states that, because 3D’s assertions have repeatedly changed, it has

strong suspicions as to whether 3D's proposals are intended to enhance medium- to long-term corporate value. However, 3D has merely changed the focus of our dialogue as we came to recognize your company's fundamental issues through engagement and in light of your company's responses. We have consistently continued dialogue with the aim of enhancing your company's corporate value, and the suggestion that our "assertions have repeatedly changed" is extremely regrettable.

**(iv) The Acquisition by 3D benefits all other shareholders on a common basis**

Your company further states in the Press Release Regarding the Introduction of the Takeover Defense Measures that 3D's acquisition of your company's shares may create conflicts of interest between 3D and other shareholders, potentially impeding the enhancement of the common interests of shareholders.

However, as described in ③ below, the purpose of 3D's acquisition of your company's shares is not to obtain control of your company's management. Rather, it is to obtain investment returns through enhancement of corporate value, thereby seeking the same benefit shared by all of your company's shareholders; accordingly, our interests cannot conflict with those of your other shareholders.

Your company also claims, as a rationale for introducing the Takeover Defense Measures, that 3D's purpose in acquiring your company's shares may be to pursue short-term profits, citing our investment in Fuji Soft Incorporated ("Fuji Soft") as an example (p. 9 of the "Supplementary Explanatory Materials Regarding the Introduction of a Policy Concerning Large-Scale Purchase Actions, etc. of the Company's Share Certificates, etc., in Light of the Large-Scale Purchases, etc. of the Company's Shares by 3D Investment Partners Pte. Ltd." dated November 6, 2025). However: (a) that material arbitrarily selects the timing and background of the start of the dialogue; in fact, 3D had continued dialogue with Fuji Soft since before February 2022; (b) even looking only at the period from the publication date of our large shareholding report (December 13, 2021) to February 20, 2025, when the success of KKR's tender offer for Fuji Soft was announced, Fuji Soft's TSR was +254.0%, significantly outperforming the TSR of the relevant peer sector (e.g., SIers)<sup>4</sup> of +50.1% over the same period; therefore, the Fuji Soft investment case literally generated benefits for shareholders as a whole; and (c) even after delisting, Fuji Soft has continued management improvements under a global top-tier shareholder, and its corporate value has continued to grow. Despite this, your

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The term "peer sector (e.g., SIer)" refers to Systema Corporation, Dentsu Soken Inc., TIS Inc., Net One Systems Co., Ltd., NSD Co., Ltd., BIPROGY Inc., DTS Corporation, SCSK Corporation, ITOCHU Techno-Solutions Corporation, and Nippon Steel Solutions Corporation. The TSR used in this section was calculated by 3D based on information from Bloomberg (calculation period: from December 13, 2021 to February 20, 2025). For Net One Systems Co., Ltd., the calculation period was set through December 19, 2024, the date on which the completion of the tender offer by SCSK Corporation was announced. For ITOCHU Techno-Solutions Corporation, the calculation period was set through September 15, 2023, the date on which the completion of the tender offer by ITOCHU Corporation was announced.

company frames the Fuji Soft case as if 3D's purpose was to pursue short-term profits and argues as if 3D's interests could conflict with those of other shareholders. In light of the facts in (a) through (c), your company's assertion is clearly unreasonable, as it ignores the improvement of the common interests of shareholders in Fuji Soft. Accordingly, this assertion must also be viewed as a typical example of distorting facts to justify the introduction of the Takeover Defense Measures.

**③ Purpose of the Acquisition**

As described above, your company's governance deficiencies are extremely serious. The current situation - where governance is deficient - indicates a divergence between your company's shares and your company's intrinsic value and demonstrates that your company's shares are undervalued. At the same time, 3D believes that if your company's governance deficiencies are remedied, your company's substantial intrinsic value will become apparent. Accordingly, from the perspective of pursuing returns as a pure investment, and to increase the weighting of your company's shares in our portfolio, 3D has decided to express our intention to implement the Acquisition following the Additional Acquisition.

As stated above, the Acquisition is not intended to obtain control of your company's management. 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) and, depending on circumstances, to provide advice to management and make important proposals. As explained in our disclosed statement regarding acceptance of Japan's Stewardship Code, while our investment activities are for pure investment purposes, if we have concerns regarding an investee company's management strategy or corporate governance, we will express such concerns and appropriately exercise shareholder rights toward the investee company's sustainable growth. Our requests for investigations regarding the Misconduct Matters and our efforts to ensure transparency in corporate management have also been made as part of this approach.

In addition, 3D does not seek short-term profits through the Acquisition. In our investment track record to date, we have not acquired shares for the purpose of pursuing short-term profits in a manner that impaired the corporate value of a target company. This is evident from the fact that even our investment in Fuji Soft, which your company cited above as its sole basis for alleging a conflicts of interest between 3D and your other shareholders, in fact served the common interests of shareholders.

**④ Content, basis and reasons for your company's opinion regarding the Acquisition**

As of the submission of this document, your company's opinion is not clear. The Acquisition is an increase in shareholdings by the Acquirer for pure investment purposes and is not conditional upon a resolution by your company's Board of Directors to express support for the

Acquisition or otherwise. (However, in the cases described in (7) below, the Acquirer may not implement the Acquisition, or may suspend or withdraw the Acquisition.)

**⑤ Management policy after the Acquisition**

The purpose of the Acquisition is not to obtain control of your company's management. Accordingly, even after the Acquisition, 3D will not manage your company; management will continue to be conducted by directors elected at your company's general meeting of shareholders.

Because 3D does not seek to obtain control of management, the following constitutes a level of information provision that would not ordinarily be required. However, since your company stated in the Press Release Regarding the Introduction of the Takeover Defense Measures that 3D has not provided sufficient information, we will submit, together with this document, "Specific Recommendations for the Establishment of a Governance Framework," which summarizes the minimum governance standards that 3D believes are necessary for your company to restore market trust. The specific details are as set forth in those recommendations, and 3D hopes that, through these recommendations, discussions with your company will be brought back to "enhancement of corporate value."

3D will continue, as we have to date, to engage in dialogue and related actions as shareholders toward enhancing your company's corporate value and securing the common interests of shareholders. 3D also intends to exercise voting rights at your company's general meeting of shareholders from the perspective of enhancing corporate value and, in turn, securing the common interests of shareholders.

**(3) Overview of the conditions of the Acquisition**

Even after the Acquisition, the purpose of 3D's shareholding in your company will be pure investment and, depending on circumstances, to provide advice to management and make important proposals, and we do not plan to control your company's management.

Because the Acquisition will be conducted through on-market transactions, the acquisition price will be the market price. The delivery and settlement of the shares and the settlement of the transactions relating to the Acquisition will be carried out in accordance with the ordinary methods for transactions on financial instruments exchanges. The Acquirer has secured the funds necessary for the Acquisition. The funds required for settlement of the Acquisition are expected to be fully funded by capital contributions paid into the Acquirer by the Acquirer's investors. Such contributed funds are currently secured as cash and deposits and other assets held by the Acquirer and are expected to be available as necessary funds by the settlement date.

As stated in (2)③ above, because the purpose of the Acquisition is not to obtain control of your company's management, 3D will acquire shares within a range that does not affect control. Specifically, for the reasons below, the upper limit of 3D's voting rights ratio after the Acquisition

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is set at 27%.

- In the amendment to the Financial Instruments and Exchange Act enacted on May 15, 2024, the so-called one-third rule was changed to a 30% rule.
- In the Press Release Regarding the Introduction of the Takeover Defense Measures, your company claims that, based on the voting rate at the 77th Annual General Meeting of Shareholders held in June 2025, a voting rights ratio of 27.17% corresponds to a veto right over matters requiring a special resolution.

As a result, 3D plans to set the maximum number of shares to be acquired in the Acquisition at 1,537,200 shares, calculated by subtracting the number of shares held by 3D as of the submission date of this document (16,023,534 shares) from the number of shares corresponding to a 27% voting rights ratio after the Acquisition (17,560,700 shares).

Because 3D intends to make a medium- to long-term investment in your company's shares, we intend to continue holding your company's shares after the Acquisition, and as of the submission date of this document, we have no plan to dispose of your company's shares. However, 3D invests in your company's shares because we believe the market value is undervalued relative to intrinsic value. Accordingly, if your company's share price comes to be considered as appropriately reflecting intrinsic value, we may dispose of your company's shares.

**(4) Policy regarding organizational restructuring, etc. after the Acquisition**

Not applicable.

**(5) Expected delisting and the reasons therefor**

The Acquisition is limited to an additional purchase of your company's shares by the Acquirer within the limit described in (3) above, and therefore, to the best of the Acquirer's knowledge, this item is not applicable.

**(6) Material agreements relating to the Acquisition**

The authority to exercise voting rights attached to your company's shares to be acquired by the Acquirer through the Acquisition is held by us pursuant to an investment management agreement between Citco Trustees (UT) Limited, which is the trustee of the Acquirer (a trust), and us.

**(7) Conditions precedent to the Acquisition**

Whether the Acquisition will be implemented will be determined as set forth in the table below, depending on your company's Board of Directors' expression of its opinion, and whether your company holds a shareholders' meeting to confirm shareholder intent (the "Intent Confirmation Meeting") in accordance with the Takeover Defense Measures, and the outcome of the

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resolutions at such meeting.

In this document, “Support” means a case where it can be objectively confirmed that, by the expiration date of the Board Evaluation Period under the Takeover Defense Measures, your company’s Board of Directors has an intention to support the Acquisition. “Opposition” means a case where it can be objectively confirmed that, by the expiration date of the Board Evaluation Period under the Takeover Defense Measures, your company’s Board of Directors has an intention to oppose the Acquisition (regardless of whether your company intends to submit to the Intent Confirmation Meeting the agenda of whether to trigger countermeasures). If, by the expiration date of the Board Evaluation Period under the Takeover Defense Measures, it cannot be confirmed which of “Support” or “Opposition” the Board holds, it will be treated in this document as “No Opinion Expressed.”

In the column “Holding of an Intent Confirmation Meeting (within two months),” “Yes” means that an Intent Confirmation Meeting is actually held within two months from the day following the expiration date of the Board Evaluation Period, and a resolution (whether approved or rejected) is adopted regarding the agenda item concerning the triggering of countermeasures proposed by your company’s Board of Directors (the “Countermeasure Agenda Item”).

Board of Directors’ Opinion	Holding of Intent Confirmation Meeting (within two months)	Resolution Result on the Countermeasure Agenda Item	Acquisition
Support	—	—	Implemented
No Opinion Expressed	—	—	Implemented
Opposition	No	—	Implemented
Opposition	Yes	Rejected, etc.	Implemented
Opposition	Yes	Approved	Not implemented

(Note) “Rejected, etc.” means (i) the case where the Countermeasure Agenda Item is rejected, as well as (ii) the case where, even if the Countermeasure Agenda Item is approved, the implementation of such countermeasures is denied due to a provisional injunction against the issuance of stock acquisition rights to be implemented as countermeasures under the Takeover Defense Measures, or other similar legal procedures.

In addition, the Acquisition is expected to commence upon satisfaction or waiver of the following conditions:

- ① None of the grounds for withdrawal of a tender offer as set forth in the proviso to Article



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- 27-11, paragraph (1) of the Financial Instruments and Exchange Act and Article 14 of the Cabinet Office Ordinance under the Financial Instruments and Exchange Act has occurred.
- ② No circumstances have arisen for which it is reasonably justified to cancel commencement of the Acquisition, such as the commencement of a tender offer for your company's shares.
  - ③ No body authorized to decide the execution of your company's business has made a decision regarding dividends of surplus or acquisition of treasury shares.
  - ④ All necessary domestic and overseas licenses, permits, approvals and other procedures required to implement the Acquisition (including, without limitation, procedures under foreign investment regulations) have been completed, or the Acquirer has determined that their completion is reasonably expected.
  - ⑤ No litigation or other proceedings seeking to restrict or prohibit the Acquisition is pending before any judicial, administrative or other authority, no decision or other action by any judicial, administrative or other authority restricting or prohibiting the Acquisition has been made, and there is no concrete risk thereof.

**(8) Expected commencement timing and acquisition period of the Acquisition**

The Acquisition is expected to commence as soon as practicable once the conditions precedent in (7) above have been satisfied; however, the specific schedule will be announced promptly once determined.

**(9) Number, etc. of securities to be acquired**

As described in (3) above, because 3D does not intend to obtain control of your company's management through the Acquisition, we have set the upper limit of the number of shares to be acquired such that 3D's voting rights ratio after the Acquisition (meaning the shareholding ratio as defined in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act) will be 27%. Specifically, the limit is set at 1,537,200 shares, calculated by subtracting the number of shares held by 3D as of the submission date of this document (16,023,534 shares) from 17,560,700 shares (meaning the number of share certificates, etc. as defined in Article 27-23, paragraph (1) of the same Act), which corresponds to a 27% voting rights ratio after the Acquisition (provided that the "total number of issued shares of the issuer" referred to in Article 27-23, paragraph (4) of the same Act (the denominator for calculating the shareholding ratio) shall be read as the "total number of issued shares of the issuer (excluding shares held by the issuer as treasury shares)").

**4. Permits, approvals, etc. relating to acquisition of share certificates, etc.**

Not applicable.

End

January 16, 2026

104-0028

2-2-1 Yaesu, Chuo-ku, Tokyo

Tokyo Midtown Yaesu

Yaesu Central Tower, 9th Floor

TOHO HOLDINGS CO., LTD.

To: The Board of Directors

1 Temasek Avenue  
#20-02A Millenia Tower, Singapore  
3D Investment Partners Pte. Ltd.  
YIP SAI FAI, DIRECTOR

## **Specific Recommendations for the Enhancing the Governance Framework**

### **(Introduction)**

#### **Our view on your response dated December 26 (refusal to investigate)**

In your outside directors' response dated December 26, 2025 ("Response to Your Request"), they **refused our request to establish a third-party committee**. As the reasons, they state that (i) your company's current governance and compliance framework differs materially from the circumstances at the time of the Antimonopoly Act violation, and (ii) rather than allocating substantial resources to investigating the past, which differs materially from the current situation, concentrating resources on future initiatives such as improving capital efficiency would contribute to enhancing corporate value and maximizing the common interests of shareholders.

However, while we find this deeply regrettable, **these assertions contain material logical inconsistencies in the following three respects, and we must conclude that they are insufficient to dispel market concerns.**

#### **1. Ongoing governance issue: non-compliance with the Corporate Governance Code, Principle 3 (Appropriate Information Disclosure and Ensuring Transparency)**

- Outside directors of your company explain that your company's current governance and compliance framework differs materially from the circumstances at the time of the Antimonopoly Act violation; however, the content of the statements and other materials we obtained (including indications of top management's involvement in bid rigging and the

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possibility of similar cases) is incompatible with your company's prior explanations to shareholders that "no similar cases exist" and that "the CEO was not involved."

- Principle 3 of the Corporate Governance Code provides that, recognizing that disclosed and provided information forms the basis for constructive dialogue with shareholders, listed companies should ensure that disclosed information - particularly non-financial information such as risk and governance information - is accurate, user-friendly, and highly useful.
- Your company's failure to correct inaccurate explanations that diverge from the above objective evidence constitutes a serious, ongoing governance failure, in that your company is not fulfilling the appropriate information provision and accountability required of listed companies under the Corporate Governance Code.

**2. Continuity of the governance framework and limits of self-assessment: lack of independence and neutrality required under the Japan Federation of Bar Associations "Guidelines for Third-Party Committees in Corporate Misconduct Cases"**

- Outside directors of your company state that your company is "proceeding with the implementation of reforms to ensure thorough compliance and strengthen the governance framework." However, individuals who were directors at the time of the Antimonopoly Act violation remain at the core of management today as the CEO and COO.
- The Japan Federation of Bar Associations "Guidelines for Third-Party Committees in Corporate Misconduct Cases" require that a third-party committee investigating misconduct "conduct a neutral, fair and objective investigation, from a position independent of the company, for the benefit of the company's stakeholders" (p. 2 of the Guidelines). The Japan Exchange Regulation also states that, "where substantial suspicions have arisen regarding the effectiveness of internal controls or the reliability of management," establishing a third-party committee that ensures "independence, neutrality, and expertise" is a strong option ("Principles for Responding to Misconduct at Listed Companies," Japan Exchange Regulation).
- Accordingly, where individuals suspected of involvement in misconduct remain at the core of management and there has been no third-party verification, the outside directors' explanation that your company is "proceeding with the implementation of reforms to strengthen the governance framework" lacks objective support and cannot gain market acceptance.

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- In particular, within the statements, Mr. Akira Umada, the current COO, states that past recurrence-prevention measures were “for government authorities” and lacked any effectiveness. Given this exceptional circumstance - where top management itself acknowledges that past measures were merely formalities - claims of effectiveness for “reforms to strengthen the governance framework” led by the same management team cannot be accepted uncritically.
- 3. Misunderstanding of cost-effectiveness (governance discount): impairment of cost of capital and corporate value as discussed in METI’s “Ito Report 3.0 (SX Edition of the Ito Report),” etc.**
- Outside directors of your company explain that, rather than conducting an investigation by a third-party committee, concentrating resources on future initiatives such as improving capital efficiency would contribute to enhancing corporate value and maximizing the common interests of shareholders. However, this misinterprets the principles of corporate value assessment indicated in, among others, METI’s “Ito Report 3.0 (SX Edition of the Ito Report).”
  - The report explains that “in order to effectively promote long-term and sustainable enhancement of corporate value … developing a governance framework is effective” (p. 9). However, your company has left unaddressed suspicions such as the existence of similar cases related to the Antimonopoly Act violation and possible involvement of current management in misconduct, resulting in a situation where opacity remains in the governance framework.
  - Such a situation does not “effectively promote long-term and sustainable enhancement of corporate value.” On the contrary, it increases investors’ required rate of return (cost of capital) and leads to a “governance discount” that depresses share price. Therefore, ensuring transparency of the governance framework through a third-party committee investigation and disclosure of the findings - and thereby restoring market trust - is the highest-return investment to reduce your company’s cost of capital and enhance corporate value, and there is no reasonable basis not to pursue this approach.

For these reasons, **we believe that your company’s lack of self-corrective mechanisms has reached a serious level, and that there is no suspicion as to the necessity of an investigation by an independent third-party committee.**

**Gap between the stated rationale for introducing the Takeover Defense Measures and objective facts**

In this context, your company states that it introduced the Takeover Defense Measures due to

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concerns that we may seek to obtain control of management, and because you have insufficient information regarding our management policy. However, as we have repeatedly stated, **we presented to your company a draft written pledge that we will not, through market transactions, acquire shares that would cause our voting rights, together with those already held, to exceed 30%. Accordingly, it would have been easy for your company to dispel any concerns regarding our acquisition of control.**

Nevertheless, **your company, while withholding the fact that it received this draft written pledge, simply asserted that our actions were “coercive,” thereby creating a situation as if an “emergency” had arisen.** Moreover, your company has provided explanations regarding our past track record and the history of our constructive dialogue with your company **that could mislead stakeholders, including your shareholders, for the purpose of justifying the introduction of the Takeover Defense Measures.**

**We strongly protest that your company’s explanations offered as the rationale for introducing the Takeover Defense Measures are clearly inconsistent with objective facts.** Your company’s stance - failing to convey facts accurately and potentially misleading stakeholders - constitutes a serious governance issue evidencing a failure of accountability, as in item 1 above.

#### **Response to your company’s claim of “insufficient information”**

As described above, it is clear that the very premise of your company’s asserted “concern regarding acquisition of control” is incorrect and inconsistent with objective facts. Nevertheless, in light of your company’s continued reliance on “insufficient information” as a basis for introducing the Takeover Defense Measures, **we submit with this document “Specific Recommendations for the Establishment of a Governance Framework,” in order to address your stated concerns to the greatest extent possible.**

While this level of information provision would not ordinarily be required of us as an investor whose purpose is pure investment, we strongly hope that, by submitting these recommendations to your company and disclosing the related materials to your shareholders, we can fully eliminate your company’s claim of “insufficient information” and, **rather than engage in unproductive conflict, engage together in constructive discussions toward the proper goal of “enhancing corporate value.”**

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## **Specific Recommendations for the Enhancing the Governance Framework**

### **(Main Body)**

We believe that, in order to restore your company's corporate value, it is necessary to go beyond mere symptomatic measures and proceed through the following two-step process.

#### **Step 1 Settling the Past**

- First, an independent third-party committee should identify the true root causes of past misconduct and governance failures and completely eliminate future concerns. Your company's current stance of refusing an investigation should also be subject to review.

#### **Step 2 Rebuilding for the Future**

- Then, by establishing a three-layer (Layer 0–2) governance infrastructure, your company should transform into an organization that autonomously creates value.

#### **Step 1 Settling the Past: fact-finding, root-cause analysis, and formulation of recurrence-prevention measures by a third-party committee**

Outside directors of your company state that “the present circumstances differ from those in the past,” but objective verification to sever that continuity (third-party fact-finding and root-cause analysis) has not yet been conducted. We believe that establishing a “truly independent third-party committee” that satisfies the requirements below, conducting an investigation by such committee, and implementing corrective measures based on the findings should be the starting point for restoring trust.

Conduct an investigation by a third-party committee that fully satisfies “Guidelines for Third-Party Committees in Corporate Misconduct” by the Japan Federation of Bar Associations (the “JFBA Guidelines”)

- **Complete Independence of Committee Members:** Composed exclusively of lawyers and certified public accountants who have no conflicts of interest with Toho HD side, including transactional relationships, advisory engagements, or any prior service as outside directors of Toho HD.
- **Non-Intervention in the Investigation:** To ensure the independence of the Committee, Toho HD side (including the Board of Directors and the Secretariat) shall be prohibited from conducting

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any prior review of, or involvement in revisions to, the draft report, except for corrections of clear and objective factual errors.

- **Duty to Cooperate and Preserve Evidence:** Toho HD shall fully cooperate with the investigation and comply with evidence preservation requests, including digital forensics. Any refusal to cooperate or acts of evidence concealment shall be stated in the report.
- **Disclosure Methodology:** Not a summary but the full investigation report shall be disclosed (excluding the Company's trade secrets and the privacy and personal information of general employees that lack material significance; however, information concerning directors, executive officers, and officers at the department head level or above shall, from the perspective of accountability, be subject to disclosure) .
- **Deadline:** In order to enable the investigation results to be reflected in the exercise of voting rights at the Annual General Meeting of Shareholders for the fiscal year ending March 2026, the full report shall be disclosed no later than the end of May 2026.

#### **Scope ( focus on identifying organizational and structural issues)**

##### **1. Fact-Finding on Actions Taken and Supervisory Responsibilities**

- Objectively determine the facts regarding whether current executives(CEO/COO) were involved in past misconduct, and also why the Board of Directors and the Audit and Supervisory Committee, despite having opportunities to become aware of legal risks or signs of misconduct, failed to exercise self-corrective mechanisms, including facts relevant to the fulfillment of their duties of due care and duty of oversight.
- In making such findings, determine not only facts relating to potential criminal liability, but also facts regarding governance deficiencies that should be treated as problematic from the perspectives of the duty of due care and of corporate ethics such as lack of or suspected lack of compliance mindset.

##### **2. Organizational Investigation of Similar Cases and Business Practices**

- Conduct a comprehensive investigation, across all group companies and all locations, including business practices, to determine whether there are similar cases to the bid-rigging

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case<sup>5</sup> and the Nihon University Hospital case<sup>6</sup>. While prioritizing compliance with the deadline (end of May 2026), the third-party committee may, at its discretion, substitute focused investigations using a risk-based approach or statistical sampling.

- Verify whether there were any structural factors that could organizationally induce misconduct - such as pressure to meet budgets or personnel evaluation systems - rather than limiting the analysis to individual aptitude issues.

### **3. Investigation of Specific Individuals' Influence and the "Shadow Governance" Structure**

- With respect to the influence of the former Representative Director and Chairman acknowledged by the Governance Enhancement Special Committee, conduct a comprehensive investigation into whether there were other inappropriate transactions, such as conflict-of-interest transactions centered on that individual.
- In addition, comprehensively investigate why excessive authority was allowed to concentrate in a specific officer and why a system in which checks and balances do not function (unilateral decision-making) has been tolerated, including whether there exists a culture of deference toward such authority within the current executives.

### **4. Review of Internal Controls and Recurrence Prevention Measures**

- Verify why the recurrence-prevention measures formulated since 2003 did not function, and assess their effectiveness.
- Based on this, identify the "organizational pathology" of the company—namely, the continued tolerance and concealment of misconduct across the organization and the paralysis of mutual monitoring functions—without reducing the issue to a problem of a few bad actors.

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<sup>5</sup> This refers to the following incidents ((i) – (iii)):

(i) The Miyagi Prefecture Cartel Case

Toho Yakuhin Co., Ltd. received a surcharge payment order from the Japan Fair Trade Commission in February 2003 for having engaged in order coordination with competitors in a pharmaceutical tender conducted in March 2000 by Miyagi Prefecture.

(ii) The JCHO Case

Toho Yakuhin Co., Ltd. was found guilty in June 2021 for having engaged in coordination of orders, around early June 2016 and early June 2018, in connection with tenders for prescription pharmaceuticals issued by the Japan Community Health care Organization (JCHO).

The Company also received a cease-and-desist order and a surcharge payment order from the Japan Fair Trade Commission.

(iii) The NHO Case

Kyushu Toho Co., Ltd. received a cease-and-desist order and a surcharge payment order from the Japan Fair Trade Commission in March 2023 for having engaged in order coordination in pharmaceutical tenders issued by the National Hospital Organization (NHO) during the period from no later than June 24, 2016 to November 27, 2019.

<sup>6</sup> An incident reported in June 2024 alleging that Toho Yakuhin Co., Ltd. was involved in creating illicit funds totaling at least JPY 101.65 million by paying a paper company, under the pretext of "consulting fees," a portion of the discounts applied to prescription pharmaceuticals sold to Nihon University Hospital and Nihon University Itabashi Hospital (Nihon University School of Medicine).



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## **5. Assessment of the Appropriateness of Decision-Making and Disclosure Processes in Crisis**

### **Response**

- Comprehensively verify, across the series of crisis responses and misconduct responses from the past to the present, whether the Board of Directors fulfilled its duty of due care. In conducting this verification, do not limit the review to legal compliance, but strictly assess substantive reasonableness as a decision of business management and whether directors truly fulfilled their duty of due care and accountability.
- **Decision to reappoint directors at the annual general meeting held in June 2025:** In circumstances where involvement in misconduct was suspected, why did the company decide to reappoint (as a company proposal) the officers in question (current CEO/COO) without conducting a sufficient investigation? Clarify the appropriateness of the risk assessment and decision-making process that led to this conclusion.
- **Decision to refuse the establishment of a third-party committee in December 2025:** Why did the company refuse a third-party committee investigation even after objective evidence such as written statements in the bid-rigging case was presented? In particular, verify the fairness of the decision, including whether any parties who could have been subjects of the investigation were involved in the decision to refuse (i.e., whether there were any conflicts of interest).
- **Accuracy and integrity of disclosure:** Confirm whether, in dialogue with shareholders and disclosures to the market, the company provided explanations diverging from objective facts (such as the content of the written statements), or withheld or downplayed unfavorable facts, and identification of the causes.

## **6. Development of Truly Effective Recurrence Prevention Measures**

- After completing the fact-finding and root-cause analysis in items 1–5, formulate recurrence-prevention measures that will truly function, enabling removal of direct causes as well as indirect causes, including organizational culture, the personnel evaluation system (incentive structure), and structural defects in decision-making processes that underlie those causes.

### **Step 2 Rebuilding for the Future: three-layer governance infrastructure**

Outside directors of your company state that your company is “proceeding with the implementation of reforms to strengthen the governance framework.” These recommendations are not merely aspirational targets; they set out the minimum governance standards necessary for your company to restore market

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trust. Accordingly, if your company's efforts are genuine, there should be no reason to refuse implementation of the measures described in Layer 0–2 below. In addition, with respect to the introduction and operation of the measures set forth in these recommendations, it is assumed not only that your company will provide formal disclosure regarding the status of introduction and operation, but also that your company will ensure disclosure with sufficient transparency for shareholders to continuously verify whether the measures are effective in practice.

**Layer 0 Governance Foundation (Basis of Oversight):** evolve into a Board of Directors worthy of market trust that can address emergencies while also providing strategic oversight

- **0-1 Board Composition and Capabilities:** Actively evolve (re-optimize) the Board's composition by moving away from legacy skill sets and, based on the Third-Party Committee's findings and the new strategy, placing greater emphasis on capital allocation and risk management capabilities.
- **0-2 Ensuring Fairness and Special Governance:** Structurally eliminate the risk of management acting in self-preservation by introducing objective operating rules in line with METI guidelines and by ensuring the complete independence of special committees' authorities (including budget determination and executive appointment powers).
- **0-3 Design of Nomination and Compensation Governance:** Operationalize the Nomination and Compensation Committee by codifying, in the Board's rules and related policies, the Chair's authority to set Board agendas and to recommend director removal, as well as the Board's obligation to give maximum respect to the Committee's recommendations.  
If Board dysfunction nevertheless persists, implement fundamental structural changes, including a transition to a Company with Nominating Committee, etc. structure.
- **0-4 Board Operations and Effectiveness:** Starting with the separation of the CEO and Board Chair roles, the appointment of a Lead Independent Outside Director, and the introduction of an independent Board Secretariat and Corporate Secretary, shift leadership of Board operations and deliberations to the oversight side.  
Transform the Board fundamentally from a formal reporting forum into a highly effective monitoring body that deliberates on core issues and risk-taking.
- **0-5 Foundation for Engagement and Disclosure:** Position constructive dialogue—premised on transparent and comprehensive disclosure—as an engine for enhancing corporate value, and institutionalize processes that actively incorporate market insights, including critical perspectives, into management strategy.

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**Layer 1 Defensive Governance (Normalization and Risk Management): normalize governance to eliminate structural conflicts of interest and remove the breeding ground for misconduct**

- **1-1 Control of Conflict of Interest and Policy Shareholdings:** As a general principle, reduce the number of policy shareholdings that generate returns below the cost of capital, and strictly monitor, from an independent third-party perspective, the risks of collusion and conflicts of interest involving individuals originating from business partners.
- **1-2 Oversight and Discipline of Management:** Based on the Third-Party Committee's fact-finding, re-examine the suitability of management, impose strict sanctions on those involved in misconduct (including removal and claims for damages), and comprehensively overhaul, from a zero-based approach, hollowed-out oversight structures and recurrence prevention measures.
- **1-3 Risk Management and Internal Control System:** By renewing the CGO to ensure the independence of the second line of defense (control functions) and rebuilding internal control systems that do not allow arbitrary selection of disclosed information, restore the effectiveness of the previously hollowed-out three lines of defense, eliminate arbitrariness in risk disclosure, and ensure transparency.
- **1-4 Audit, Internal Reporting, and Self-Corrective Function:** Restore self-correcting mechanisms by eliminating structural factors that allow inconvenient truths to be suppressed, through measures such as ensuring the complete independence of the internal audit function from the executive side (including personnel authority) and introducing a leniency program.
- **1-5 Crisis Response and Fair M&A:** In the event of misconduct or other crises, as a general principle, establish a third-party committee that fully complies with the JFBA guidelines. With respect to takeover defense measures, establish strict objective criteria and post-implementation review processes to eliminate arbitrary application and findings of coerciveness.

**Layer 2 Proactive Governance (Value Creation): Value creation that shift to an offensive posture after consolidating defensive measures and transform into a sustainably high-profit business model**

- **2-1 Management Strategy Based on Cost of Capital:** Following a third-party reassessment of the cost of capital (WACC), shift from a P/L-centric management to a ROIC-focused management, eliminate structural impediments, and present a clear roadmap and milestones for enhancing corporate value.
- **2-2 Business Portfolio Optimization:** To address returns below the cost of capital and eliminate the conglomerate discount, conduct a zero-based strategic review under the leadership of outside

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directors and execute optimal capital allocation—without sacred cows—including business and asset restructuring.

- **2-3 CEO Succession and Appointment/Dismissal:** Redefine the “ideal CEO profile” as one combining the passion and capability to enhance corporate value and resolve challenges, and, in parallel with verifying the suitability of the current management—including their handling of misconduct—operate a highly transparent succession plan to select a true leader, including through external invitation.
- **2-4 Incentive Compensation Design:** Incorporate the correction of unreasonable business practices and market-based performance into evaluation metrics, and establish a high-level performance-based compensation framework that rewards challenges toward transformation. At the same time, incorporate strict clawback provisions for misconduct, thereby providing strong incentives for corporate value creation.
- **2-5 Strengthening Execution and Realizing Value:** In addition to appointing external professionals (CTO/CFO), ensure execution capability granting the authority and resources necessary for transformation, and, together with the complete separation of oversight functions through the establishment of a CGO, build a strong execution structure capable of seeing transformation through to completion.

#### Details of Layer 0-1 to 2-5

For each item, we first set out the “basic policy” for the governance infrastructure that your company, as a Prime Market listed company, should have, based on your company’s specific circumstances. We then present “additional measures” as indispensable corrective actions for restoring trust and enhancing corporate value, taking into account your company’s current issues and past history (including governance failures).

### 0-1 Board Composition and Capabilities

#### 1. Definition and Visualization of Strategic Suitability

**Basic Policy:** In response to changes in the management environment (the persistence of a low PBR and increasing compliance risks), redefine the skill set required of the Board of Directors with a focus on capital allocation and risk management. The skills matrix shall be disclosed based not merely on the presence or absence of experience, but on objective evidence grounded in past performance (track records).

**Additional Measures:** Ensuring Alignment with Management Strategy and Refreshing Skill

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## Definitions

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The current Board skill set remains an extension of the past during which misconduct occurred and is insufficient to respond to the discipline demanded by the capital markets (ROIC-based management) and the tightening of compliance requirements. While giving due consideration to business continuity, priority shall be given to supplementing skills that can correct excessive conformity to industry practices that may serve as breeding grounds for misconduct, thereby cutting off the risk of past failures to fulfill internal control obligations—specifically, expertise from other industries, as well as legal, financial, investment, and capital markets expertise.

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### Additional Measures: Substantive Verification of Skill Fit

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In light of the history of internal control failures revealed through written statements and other evidence related to the bid-rigging incident and similar cases, re-examine incumbent director candidates based on whether they substantively possess legal risk management and governance skills, and whether they have a track record of taking concrete actions to prevent misconduct during their past terms of office. Rather than formal legal experience, place emphasis on the capability to activate self-correcting mechanisms in times of crisis as a core skill requirement.

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### Additional Measures: Dynamic Evolution of the Skills Portfolio

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Defense and offense are inseparable, and in determining Board composition, deferring “proactive governance” on the grounds of ensuring “defensive governance” is not acceptable. As management strategies aimed at maximizing corporate value are inherently subject to change, the Board’s composition shall not be fixed; instead, based on the latest management strategy, the skill set truly required for its execution shall be identified, and the Board composition shall be dynamically evolved (re-optimized).

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## 2. Strengthening Independence and Monitoring Functions

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**Basic Policy: As a Prime Market listed company, adopt global independence standards recommended by institutional investors and proxy advisory firms (e.g., ISS and Glass Lewis), rather than relying solely on formal requirements (TSE standards), in order to ensure substantive independence. In particular, eliminate structural conflict-of-interest risks, such as those arising from strategic shareholdings.**

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### Additional Measures: Elimination of Structural Conflicts of Interest

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While the importance of industry collaboration in the pharmaceutical wholesaling business is recognized, this is a role to be fulfilled by the executive side (executive officers). With respect to the oversight function (outside directors), unless individuals maintain distance from industry-specific structural conflicts of interest—such as policy shareholdings and personal relationships—it is impossible to correct unreasonable business practices (excessive accommodation). Accordingly, as a general principle, the appointment of outside directors

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from business counterparties shall be prohibited.

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#### **Additional Measures: Effectiveness Evaluation and Reappointment Criteria for Audit and Supervisory Committee Members**

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In appointing Audit and Supervisory Committee members, strictly evaluate how effectively the audit function was exercised at the time past misconduct occurred.

If the audit function failed to contribute to preventing misconduct or detecting it at an early stage, conduct a root cause analysis and, from the perspective of accountability to shareholders, have the Nomination and Compensation Committee establish criteria to avoid routine or unconsidered reappointments.

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### **3. Cognitive Diversity and Separation of Oversight and Execution**

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**Basic Policy: To strengthen the Board's oversight function and ensure transparency, the Chair of the Board shall, as a general principle, be appointed from among independent outside directors. This will prevent the executive side (the CEO) from unilaterally setting the Board agenda.**

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#### **Additional Measures: Avoidance of Conflicts of Interest through Separation of the CEO and Chair**

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Based on the lessons learned from past misconduct (including the bid-rigging incident and the Nihon University-related hospital incident), in which top-down decision-making led to delays in corrective actions, the monitoring function for recurrence prevention measures must be separated from executive authority (the CEO). Leadership in times of crisis should be exercised through executive authority; however, the concurrent holding of the CEO and Chair positions may result in a lack of independent oversight and thereby undermine the effectiveness of recurrence prevention. Accordingly, such dual roles shall be eliminated.

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#### **Additional Measures: Evaluation and Confidence Process for Audit and Supervisory Committee Members**

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The two-year term of office for directors serving as Audit and Supervisory Committee members is prescribed by the Companies Act.

However, if a material breach of the duty of due care (including a breach of the duty of oversight) becomes evident during their term, the Nomination and Compensation Committee shall take the lead in either submitting a proposal for removal to the shareholders' meeting or clearly articulating a policy of non-reappointment at the next term, thereby maintaining a necessary sense of tension without creating any audit vacuum.

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### **4. Quality Assurance and Sustainability**

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**Basic Policy: To ensure that directors can devote sufficient time to fulfilling their roles, limit the number of concurrent directorships to a reasonable range, (e.g. no more than three listed companies). In particular, given the current need for crisis response, situations in which effective oversight cannot be exercised due to busyness arising from duties at other companies shall not be**

**accepted.**

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#### **Additional Measures: Quantitative Verification of Time Commitment**

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In light of the increased workload resulting from the current responses of special committees and takeover defense measures, review the number of concurrent directorships and attendance rates at Board and committee meetings.

In addition to contributions to substantive discussions (the content of remarks), the ability to secure sufficient physical time shall be regarded as part of the capacity to fulfill the duty of due care. If a candidate is determined to be unable to devote sufficient time, the candidate shall be excluded at the selection stage.

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## **0-2 Ensuring Fairness and Special Governance**

### **1. Governance of Parent–Subsidiary Listings and Listed Subsidiaries**

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**Basic Policy:** Periodically assess the rationality of maintaining a listing and ensure governance through measures such as increasing the number of independent outside directors and monitoring conflict-of-interest transactions. (※In this case, there are no listed subsidiaries; therefore, this item is not applicable.)

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### **2. Principles for the Establishment and Use of Special Committees in the Event of an Acquisition**

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**Basic Policy:** In situations where structural conflicts of interest arise or when introducing takeover defense measures, establish a special committee to ensure fairness and give maximum respect to its determinations. The adoption of defense measures shall be subject to absolute prerequisites of a transparent process and sincere and accurate explanations to shareholders

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#### **Additional Measures: Establishment of Internal Rules for Fair M&A**

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To prevent the operation of takeover defense measures from being abused for management self-preservation (entrenchment) purposes, establish and disclose internal rules in accordance with the Ministry of Economy, Trade and Industry's Guidelines for Fair M&A and Code of Conduct for Corporate Acquisitions, among others. Specifically, mandate objective evaluation processes regarding whether a situation constitutes a contest for control (a crisis), the seriousness of the acquisition proposal, and its impact on corporate value, introduce mechanisms to eliminate arbitrary application, and disclose these mechanisms to shareholders.

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### **3. Composition and Independence of Special Committees in the Event of an Acquisition**

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**Basic Policy:** Compose the committee of members (in principle, independent outside directors) who are independent of the company, the acquirer, and the outcome of the M&A transaction, thereby ensuring substantive independence. In particular, strictly exclude from committee membership any individuals who may share interests aligned with management's self-preservation.

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#### **Additional Measures: Exclusion of Structural Conflicts of Interest and Tightening of**

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### **Independence Standards**

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In selecting members of a special committee, strictly examine not only formal outside status but also whether there is any structural alignment of interests with management (such as convergence of views caused by long tenure or prior involvements in past developments). To restore shareholders' trust, as a general principle, exclude individuals who may share interests with management and constitute the committee solely of members capable of making truly objective judgments.

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### **4. Authority, Resources, and Compensation of Special Committees in the Event of an Acquisition**

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**Basic Policy:** Ensure that independent outside directors play a leading role in decisions regarding the establishment of the committee and the selection of its members, and that the committee secures its own authority to appoint external experts and appropriate compensation.

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#### **Additional Measures: Substantive Authority to Appoint Advisors and Securing an Independent Budget**

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Grant the special committee budgetary authority and appointment authority that are completely independent from the company's executive side, enabling the committee to appoint external experts (such as legal and financial advisors) at its own discretion on behalf of general shareholders.

This will eliminate reliance on advisors appointed by management, resolve information asymmetry, and enable the formation of opinions from an independent standpoint

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### **5. Exclusion of Conflicted Parties and Ex Post Review**

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**Basic Policy:** Including cases where directors or others appointed by investor shareholders are present, consider measures to exclude individuals from deliberations and decision-making in accordance with the degree of conflict of interest.

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#### **Additional Measures: Transparency of the Decision-Making Process and Ex Post Review**

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In anticipation of situations where the activation of takeover defense measures or the adoption of countermeasures may impair corporate value, establish in advance rules to objectively verify the fairness of the decision-making process. Specifically, institutionalize mechanisms under which an independent third-party body conducts ex post verification of the decision-making processes of directors and special committees (including the existence of conflicts of interest and the handling of information) and discloses the results transparently to shareholders, thereby ensuring discipline and fairness in such decisions.

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## **0-3 Design of Nomination and Compensation Governance**

### **1. Ensuring the Effectiveness of the Nomination and Compensation Committee**

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**Basic Policy:** To strengthen the Board's oversight function, as a basic policy, conduct a fundamental review of whether the current voluntary advisory committees are functioning sufficiently—including whether to transition to a Company with a Nominating Committee, etc.—and disclose the conclusion

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**and the reasons for it.**

**Even if the current structure is maintained, codify the Board's obligation to give maximum respect to the committee's recommendations and ensure substantive decision-making authority.**

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#### **Additional Measures: Verification of the Effectiveness of Advisory Committees**

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With respect to the current advisory-type committees, doubts have arisen the effectiveness of their oversight function. In light of the history of internal control failures revealed through written statements and other evidence related to the bid-rigging incident and similar cases, unless a rational basis is demonstrated as to why the current structure is considered capable of effective oversight, consider transitioning to a structure with stronger oversight authority (such as a Company with Nominating Committee, etc.), and disclose the conclusion and the transition plan (or the rational reasons for not transitioning) by the next Annual General Meeting of Shareholders.

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#### **Additional Measures: Establishment of the Chair's Authority to Set Agendas**

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Establish the authority of the Chair of the Nomination and Compensation Committee to independently set agendas (matters for deliberation) at the Board of Directors, without reliance on the company's Board Secretariat, thereby enhancing the Board's oversight function.

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## **2. Committee Composition and Independence**

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**Basic Policy: To exercise management oversight from an independent standpoint, ensure that a majority of the Nomination and Compensation Committee members are independent outside directors, and appoint the Chair from among independent outside directors. Exclude from committee membership any individuals involved in misconduct, and, where there are doubts regarding past nomination decisions, mandate an ex post verification of the appropriateness of the process from a third-party perspective and an explanation to shareholders.**

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#### **Additional Measures: Re-Examination of the Suitability of Executive Directors with Potential Issues**

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In response to the emergence of new material facts revealed through written statements and other evidence related to the bid-rigging incident and similar cases, the Nomination and Compensation Committee shall, based on the results of the Third-Party Committee's fact-finding (Step 1), conduct a zero-based re-examination of the suitability of executive directors such as the CEO. To ensure the objectivity of the review, the individuals concerned shall recuse themselves from deliberations and voting on matters relating to their own treatment and be placed in a position where they are unable to exert any influence.

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#### **Additional Measures: Third-Party Verification of the Reappointment Process**

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Despite the existence of the material fact that written statements and other evidence relating to the bid-rigging incident and similar cases existed, examine—based on the Third-Party Committee's fact-finding (Step 1)—the appropriateness of the decision-making process as to why directors suspected of involvement in the misconduct were not removed in the past (including at the June 2025 Annual General Meeting of Shareholders) and were instead

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recommended for approval, and implement appropriate recurrence prevention measures.

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### 3. Clarifying Authority Scope and Matters for Consultation

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**Basic Policy:** To ensure governance across the Group, include personnel matters for key subsidiaries within the scope of deliberation by the Nomination and Compensation Committee. In addition, place within the Committee's remit the dismissal criteria for directors, including the CEO, and the treatment of former executives (such as advisors and counselors), thereby ensuring transparency.

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**Additional Measures: Explicit Inclusion of Key Subsidiaries and the Authority to Recommend Dismissal**

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As subsidiary operations form the core of the Group, include personnel matters of key subsidiaries within the scope of the Nomination and Compensation Committee's recommendations. In addition, stipulate in the relevant rules the authority to recommend the dismissal of the CEO, so that immediate checks can be exercised in cases of misconduct or poor performance.

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**Additional Measures: Identify and make transparent the reality of management involvement by former executives**

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Investigate the actual extent of management involvement by former executives (such as advisors) and disclose it to shareholders. To eliminate the risk of opaque influence by former executives (shadow governance), re-evaluate the rationale for maintaining the advisor system; if the necessity cannot be reasonably explained, review it, including potential abolition, and implement corrective measures that go further than the final recommendation issued by the Special Committee for Strengthening Governance on October 9, 2025.

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### 4. Operating Procedure and Conflict-of-Interest Management

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**Basic Policy:** Thoroughly manage conflicts of interest where the President/CEO is included as a committee member. In addition, do not allow committees to be used as a shield or an alibi for management. Committees that are merely formalities—where substantive discussions (such as ROIC-based capital allocation or CEO treatment) are not conducted and checks do not function—shall be subject to fundamental review, up to and including abolition.

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**Additional Measures: Correct the realities of hollowed-out committees**

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Across various committees to date (e.g., the Management Strategy Committee, Investment Committee, and Special Committee for Strengthening Governance), there are multiple cases suggesting dysfunction, such as formalistic operation and refusal to conduct investigations. Break away from the past tendency of “creating an alibi for regulators” and remake these bodies into effective monitoring institutions.

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### 5. Ensuring Disclosure and Transparency

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**Basic Policy:** To enable each committee to fulfill accountability to shareholders, as a general principle disclose not only conclusions but also the key points leading to the decision (including whether there were dissenting views) and the rational basis for the judgment in detail.

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**Additional Measures: Escape the “black box” and fulfill accountability**

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Currently, transparency is lacking regarding the processes of deliberation and decision-making within committees. Particularly for critical matters such as CEO reappointment, while giving due consideration to personal information and confidential information, disclose—at a level that enables shareholder verification—the decision criteria applied, the course of deliberations, and the logic underpinning the decision.

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## **0-4 Board Operations and Effectiveness**

### **1. Delegation of Authority to Executive management and Transition to Monitoring**

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**Basic Policy: Structurally and functionally separate oversight and execution, and establish a highly effective monitoring framework rather than maintaining a merely formal status quo.**

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**Additional Measures: Consideration of Transition to a Company with Nominating Committee, etc.**

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With respect to the current governance structure, doubts have arisen regarding the effectiveness of oversight in the appointment and dismissal of top management and in responses to misconduct. Accordingly, with the aim of further enhancing oversight and ensuring transparency, consider transitioning to a Company with a Nominating Committee, etc., which clearly separates oversight and execution, and disclose the conclusion and the transition plan (or the rational reasons for not transitioning) by the next Annual General Meeting of Shareholders.

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**Additional Measures: Principle of Separation of the CEO and Chair**

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The Chair of the Board shall be a non-CEO (in principle, an independent outside director). In particular, in situations involving compliance concerns or conflicts of interest, having the CEO serve as Board Chair results in a lack of independent oversight and poses a structural risk of obstructing investigations and corrective actions; therefore, measures toward prompt separation shall be implemented.

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### **2. Establishment of Leadership**

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**Basic Policy: Appoint a Lead Independent Outside Director with strong oversight authority over the executive side and leadership to drive transformation.**

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**Additional Measures: Investigation Based on JFBA Guidelines and Renewal of Corporate Culture**

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Appoint a Lead Independent Outside Director and grant authority to lead, with respect to current governance issues, the process of root cause investigation and formulation of recurrence prevention measures by a third-party committee that fully complies with the JFBA guidelines. In addition, lead the renewal toward a sound corporate culture by breaking away from negative legacies such as the acceptance of misconduct and status quo bias.

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**Additional Measures: Confronting Business Practices that Impede Appropriate Value Transfer**

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In the pharmaceutical wholesaling industry, urge the executive side to examine and implement measures to confront, with resolve, structural business practices that hinder the securing of appropriate compensation commensurate with value provided (value transfer). With respect to

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the correction process, disclose it to shareholders transparently and in one's own words, and fulfill accountability.

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### 3. Effectiveness Evaluation and the PDCA Cycle

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**Basic Policy: Introduce an objective third-party perspective to rigorously strengthen the evaluation process and conduct substantive functional verification that does not overlook misconduct or self-preserving behavior.**

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#### **Additional Measures: Breakdown of Self-Evaluation and Third-Party Verification**

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Past Board effectiveness evaluations have failed to sufficiently identify signs of misconduct and issues arising in dialogue with shareholders, raising concerns about the limits of self-evaluation. Accordingly, after the results of the Third-Party Committee's investigation (Step 1) are issued, have an independent third-party body also verify the appropriateness of the past effectiveness evaluation system itself.

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#### **Additional Measures: Incorporation of Misconduct Response into Evaluation Items and Retroactive Review**

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Add "exercise of oversight functions in crisis and misconduct responses" as an evaluation item, and conduct an ex post re-examination of whether past evaluation processes were appropriate, thereby improving the evaluation framework.

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### 4. Activation of Deliberations and Agenda Management

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**Basic Policy: Eliminate formalistic reporting and place, at the center of the annual agenda, fundamental issues that are impairing corporate value, thereby encouraging appropriate risk-taking**

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#### **Additional Measures: Focus on Fundamental Issues and Risk-Taking**

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In overseeing management strategy, position at the center of the agenda fundamental issues such as structural declines in profitability that are impairing corporate value and resignation toward improvement. Outside directors shall not function as mere approvers of the status quo, but shall elevate the perspective of the executive side and rigorously fulfill their role in encouraging appropriate risk-taking (transformation) toward sustainable growth.

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#### **Additional Measures: Prompt Disclosure of Misconduct Information and Clear Rewards and Penalties**

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Ensure prompt disclosure based on objective facts when misconduct occurs. In addition, strictly reflect in suitability assessments during reappointment processes any directors who refused necessary investigations or steered deliberations for self-preservation.

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### 5. Support Structure and Training

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**Basic Policy: Ensure an environment in which outside directors can obtain information using their own budgets and resources, without relying solely on information provided by the company.**

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#### **Additional Measures: Establishment of an Executive-Independent Board Secretariat and Appointment of a Corporate Secretary**

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To address resource constraints faced by outside directors, establish a Board Secretariat as a dedicated organization separated from the executive chain of command. Further, appoint a professional with advanced governance expertise as its head (Corporate Secretary). To ensure effectiveness, the Lead Independent Outside Director shall have authority over the Secretariat's operating budget, the appointment of external experts, and the appointment and performance evaluation of Secretariat staff (including the Corporate Secretary), thereby structurally eliminating executive intervention or deference.

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#### **Additional Measures: Transparency of Meetings of Outside Directors Only**

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To enhance the effectiveness of meetings attended only by outside directors, ensure transparency to shareholders regarding the themes and outlines of discussions (※excluding confidential information), enabling verification of whether oversight functions are being fulfilled as representatives of shareholders.

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### **0-5 Foundation for Engagement and Disclosure**

#### **1. Formulation of a Dialogue Policy and Establishment of a Framework**

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**Basic Policy: Establish a framework to promote constructive dialogue with shareholders, designate a person responsible for overseeing all aspects of such dialogue, and establish a genuine dialogue policy**

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#### **Additional Measures: Ensuring Objectivity and Normalization of the Dialogue Process**

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With respect to the current dialogue process, there are concerns that a “self-preservation-driven operation” has been employed, in which the intent of shareholder proposals and expressions of opinion is arbitrarily interpreted and constructive dialogue is rejected. Based on the Third-Party Committee's fact-finding (Step 1), identify the causes of the breakdown in dialogue functions and rebuild a sound process that accurately reflects shareholders' voices in management.

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#### **Additional Measures: Evaluation of the Suitability of the person responsible for overseeing**

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In dialogue with shareholders, strictly re-evaluate the suitability of the person responsible for overseeing dialogue and relevant personnel, and refresh the framework to one that contributes to restoring trust.

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#### **2. Practice of Dialogue and Feedback**

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**Basic Policy: Establish a process in which independent outside directors who are not involved in business execution conduct dialogue themselves, sincerely consider shareholders' opinions and concerns—particularly proposals with a rational basis—and feed them back to the Board of Directors, including critical views. In addition, establish rules requiring clear responses and disclosure of the reasons when a reasonable proposal is not adopted.**

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#### **Additional Measures: Confronting Critical Views and Building Processes**

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An attitude of rejecting externally provided objective evidence or pointed observations

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without conducting investigation or verification creates governance blind spots. Establish a process that does not ignore uncomfortable criticisms or evidence, but instead incorporates them as inputs for management improvement.

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### 3. Enhancement and Fairness of Disclosure

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**Basic Policy: Provide early disclosure of risk matters that may impair corporate value, and design a full disclosure regime that ensures accurate and fair disclosure of undisclosed material facts, regardless of whether such disclosure is favorable or unfavorable to management.**

---

#### **Additional Measures: Correction of Deviations from Objective Facts and Root Cause Analysis**

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Through investigation by the Third-Party Committee (Step 1), clarify the organizational background behind past instances in which explanations which may have diverged from objective facts or disclosures which were biased toward certain facts are made to shareholders. Promptly correct market misunderstandings based on incorrect information, and examine why the oversight function (outside directors) was unable to ensure the accuracy of information.

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#### **Additional Measures: Full Disclosure of Unfavorable Information**

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Based on the recognition that information unfavorable to management (such as signs of misconduct or risk information) is of the greatest importance to investors' decision-making, design a system that ensures comprehensive and highly transparent disclosure.

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### 4. Enhancement of Shareholders' Meeting Operations

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**Basic Policy: Recognize the shareholders' meeting as a forum for dialogue, eliminate its use as a venue for self-justification, and, where insufficient disclosure of material facts may have distorted shareholders' judgment, explain the background and reflections during dialogue.**

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#### **Additional Measures: Redefinition of "Confidence" in Situations of Information Asymmetry**

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Interpreting voting results obtained while material facts (such as the full scope of misconduct or suspicions regarding management involvement) were not disclosed to shareholders as having secured "full confidence" in management policy leads to the hollowing out of shareholders' meetings. After promptly eliminating information asymmetry, correct this stance by once again seeking genuine confidence from shareholders.

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## **1-1 Control of Conflict of Interest and Policy Shareholdings**

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### **1. Reduction and Rigorous Review of Cross-Shareholdings**

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**Basic Policy: Establish a policy under which Cross-Shareholdings that generate returns below the cost of capital shall be reduced or sold unless the rationale for holding them can be quantitatively explained. Where holdings are maintained, fulfill accountability by explaining, from both quantitative and qualitative perspectives, why such holdings are indispensable to maximizing corporate value.**

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#### **Additional Measures: Principle-Based Disposal of Below-Cost-of-Capital and Proper Verification Processes**

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As current Cross-Shareholdings generate returns below the cost of capital, proceed in principle with their reduction or sale.

With respect to continued holding, ensure thorough disclosure based on specific and quantitative grounds that contribute to maximizing corporate value (e.g., ROIC-based criteria, etc.). In quantitative evaluations, strictly separate “whether shares are held” from “whether business relationships can be continued,” and do not permit justifications based on vague relationship maintenance effects.

---

#### **Additional Measures: Elimination of Conflicts of Interest in the Verification Body**

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Involvement in the verification process by individuals originating from Cross-Shareholding counterparties, or by directors with past transactional relationships, constitutes a structural conflict of interest. To ensure neutrality, structure the verification process exclusively with independent outside directors who have no interests (including past transactional relationships) with Cross-Shareholding counterparties, thereby ensuring objective judgment.

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### **2. Discipline in Relationships with Cross-Shareholding Shareholder**

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**Basic Policy: Eliminate undue intervention and collusive personnel practices by shareholders engaged in Cross-Shareholdings, tighten standards for the exercise of voting rights, and, as a general principle, review the appointment of directors originating from business partners involved in cross-shareholdings, thereby ensuring governance independence.**

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#### **Additional Measures: Dissolution of Structural Collusive Relationships**

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The historical practice of appointing outside directors from business partners engaged in cross-shareholdings risks weakening discipline over management and perpetuating unreasonable business practices—such as unsettled transactions, provisional deliveries, negative margins, and dependence on allowances—thereby creating risks that it could become a breeding ground for structural collusion. To eliminate structures that give rise to suspicions of entanglement with specific counterparties, conduct a fundamental review of relationships among cross-shareholders.

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#### **Additional Measures: Tightening of Director Appointment Criteria and Prohibition of Sale Obstruction**

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To dispel concerns regarding stable-shareholder arrangements, tighten independence standards for appointing outside directors originating from business partners engaged in cross-shareholdings, and formulate and implement a roadmap toward eventual abolition.

In addition, establish rules prohibiting shareholders engaged in Cross-Shareholdings from obstructing the sale of the Company’s shares by invoking business relationships.

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### **3. Monitoring of Related-Party Transactions and Conflicts of Interest**

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**Basic Policy: Rigorously enforce approval processes commensurate with the materiality of related-party transactions, conduct thorough third-party investigations into suspected transactions with high conflict-of-interest risks identified in the past, and implement recurrence prevention measures.**

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**Additional Measures: Investigation of Past Conflict-of-Interest Risks and Strengthened Monitoring**

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The final recommendation issued by the Special Committee for Strengthening Governance dated October 9, 2025, determined the facts that former management led specific transactions, nullified governance, and engaged in opaque dealings. Given that the method of disabling internal controls through top-down decision-making has been identified, this shall not be treated as a mere exception. Accordingly, through the Third-Party Committee (Step 1), conduct a comprehensive review whether other contracts involving former management, or other conflict-of-interest cases or schemes, exist.

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**4. Structural Conflicts of Interest in Crisis Situation**

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**Basic Policy: To prevent abuse of systems for self-preservation purposes, exclude directors with special interests from the M&A, etc. consideration stage onward, and establish processes to conduct ex post verification of the appropriateness and fairness of decision-making where the activation of takeover defense measures has impaired corporate value.**

---

**Additional Measures: Prevention of Self-Preservation–Driven Abuse and Independence of Special Committees**

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To prevent the introduction or maintenance of takeover defense measures from being justified for management self-preservation (entrenchment) purposes, strictly strengthen the independence of special committees serving as decision-making bodies. In particular, exclude from committee membership individuals who may have broad self-preservation motives—such as those possibly involved in past internal control issues—and eliminate structural conflict-of-interest risks.

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**Additional Measures: Clarification of Process Accountability and Ex Post Review**

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In light of the risk that abuse of takeover defense measures may harm shareholder interests, introduce ex post verification mechanisms. Where there are suspicions that corporate value has been impaired due to misuse of such measures, an independent third-party body investigates the decision-making process (including the existence of conflicts of interest) and conducts an objective review about its appropriateness and attribution of responsibility.

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**5. Fulfillment of the Asset Owner Function (Corporate Pensions)**

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**Basic Policy: To enable corporate pensions to function effectively as asset owners, appoint personnel with appropriate expertise and oversee external asset managers to ensure that priority is not given to maintaining relationships with the Company's business partners.**

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**Additional Measures: Monitoring of Voting Rights Exercise**

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Clearly show principles regarding stewardship activities to asset managers and monitor whether voting rights are exercised in a conflicted manner, such as through uncritical support of company proposals.

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## **1. Monitoring and Verification of Execution Status**

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**Basic Policy: Formulate a genuine audit plan, including operational audits, and secure audit support functions (staff and budget) that are independent from execution and support the investigative authority of the Audit and Supervisory Committee, thereby establishing a highly effective and independent monitoring framework.**

---

### **Additional Measures: Clarifying Oversight Failures through a Third-Party Committee**

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Treat as a material deficiency in the internal control system the fact that appropriate self-correcting functions were not exercised by the Audit and Supervisory Committee and the Board of Directors despite the existence of repeated misconduct and objective evidence (such as written statements related to the bid-rigging incident). Objectively clarify the structural causes through a Third-Party Committee (Step 1) that fully complies with the Japan Federation of Bar Associations Guidelines.

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### **Additional Measures: Securing Execution-Independent Audit Support Functions and Disclosure of Processes**

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To substantiate the investigative authority of the Audit and Supervisory Committee, secure audit support functions that are independent of the executive chain of command. In addition, disclose to shareholders, with transparency, what specific risk items the independent monitoring organization is monitoring, as well as the processes and progress, in order to prevent the hollowing out of audits.

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## **2. Clarification of Management Responsibility and Corrective Measures**

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**Basic Policy: Re-verify the suitability of the current management and re-formulate recurrence prevention measures, determine whether losses and misconduct arising from governance failures resulted from insufficient deliberation, and appropriately pursue management responsibility.**

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### **Additional Measures: Suitability Review of Management and Audit and Supervisory Committee Members**

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Based on the Third-Party Committee's fact-finding (Step 1), strictly re-verify the suitability of management, including the CEO and COO.

Where breaches of the duty of due care or the duty of oversight are identified, consider and implement strict measures—commensurate with the degree and nature of involvement—including removal from office and claims for damages under the Companies Act.

In addition, verify the appropriateness of the decision-making processes of outside directors serving as Audit and Supervisory Committee members who previously refused requests for investigation.

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### **Additional Measures: Rebuilding Truly Effective Recurrence Prevention Measure**

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Past symptomatic measures—such as formal rule-making or organizational restructuring—implemented without third-party root cause analysis cannot constitute effective countermeasures. Accordingly, rebuild these measures from a zero base as part of recurrence

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prevention, based on the recommendations of the Third-Party Committee (Step 1).

---

### 3. Oversight Stance of Outside Directors

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**Basic Policy: Move away from formalism and address distortions in the business model, establishing a framework in which outside directors genuinely verify the appropriateness of strategies and targets, rather than oversight being reduced to procedural or symbolic actions.**

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#### **Additional Measures: Correction of Structural Factors That Induce Misconduct**

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While advocating fair trade (e.g., the Partnership Building Declaration), monitor whether unreasonable business practices that may impair corporate value—such as unsettled transactions, provisional deliveries, negative margins, or dependence on rebate structures—are being left unaddressed.

As these practices exert pressure on frontline profitability and constitute fundamental causes that induce recourse to misconduct (compliance violations), the Board shall strongly urge the executive side to eliminate them and monitor corrective progress. Require the formulation of a concrete corrective roadmap and deadlines, and where progress is insufficient, reflect this in performance evaluations.

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### 4. Discipline through Incentives

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**Basic Policy: Lead appropriate accountability and removal processes, and introduce risk management mechanisms such as clawback provisions through the Nomination and Compensation Committee, thereby tightening rules on salary reductions and compensation forfeiture in the event of misconduct.**

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#### **Additional Measures: Strict Sanctions and Leadership in Removal of Those Involved in Misconduct**

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For directors and officers involved in misconduct or bearing oversight responsibility, pursue their accountability—without sacred cows—commensurate with the degree of involvement and response, including proposals for removal and claims for damages. In particular, where responsibility is identified at the level of top management such as the CEO, independent outside directors shall lead the removal process, thereby demonstrating the self-correcting function of governance.

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### 5. Activation of Removal Processes and Elimination of Undue Influence

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**Basic Policy: Eliminate opaque exercises of influence and enhance transparency of the advisor system. Where former presidents or other executives remain within the company after succession, restrict their authority to avoid impeding the performance of the current president, and establish transparent systems for authority exercised without disclosure to shareholders.**

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#### **Additional Measures: Clarifying Management Involvement by Former Executives and Rebuilding the System**

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Investigate the reality of substantive management involvement—such as attendance at management meetings—by former executives (including former Representative Directors serving as advisors, etc.), and verify its necessity and rationality.

To prevent undisclosed exercises of authority vis-à-vis shareholders (shadow governance),

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rebuild the system into one with high effectiveness, including abolition of the advisor system. As a general principle, prohibit the engagement of former executives as advisors or consultants, and permit no exceptions unless it can be rationally explained that the former executives are truly indispensable to the company.

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## **1-3 Risk Management and Internal Control System**

### **1. Fostering Corporate Culture and a Code of Conduct**

**Basic Policy: The Board of Directors shall demonstrate leadership in fostering a sound corporate culture, with top management itself exemplifying integrity (honesty and ethical conduct) and communicating a strong compliance-focused message to the operational level.**

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#### **Additional Measures: Suitability Review of Top Management in Relation to Governance Failures**

Where top management is suspected of bearing responsibility for governance failures, having such individuals lead reform would impede the renewal of corporate culture. Accordingly, the Nomination and Compensation Committee shall, based on the Third-Party Committee's fact-finding (Step 1), re-examine from a zero base the appropriateness of reappointing top management.

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#### **Additional Measures: Correction of Inconsistencies Between Words and Actions (Lack of Integrity)**

Verify whether there are material inconsistencies or gaps between the corporate philosophy and commitments to recurrence prevention espoused by management and their actual conduct (including responses to shareholders and attitudes toward factual disclosure). As such inconsistencies are a primary cause of declining organizational morale, objectively examine their causes and restore leadership that is worthy of trust.

---

### **2. Establishment of the Three Lines of Defense and Strengthening of the Second Line**

**Basic Policy: Introduce the three lines of defense for internal control purposes, and in particular ensure the independence of the second line—risk management functions such as legal and compliance—thereby in order to building an effective audit framework.**

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#### **Additional Measures: Correction of Dysfunction in the Audit and Supervisory Committee, Internal Audit, and the CGO**

The Audit and Supervisory Committee and the internal audit function (the third line), which should work in coordination with it, failed to sufficiently exercise investigative functions despite the existence of objective evidence. In addition, concerns remain regarding the ability of the Chief Governance Officer (CGO/the second line) to fulfill oversight functions in light of past circumstances. To ensure the effectiveness of the defense lines, review the requirements for the CGO and refresh the structure by appointing an individual with no interests in past misconduct, or an external professional who is independent and has no transactional or personal relationships with the company.

---

### **3. Establishment of a Group Governance Framework**

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**Basic Policy: The parent company shall bear responsibility for establishing internal controls across the Group and shall develop common rules to be observed by all group companies, thereby ensuring legal compliance and effective implementation.**

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**Additional Measures: Correction of Hollow Rules and the Responsibility of the Parent Company**

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Where the parent company itself has failed to fulfill accountability regarding material facts, it is difficult to establish effective governance at subsidiaries.

To avoid internal rules becoming merely formal and ineffective (all form and no substance), as a first step, conduct a strict re-examination—by a Third-Party Committee (Step 1)—of the suitability of the parent company’s management, and restore the legitimacy necessary to lead group-wide governance.

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**4. Cybersecurity and Risk Disclosure**

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**Basic Policy: Identify at an early stage risks that may impair corporate value and provide accurate information, while viewing cybersecurity measures not as a cost but as an investment.**

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**Additional Measures: Correction of Deviations from Objective Facts and Fulfillment of Accountability**

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Verify whether, in the disclosure of risk information, explanations deviating from objective facts (such as the existence of similar cases or the true intent of shareholders) or arbitrary selection of information favorable to management have occurred. As a lack of accountability arising from double standards undermines market trust, conduct an ex post verification of the fairness of disclosure processes and clarify responsibility.

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**5. Introduction of External Perspectives**

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**Basic Policy: In addressing compliance matters and building internal controls, incorporate perspectives that are not constrained by internal assumptions.**

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**Additional Measures: Establishment of an Independent Third-Party Committee Complying with JFBA Guidelines and Resolution of the Past**

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The Special Committee for Strengthening Governance did not conduct specific fact-finding regarding the contents of written statements related to the bid-rigging incident (including the potential involvement of officers). To ensure the effectiveness of the internal control system, establish an independent Third-Party Committee that fully complies with the Japan Federation of Bar Associations’ guidelines (Step 1), and identify organizational factors explaining “why self-correcting functions failed to operate.”

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**1-4 Audit, Internal Reporting, and Self-Corrective Function**

**1. Independence and Authority of Internal Audit (Third Line)**

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**Basic Policy: In addition to reporting to management, the internal audit function shall secure a direct reporting line to the Audit and Supervisory Committee (dual reporting). Furthermore, to ensure**

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**independence from management, establish the Audit and Supervisory Committee's consent authority with respect to audit plan approval and decisions on the appointment of and remuneration of the head of internal audit.**

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**Additional Measures: Independence from Executive Evaluation Authority**

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Formal independence alone is insufficient. Accordingly, eliminate executive involvement in the performance evaluation of the internal audit function and establish a system that removes structural deference to the President and executive officers.

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**Additional Measures: Expansion of Operational Audits**

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For subsidiary audits, go beyond conventional financial and accounting audits and mandate audits of operational legality and compliance, thereby eliminating audit blind spots.

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**2. Effectiveness and Coordination of the Audit and Supervisory Committee**

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**Basic Policy: Audit and Supervisory Committee members shall conduct audits not only of legal compliance but also of the appropriateness of business execution, and shall proactively exercise the right to seek injunctions against illegal acts. In addition, thoroughly examine whether past inaction constitutes a breach of directors' duty of due care.**

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**Additional Measures: Examination of the Background Behind Non-Exercise of Investigation Authority**

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Despite the existence of repeated signs of misconduct and objective evidence (such as written statements related to the bid-rigging incident), the Audit and Supervisory Committee did not exercise its investigative authority, indicating the presence of structural dysfunction. Through the Third-Party Committee (Step 1), identify the causes of such inaction (e.g., lack of information or insufficient skills) and implement corrective measures.

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**Additional Measures: Moving Beyond Abstraction to Practical Measures**

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In light of the fact that past recurrence prevention measures remained “bureaucratic”, and that the final recommendations of the Special Committee for Strengthening Governance lacked detailed fact-finding and remained abstract, strengthen the framework so that concrete and effective recurrence prevention measures—grounded in on-the-ground realities such as business practices and organizational culture—can be formulated and monitored.

---

**3. Establishment of a Group Audit Framework**

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**Basic Policy: Select subsidiaries for audit based on risk materiality, and have parent and subsidiary auditors, Audit and Supervisory Committee members, and internal audit functions work in coordination to audit group-wide internal controls, while eliminating risks of opaque shadow governance.**

---

**Additional Measures: Reform of the Advisor System as a Breeding Ground for Concealment**

---

There are concerns that, in past misconduct responses, former executives (such as advisors) continued to participate in subsidiary management meetings, thereby impeding the exercise of self-correcting functions. Advance consolidation toward an independent external perspective

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and eliminate the influence of advisors whose authority and responsibility are unclear.

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#### 4. Effectiveness of the Whistleblowing System

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**Basic Policy: Establish reporting channels independent from management and create an environment in which employees can report concerns without fear of retaliation. In particular, to structurally prevent suppression by the executive side (information blockage), thoroughly ensure information independence and introduce a leniency program.**

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##### **Additional Measures: Suitability Review of the Chief Governance Officer (CGO)**

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The Chief Governance Officer (CGO), who is responsible for receiving and assessing whistleblower reports, must be a person with no interest whatsoever in past misconduct and a high degree of neutrality. In light of roles held at the time of past misconduct, it is inappropriate for individuals whose oversight responsibility or inaction concerns cannot be fully dispelled to assume this role. Accordingly, appoint as CGO an individual with no interest in past misconduct, or an external professional who is independent and has no transactional or personal relationships with the company.

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##### **Additional Measures: Introduction of a Leniency Program**

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In addition to prohibiting retaliatory treatment of whistleblowers, introduce leniency provisions that allow mitigation of penalties where individuals involved in misconduct voluntarily report, thereby promoting the discovery of organizationally concealed misconduct.

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#### 5. Disclosure of Operational Status and Transparency

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**Basic Policy: To ensure the effectiveness of the system, disclose the number of reports received and the status of responses. In light of past concealment, eliminate reporting that presupposes conclusions such as “no material violations,” and mandate comprehensive reporting that includes even minor matters.**

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##### **Additional Measures: Transparency of Operations and Disclosure of Responses**

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With due consideration for personal privacy and within the bounds of confidentiality obligations, disclose—according to case type and severity—specific summaries of whistleblowing cases together with the measures taken. To prevent tampering or concealment by the executive side, have the Audit and Supervisory Committee, rather than management, take the lead in verifying this disclosure process and ensure transparency to shareholders.

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##### **Additional Measures: Verification of the Appropriateness of External Expert Engagement**

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Verify whether external experts providing legal advice (such as outside counsel) have prioritized management self-justification or entrenchment.

In addition, in misconduct responses, confirm whether conflicts of interest exist due to past mandates or personal affiliations with the company, and ensure a framework in which advice truly serves the interests of the company.

---



## **1. Framework for Responding to Misconduct and Emergencies**

**Basic Policy: Establish measures for the early detection of misconduct and the minimization of damage, and, in times of crisis, establish a truly effective Third-Party Committee to clarify the full scope of the matter and formulate recurrence prevention measures.**

**In particularly serious cases, establish a framework led by independent outside directors.**

---

### **Additional Measures: Establishment of a Third-Party Committee Fully Complying with JFBA Guidelines**

Past responses to misconduct raise concerns that they remained formalistic and did not lead to fundamental resolution, as fact-finding was not sufficiently conducted. In future crisis management, establish a Third-Party Committee that fully complies with the JFBA guidelines, with full authority for member selection vested in a body composed solely of independent outside directors.

---

### **Additional Measures: Emergency Succession Planning and Leadership in Removal Decisions**

Formulate an emergency plan to prepare for unforeseen circumstances. In cases of major misconduct or significant deterioration in performance where management leadership is deemed inappropriate, establish a process under which independent outside directors take the lead in promptly determining whether to remove the President/CEO.

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## **2. Initial Response Process upon Receipt of an Acquisition Proposal**

**Basic Policy: Upon receipt of an acquisition proposal, promptly refer the matter to the Board of Directors to prevent suppression, and adopt a framework under which the proposal is examined without being dismissed lightly based on interpretations lacking objective grounds. Such examination shall include the establishment of a special committee with a high degree of independence and the use of external review processes.**

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### **Additional Measures: Ensuring Independence and Objectivity of the Special Committee**

In forming a special committee, adopt a verification process that ensures objective validity by centering on independent outside directors and, where necessary, supplementing independence and expertise through the inclusion of external experts (such as lawyers and certified public accountants), in line with the Ministry of Economy, Trade and Industry's Guidelines for Fair M&A and Guidelines for Corporate Takeovers, etc.. Enhance the fairness of decisions by incorporating external perspectives free from conflicts of interest, in addition to existing Board members.

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### **Additional Measures: Monitoring Process Fairness and Accountability**

Monitor whether actions that substantially impede consideration of an acquisition proposal—such as undue restrictions on due diligence, excessively prolonged review periods, or demands for responses to unreasonable questions—are being taken. To enable to meet ex post accountability to shareholders on the rationality of decisions, record and disclose the review process and the specific and rational grounds for decisions reached (including

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valuation bases).

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### 3. Discipline Governing the Adoption and Activation of Takeover Defense Measures

---

**Basic Policy: Prevent, without exception, the abuse of takeover defense measures for management self-preservation purposes, and ensure that such measures are applied only through necessary and proportionate means.**

---

#### **Additional Measures: Objective Verification of the Appropriateness of Adoption and Maintenance**

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In adopting or maintaining emergency-type takeover defense measures, eliminate arbitrary interpretations and make determinations based on objective facts regarding the existence of a contest for control and shareholder intent. To prevent self-preservation-driven (entrenchment) use, subject the rationality of the grounds for adoption to strict verification by a highly independent body.

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#### **Additional Measures: Ex Post Verification of the Decision-Making Process for Activation**

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In light of the risk that activation of takeover defense measures may impair corporate value, where there are suspicions of such impairment, have an independent third-party body verify the appropriateness of the decision-making process.

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### 4. Elimination of Coerciveness and Objective Determination

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**Basic Policy: Refrain from determinations of contests for control or coerciveness that are inconsistent with objective facts, and apply objective and stringent standards to the adoption and activation of takeover defense measures.**

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#### **Additional Measures: Strict Standards for Determining Coerciveness and Elimination of Arbitrary Application**

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In determining coerciveness, give maximum weight to objective facts such as past dialogue records.

Strengthen determination standards and establish mechanisms to eliminate arbitrary application, so as not to restrict shareholders' exercise of rights by overstating non-existent risks.

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#### **Additional Measures: Objectification of Activation Criteria**

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Eliminate management's subjective discretion from activation criteria and strictly apply objective standards based on concrete likelihood of impairment to corporate value.

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### 5. Code of Conduct in M&A Transactions

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**Basic Policy: Strictly refrain from inaccurate disclosures, undue approaches to business partners, or coercive solicitation. With respect to information provided by acquirers, do not summarize or distort such information, and ensure shareholders' right to access the original documents.**

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#### **Additional Measures: Guarantee of Access to Original Documents and Elimination of Information Asymmetry**

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In disclosing information relating to acquisition proposals or shareholder proposals, guarantee shareholders direct access to original documents prepared by the proposer—except where trade secrets are involved—to prevent arbitrary summarization or interpretation (filtering) by the company. By doing so, eliminate information asymmetry and establish an environment in which shareholders can make accurate decisions based on primary information.

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## 2-1 Management Strategy Based on Cost of Capital

### 1. Identification of the Cost of Capital and Target Setting

**Basic Policy: Accurately identify the Company's cost of capital, present targets related to profitability and capital efficiency, and establish a process under which the Board of Directors verifies the appropriateness of such targets.**

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#### Additional Measures: Objective Validation of the Cost of Capital Assumptions

With respect to the current cost of capital assumption (6%), there are concerns as to whether it merely endorses the Company's current low profitability and whether its calculation basis is appropriate. Based on dialogue with the market, have a third party re-verify the calculation process and reset an objective cost of capital (WACC) that appropriately reflects business risk.

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#### Additional Measures: Re-Examination of the Appropriateness of the Already-Achieved ROE Target

Re-examine why an ROE of 8%, already achieved in the past, is considered an appropriate forward-looking target in the medium-term management plan. Strictly assess, from the perspectives of market valuation and asset-based expected returns (ROIC), whether this constitutes an unduly status-quo-oriented target.

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#### Additional Measures: Strict Hurdle Rates Commensurate with Business Risk

Eliminate purely formal approval processes within bodies such as the Investment Committee and ensure substantive deliberation. Introduce and operate strict ROIC hurdle rates based on objectively calculated costs of capital, to ensure appropriate spreads (safety margins) reflecting the risk characteristics of each business.

---

### 2. Construction of an Equity Story

**Basic Policy: Articulate a long-term value creation story, clarify investments in intangible assets that generate competitive advantages and inter-business synergies, and present strategies that are effective in substance rather than limited to the use of terminology.**

---

#### Additional Measures: Elimination of Structural Impediments

There are concerns that “structural impediments”—such as dependence on business practices that induce compliance risks and the entrenchment of low-profitability structures—are obstructing corporate value enhancement (value transfer). Present a roadmap that clearly

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explains how these impediments will be resolved and how sustainable growth will be achieved, including quantitative annual milestones.

---

**Additional Measures: Disclosure of the Accumulated Basis for Core Business Improvement**

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With respect to targets indicating future improvements in ROIC for core businesses, move beyond aspirational statements and rigorously examine and explain to shareholders the concrete measures whose accumulation makes such improvements achievable, together with their rationale and likelihood.

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**3. Capital Policy and Shareholder Returns**

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**Basic Policy: Formulate a financial management policy that includes asset compression and returns with a focus on capital efficiency, as well as optimal use of cash based on the cost of capital, and engage in substantive discussion to eliminate internal reserves without thought and promote optimal cash utilization.**

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**Additional Measures: Principle of Disposing of Cross-Shareholdings**

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With respect to Cross-Shareholdings, proceed in principle with reduction or sale unless it can be demonstrated that the quantitative benefits of maintaining or strengthening business relationships exceed the cost of capital.

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**Additional Measures: Effective Use of Proceeds from Sales**

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Prioritize the use of proceeds for strengthening logistics networks and investing in human capital, thereby enhancing sustainability as social infrastructure, and thereafter implement disciplined shareholder returns.

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**4. Management of B/S-Perspective and Market Valuation (PBR)**

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**Basic Policy: Strengthen investment discipline and conduct ex post reviews of all projects, shift away from P/L-centric management, and rigorously incorporate B/S and cash flow perspectives, while clearly defining exit criteria for businesses that fail to generate returns commensurate with the cost of capital.**

---

**Additional Measures: ROIC Verification and Disclosure for Investment Projects**

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There are concerns that large-scale investments have been executed without clear return plans commensurate with the cost of capital.

Conduct ex post verification of past projects from a cost-of-capital perspective, and mandate the calculation and disclosure of expected ROIC for future investments to strengthen investment discipline.

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**Additional Measures: Disclosure of the Rationale for the Effectiveness of Growth Investments**

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For all significant growth investments, disclose expected ROIC and transparently present to shareholders both quantitative and qualitative grounds supporting their effectiveness.

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**Additional Measures: Stricter Exit Criteria for Low-Profitability Businesses**

---

For businesses generating returns below the cost of capital, formulate fundamental profitability reform plans rather than pursuing immediate exit.

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If ROIC targets are not achieved within a defined period, re-examine—on a zero-base—the meaning and competitive advantage of continued ownership within the Group, and consider strategic options including divestiture or exit.

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## 5. Group Strategy and Investor Communication

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**Basic Policy: Renew the strategy formulation process to ensure genuine independence, prevent committees from serving as a shield for management preservation or status quo endorsement, and provide investors with concrete explanations of deliberation status and logic.**

---

### Additional Measures: Securing Resources Necessary for Strategy Formulation

---

In past management strategy committees, reluctance to engage external advisors due to cost considerations resulted in plans that merely endorsed the status quo. To formulate truly effective strategies, secure sufficient budgets and resources to engage external experts independent from management.

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### Additional Measures: Ensuring the Effectiveness of the Strategy Review Committee

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There are concerns that the Management Strategy Committee has functioned as a formal checkpoint to ratify management policies.

To eliminate status quo bias and enable unrestrained deliberation, fundamentally review committee composition and operating processes and ensure independence from management.

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### Additional Measures: Establishment of a Truly Independent Strategy Review Committee

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Invite external experts with substantive independence and expertise. With outside directors at the core, examine all strategic options without regard to existing constraints, and disclose the outcomes and underlying logic to shareholders with full transparency.

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### Additional Measures: Disclosure of Risk Information and Restoration of Trust

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Fully disclose past misconduct and governance-related issues (risk information) without concealment, and through transparency, secure shareholder support for the new management strategy.

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## 2-2 Business Portfolio Optimization

### 1. Basic Policy and Accountability for Portfolio Management

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**Basic Policy: Management's primary mission shall be to maximize corporate value through portfolio optimization and the creation of synergies.**

**The Board of Directors shall review the basic policy at least annually and, where the risk of dysfunction is high, consider a fundamental review of the management structure.**

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### Additional Measures: Elimination of the Conglomerate Discount

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Recognizing that the current low price-to-book ratio (PBR) is largely attributable to a conglomerate discount arising from non-synergistic diversification, examine—without sacred cows—all strategic options, including business separation (spin-offs), to unlock

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corporate value.

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**Additional Measures: Management Unsuitability and Oversight Responsibility**

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Where the management structure continues to carry unresolved issues related to past misconduct responses or governance concerns (matters to be examined in Step 1), there is a high risk that fundamental portfolio reform will devolve into mere endorsement of the status quo.

Accordingly, prior to executing reform, re-examine—based on objective facts—the suitability of the Chief Executive Officer and the appropriate allocation of oversight authority.

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**Additional Measures: Leadership and Explanation by Outside Directors**

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To ensure decisions are not constrained by internal vested interests or entrenched practices, independent outside directors shall take the lead in optimizing the business portfolio. The results of such reviews shall be explained to shareholders directly by outside directors themselves, rather than by the executive side, thereby ensuring transparency.

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**2. Establishment of Evaluation Criteria**

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**Basic Policy: Establish a standardized evaluation framework centered on capital profitability and growth, prepare balance sheets and cash flow data for each business, and annually verify whether continued ownership is economically rational.**

---

**Additional Measures: Verification of Alignment with the Cost of Capital**

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There are concerns that the ROIC targets for the pharmaceutical wholesaling and dispensing businesses, as well as the Company's assumed cost of equity (6%), do not adequately reflect actual business risk. To avoid numerical engineering designed to justify continued ownership, conduct a re-verification of the cost of capital by an independent third party with no interests aligned with management, and disclose the results and underlying logic to shareholders.

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**Additional Measures: Ensuring Objectivity of Calculation Processes**

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If errors are identified in the calculation or application of the cost of capital, identify why assumptions endorsing existing policies were adopted—focusing on calculation logic and approval processes—and correct them to ensure objectivity.

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**Additional Measures: Introduction of Time-Bound Commitments**

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Rather than indefinitely retaining businesses below cost of capital based on abstract explanations such as being in a “recovery phase,” disclose concrete timeframes (deadlines) for determining whether divestment or exit decisions will be made and achievement criteria for determining whether continued ownership is justified.

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**Additional Measures: Introduction of Strict Hurdle Rates**

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Based on appropriately estimated costs of capital, introduce and apply strict ROIC hurdle rates (WACC plus a spread) that secure adequate safety margins commensurate with business risk.

### 3. Resource Allocation

**Basic Policy: Concentrate on growth investments and verify investment returns, redeploying cash generated by mature businesses into new growth areas, and clearly explaining the execution details of allocations, including capital expenditures and investments in human capital.**

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#### **Additional Measures: Substantiation and Transparency of the Investment Committee**

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Do not justify investments merely by satisfying the formal requirement of having passed through the Investment Committee, and fulfill substantial accountability. For all investments—including those with uncertain future returns such as human capital and venture investments—explain transparently to shareholders the expected returns and why they exceed hurdle rates and enable ex post verification.

---

### 4. Execution of Carve-Outs and Exits

**Basic Policy: Formulate fundamental profitability improvement plans for businesses generating returns below the cost of capital and execute restructuring without sacred cows. For non-core businesses where recovery is unlikely, make early strategic decisions—including alliances with other companies or carve-outs—while prioritizing the maintenance of essential social infrastructure, and reflect execution outcomes in management evaluations.**

---

#### **Additional Measures: Clarification and Optimization of Expected Returns Across All Businesses**

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Clarify expected ROIC for all existing businesses, assets, and new investments, and conduct zero-based reviews of the rationale for retaining businesses below cost of capital, implementing unreserved business and asset restructuring.

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#### **Additional Measures: Clarification of the Strategic Positioning of the Pharmacy Business**

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Move beyond formal reorganizations such as corporate integrations and clearly define the economic rationale for ownership and the medium- to long-term strategic direction of the pharmacy business within the Group from a portfolio management perspective.

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#### **Additional Measures: Incentivization of Portfolio Reform**

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Introduce mechanisms that positively reflect decisive exits or carve-outs of low-profitability businesses in executive compensation (performance-linked metrics), evaluating them as contributions to capital efficiency improvement rather than penalizing management (resistance to scale reduction).

---

### 5. Process Transparency and External Perspectives

**Basic Policy: Clarify review processes, conduct strategic reviews utilizing external experts such as financial advisors, and ensure the independence of advisor selection and agenda-setting.**

---

#### **Additional Measures: Implementation of a Strategic Review**

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Conduct a zero-based strategic review that examines all strategic options without presupposing the current business structure. Engage external financial advisors and other experts who are not constrained by internal logic, thereby introducing objective perspectives.

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#### **Additional Measures: Ensuring Independence in Expert Selection**

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Based on lessons learned from past review processes, prioritize substantive independence—such as the absence of prior advisory or transactional relationships with the Company—over purely formal requirements when selecting advisors and committee members, and appoint truly independent experts through appropriate selection processes.

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#### **Additional Measures: Disclosure of the Rationale for Target Setting**

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Eliminate management plan figures that are merely the result of internal aggregation by the secretariat, and disclose the appropriateness of targets and the logic of key quantitative indicators (KPIs) so that shareholders can externally verify their rationality.

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## **2-3 CEO Succession and Appointment/Dismissal**

### **1. Definition of the “Ideal CEO Profile” and Establishment of Criteria**

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**Basic Policy: The Nomination and Compensation Committee shall clearly define the “ideal CEO profile” in light of the management environment and strategy, incorporate as mandatory requirements the qualities necessary to make and execute decisive portfolio reforms, and disclose such criteria to shareholders together with strict suitability requirements.**

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#### **Additional Measures: Objective Verification of Top Management Qualifications and Reflection in Criteria**

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In light of objective facts—such as the existence of written statements related to the bid-rigging incident and repeated misconduct—serious doubts have arisen as to whether the current top management satisfies the strict suitability requirements that should be newly established. Conduct fact-finding and root cause analysis regarding the circumstances under which risks were previously overlooked in appointments, and strictly reflect the results in current suitability assessments.

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### **2. Formulation and Oversight of the Succession Plan**

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**Basic Policy: The Board of Directors and the Nomination and Compensation Committee shall take an active role in formulating and operating the succession plan, overseeing the entire cycle from appointment to transition, and shall particularly strengthen emergency response preparedness for unexpected situations.**

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#### **Additional Measures: Appropriateness of Emergency Plans Led by the Nomination and Compensation Committee**

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Verify the rationality of past succession plans under which options were limited following the sudden passing of a top executive, resulting in the selection of a successor without a sufficient process. To prevent arbitrary selection by the executive side, reform the system so that, even in emergencies, outside directors take the lead in selecting successors.

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### **3. Development and Evaluation of Candidates**

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**Basic Policy: Identify high-potential talent at an early stage and provide them with challenging**

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**assignments—such as leading subsidiaries—to develop problem-solving capabilities. In evaluation and development, eliminate undue influence based on specific attributes or opaque involvement by current management, and apply objective performance-based standards.**

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**Additional Measures: Elimination of Undue Influence from the Development Process**

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As concerns remain regarding compliance awareness and governance understanding among current executive directors, the Nomination and Compensation Committee and external professionals shall take the lead in developing next-generation CEO candidates. This will eliminate undue influence from current management and prevent the reproduction of a corporate culture characterized by concentration of authority in specific individuals and intolerance of dissent.

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**Additional Measures: Use of 360-Degree Evaluations and External Assessments**

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To identify candidates with strong negotiation capabilities with stakeholders and a firm commitment to transformation, utilize 360-degree evaluations and external assessments to conduct multi-faceted evaluations of whether candidates can truly enhance corporate value.

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**4. Appointment of External Talent**

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**Basic Policy: Mandate consideration of a broad candidate pool that includes external and global talent, rather than limiting consideration to internal candidates.**

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**Additional Measures: Mandatory Use of Search Firms**

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In selecting CEO candidates, mandate the use of executive search firms to identify external talent and include such candidates in the candidate pool, thereby preventing selection based solely on internal logic and introducing objective competition.

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**5. Transparency and Operation of Appointment and Removal Processes**

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**Basic Policy: Establish objective criteria for the removal of the CEO in cases where performance is inadequate—such as prolonged low PBR—and conduct annual evaluations to determine reappointment or non-reappointment, while fulfilling full accountability regarding the process.**

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**Additional Measures: Quantification and Tightening of Removal Criteria**

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The removal criteria shall not be limited to qualitative triggers, but shall establish quantitative triggers that leave no room for arbitrariness—such as cases where “ROE consistently falls below the cost of capital”, or where “relative total shareholder return (TSR) materially underperforms peers”—and, where such triggers are met, deliberations on removal shall, as a general principle, be initiated. Where, despite failure to meet such criteria, retention is decided, an obligation shall be imposed to provide shareholders with a detailed and rational explanation.

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**Additional Measures: Full Accountability by the Chair of the Nomination and Compensation Committee**

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The Chair of the Nomination and Compensation Committee shall disclose to shareholders details regarding alignment with the skills matrix, the succession plan, development programs, policies on external talent recruitment, and the appointment and removal process based on

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performance-linked metrics.

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#### **Additional Measures: Verification and Accountability for the Reappointment Process**

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Examine the circumstances under which, at the Annual General Meeting of Shareholders held in June 2025, the reappointment of directors with questionable suitability proceeded—despite the existence of written statements related to the bid-rigging incident—using explanations that deviated from objective facts and without disclosure of such written statements to shareholders. The Chair of the Nomination and Compensation Committee shall bear the obligation to provide shareholders, ex post, with a rational explanation of the appropriateness of the decision-making process.

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## **2-4 Incentive Compensation Design**

### **1. Formulation and Governance of the Compensation Policy**

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**Basic Policy: Establish a unified compensation policy anchored in the Group's philosophy and strategy. The Compensation Committee shall be deeply involved not only in determining individual compensation amounts, but also in setting policies to ensure that incentives function effectively.**

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#### **Additional Measures: Transparency of the Decision-Making Process and Accountability of the Chair**

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Fully disclose the rationale for selecting performance-linked metrics, the process for determining their levels, and the logic underpinning their appropriateness. The Chair of the Nomination and Compensation Committee shall bear responsibility for providing shareholders with a rational explanation as to how the compensation design contributes to the enhancement of corporate value.

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#### **Additional Measures: Establishment of Objective Review Authority**

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Strictly monitor whether the current compensation determination process has become one for management's will (self-serving arrangements). The Nomination and Compensation Committee shall objectively assess, based on data, whether management has truly resolved the issues it set forth, and shall exercise its authority to impose rigorous downward adjustments where targets are not met or where material facts have been concealed.

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### **2. Optimization of the Compensation Structure**

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**Basic Policy: Move away from an excessive reliance on fixed compensation and increase the proportion of performance-linked compensation, centered on long-term incentives, to 40–50%, thereby achieving clearer alignment with shareholder interests and adopting a high-risk, high-return structure.**

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#### **Additional Measures: Strict Application of Rewards and Penalties**

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Adopt a compensation structure with clear differentiation of outcomes, under which compensation is significantly reduced or forfeited if misconduct is tolerated or concealed, while globally competitive, high-level compensation is paid when long-standing structural

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reforms are successfully executed and corporate value is materially enhanced.

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#### **Additional Measures: Strengthening Compensation Reduction Mechanisms for Misconduct**

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Introduce and strengthen mechanisms that allow for retroactive repayment or forfeiture of compensation in the event of misconduct or scandals (clawback and malus provisions), thereby thoroughly preventing moral hazard arising from short-term profit-seeking behavior.

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### **3. Design of Strategy-Linked Performance Metrics**

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**Basic Policy: Shift evaluation metrics from scale (absolute size) to efficiency (capital profitability) and relative performance, and position the elimination of unreasonable business practices as a top-priority evaluation item.**

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#### **Additional Measures: Incentives for Structural Reform**

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Resolving structural challenges in the pharmaceutical wholesaling industry—such as excessive dependence on customers and practices including negative margins or unsettled transactions—has a substantial impact on corporate value. Establish KPIs that highly evaluate the resolution of such issues as difficult but critical management achievements, thereby providing strong incentives for management to pursue reform.

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#### **Additional Measures: Introduction of Relative TSR as an External Benchmark**

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To fully align management interests with shareholder value, introduce “relative TSR”, benchmarked against the TOPIX Pharmaceuticals Index and peer companies selected based on objective criteria, as a performance evaluation metric. Design the compensation framework such that no performance-linked compensation is paid when market performance materially underperforms peers, thereby establishing a mechanism to curb self-centered management decisions, including entrenchment.

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#### **Additional Measures: Restoring Incentive Effectiveness through Ambitious Target Setting**

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Correct target settings that lack effectiveness because full payouts can be easily achieved, and restore incentives by setting ambitious targets that sufficiently exceed the cost of capital, thereby discouraging complacency and rewarding genuine performance.

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### **4. Scope of Application and Talent Strategy**

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**Basic Policy: Expand eligibility for equity-based compensation beyond senior management to include next-generation leadership candidates and subsidiary management, fostering group-wide alignment toward shareholder value creation.**

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#### **Additional Measures: Tailored Incentives for Core Subsidiaries**

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For officers of core group subsidiaries, the Nomination and Compensation Committee shall design and implement appropriate incentive plans aligned with Group-wide policies and tailored to each company’s specific management challenges—particularly the correction of unreasonable business practices at the operational level.

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#### **Additional Measures: Use of Stock Options and Retention Measures**

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Utilize stock options and similar instruments as appropriate to ensure that achieving

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ambitious targets yields commensurate economic rewards, thereby supporting the attraction and retention of high-caliber management talent. In addition, expand equity-based compensation for next-generation leadership candidates to instill a shareholder-oriented mindset from an early stage.

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## 5. Disclosure and Accountability

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**Basic Policy: Clarify the rationale and philosophy underlying executive compensation design so that it can be explained to investors, and ensure transparency through annual verification.**

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### **Additional Measures: Direct Explanation by the Chair and Verifiability**

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Each year, the Chair of the Nomination and Compensation Committee shall explain the logic behind CEO compensation decisions, ensuring transparency that allows shareholders to verify appropriateness against financial performance.

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### **Additional Measures: Full Disclosure of the Rationale for Appropriateness**

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Proactively disclose, based on quantitative logic, why specific compensation levels and structural ratios are appropriate, thereby enabling shareholders to conduct ex post verification.

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## 2-5 Strengthening Execution and Realizing Value

### 1. Strengthening the Executive Structure and Delegation of Authority (CXO)

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**Basic Policy: Advance delegation of authority within a team centered on the Representative Director, President and CEO, enabling each functional chief officer to optimize synergies and resource allocation, while clearly separating oversight functions from execution functions.**

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### **Additional Measures: Strengthening Oversight through Separation of the CEO and Chair**

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From the perspective of strengthening the current CEO's leadership as well, clearly separate the roles of Board Chair and CEO in order to resolve deficiencies in oversight functions.

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### **Additional Measures: Tightening Suitability Requirements for the Chief Governance Officer (CGO)**

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To ensure the effectiveness of governance enhancement, appoint as Chief Governance Officer (CGO) an individual with no interest in past misconduct, or an external professional who is independent and has no transactional or personal relationships with the Company, thereby ensuring independence from execution functions.

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### **Additional Measures: Establishment of a Chief Transformation Officer (CTO) and Ensuring Execution**

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To complete fundamental reforms that do not merely extend existing practices, such as portfolio restructuring and cultural renewal, appoint a Chief Transformation Officer (CTO) with full delegated authority under the CEO's direction, and monitor the progress of transformation initiatives.

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#### **Additional Measures: Accountability Following Third-Party Committee Findings**

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With respect to officers whose involvement in misconduct or collusive practices has impeded role optimization, consider implementing strict measures commensurate with the degree of responsibility, based on the Third-Party Committee's fact-finding (Step 1), and refresh the executive structure to one that functions effectively.

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### **2. Strategic Role of the CFO and Capital Discipline**

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**Basic Policy:** As a partner to the CEO, the CFO shall be deeply involved in strategy, build data infrastructure for identifying the cost of capital and conducting risk-return analysis, and lead disciplined resource allocation.

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#### **Additional Measures: Appointment of an External Professional CFO**

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To ensure genuine financial discipline and constructive challenge, appoint an external professional as CFO who is not influenced by internal logic.

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#### **Additional Measures: Strengthening CFO Authority and Implementing Strict Hurdle Rates**

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Grant the CFO strict review authority over investment proposals that do not meet capital efficiency requirements, as well as the right to refer matters back to the Board of Directors for re-examination and to present opinions. Accurately estimate the cost of capital and establish strict hurdle rates that include a sufficient margin above the cost of capital, thereby preventing undisciplined investment.

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### **3. Dialogue for Value Realization**

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**Basic Policy:** Conduct dialogue with investors based on objectives aligned with the operating strategy, and build trust with the market by having outside directors also participate as speakers and provide direct explanations to investors.

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#### **Additional Measures: Accountability and Fact Verification in Dialogue**

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There are concerns that, in the current dialogue process, explanations deviating from objective facts may have been provided to serve the self prevention of management (entrenchment). To prevent impairment of corporate value, have an independent third party verify the accuracy of past disclosures, particularly whether material facts were concealed, and, where failures of accountability are identified, investigate their root causes.

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#### **Additional Measures: Sanctions for Those Failing to Fulfill Accountability and Rebuilding the Dialogue Framework**

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Based on facts established through investigation, where responsibility is identified for providing explanations inconsistent with facts or for concealment vis-à-vis shareholders, impose strict sanctions and rebuild from the ground up a dialogue framework that genuinely contributes to sustainable, long-term enhancement of corporate value.

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### **4. Response to Acquisition Proposals and the Corporate Value Maximization Process**

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**Basic Policy:** Identify factors contributing to undervaluation in normal times and assess acquisition proposals solely on the basis of corporate value enhancement.

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**In particular, to prevent the activation of takeover defense measures for management self-preservation purposes, eliminate arbitrariness from activation criteria and apply objective and stringent standards.**

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**Additional Measures: Normalization of Market Discipline**

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Review activation criteria for takeover defense measures in light of global governance standards, so as to prevent actions that neutralize market discipline over management or unduly restrict shareholder rights.

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**Additional Measures: Elimination of Arbitrary Application and Ensuring Objectivity**

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In crisis situations, prevent management from arbitrarily characterizing risks such as contests for control and abusing discretion for self-preservation.

Eliminate management's subjective discretion from criteria for responding to acquisition proposals or activating countermeasures, and establish strict operating standards based solely on objective facts.

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