

# Maximizing Corporate Value for Toho Holdings

May 27, 2025



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# Executive Summary

# Executive Summary (1/2)

## Toho HD's Underperformance

- Until 3D initiated engagement in March 2023, Toho HD's TSR consistently underperformed its peers
  - We believe the recent improvement in share price performance reflects market expectations for transformation, driven in part by our increased voting rights
- With ROE below 8%, Toho HD maintains the lowest operating margin among peers

## Toho HD's Management Issues

- Toho HD faces serious and unresolved management issues: ① Governance deficiencies, ② low core business profitability, and ③ an inefficient balance sheet
  - ①Toho HD has failed to implement fundamental corrective measures despite its repeated involvement in bid-rigging and other violations. Additionally, the presence of directors from firms in which Toho HD owns cross holdings also raises governance concerns
  - ②Although industry-wide profitability is generally low, Toho HD lags further behind any of its wholesale pharma peers
  - ③Toho HD's balance sheet is inefficient excess cash and cross-held shares, and disjointed approach to working capital and logistics operations
- We have proposed actionable value-enhancing measures, but Toho HD has largely ignored our recommendations and continues to neglect its issues
- Management must address its governance, compliance and operational failures to achieve long-term value growth

## Governance and Compliance Issues: Repeated Scandals and the NU Incident

- Despite receiving regulatory sanctions for three separate bid-rigging cases, Toho HD only took reactive measures and failed to implement fundamental reforms
- While governance deficiencies persisted, the company became involved in a new scandal
  - Toho HD participated in creating illicit funds tied to the Nihon University (NU) hospital case
  - Case records suggest that inappropriate transactions with shell companies may have been a recurring practice, not limited to the NU case

## Governance and Compliance Issues: Suspected Concealment in NU Case Response

- Toho HD's response to the UN incident suggests a pattern of concealment:
  - ①Discrepant media statements: There are multiple discrepancies between Toho HD's interview statements and case records, suggesting possible misrepresentation
  - ②No voluntary disclosure: The company did not proactively disclose its involvement. Its stated reason—"to avoid reputational damage"—was accompanied by remarks such as "please refrain from pursuing this further" provided in the meeting between 3D and Toho HD's executive officer (*Shikkoyakuin*).
  - ③Refusal to establish an independent committee: On March 25, 2025, we formally requested the formation of an independent third-party committee. The company refused. Instead, it established the "Special Committee for Governance Enhancement," which does not have substantial function and lacks the independence required for a credible investigation
- Toho HD continues to deflect governance concerns by insisting there was "no illegality," while minimizing the severity of the governance and compliance issue

# Executive Summary (2/2)

## Loss of Business Partner Trust and Irreversible Risk to Corporate Value

- Toho HD's high compliance risk have already led some pharmaceutical companies to suspend transactions, posing a serious threat to its revenue base
  - Due to its repeated involvement in bid-rigging scandals and the NU incident, Toho HD is now perceived to have the highest compliance risk among the four major industry players
  - The continued concealment of facts related to the NU incident is further eroding the trust of business partners and market participants, as demonstrated by recent transaction suspensions
- Unless Toho HD addresses the underlying governance failures, unresolved compliance risks may cause irreversible harm to its corporate value

## Voting Recommendation to Address Governance Failures

- We recommend voting against Mr. Edahiro and Mr. Kamoya and Mr. Kotani based on the following governance concerns:

### Mr. Edahiro

- As a member of senior management, Mr. Edahiro was directly involved in two bid-rigging cases and the NU incident, and cannot be absolved of responsibility for the governance/compliance issues.
- His public statements conflict with case records, raising serious concerns about the credibility and transparency of his explanations
- Despite these issues, he was appointed CEO through an internal succession process, with no external benchmarking or accountability review related to the past scandals

### Mr. Kamoya

- As the longest-serving outside director, Mr. Kamoya's lack of involvement in the Special Committee for Governance Enhancement reflects a concerning disregard for governance and compliance issues
- Furthermore, despite his key role on the Nomination Committee as the former Chairperson of the Nomination Committee, he failed to pursue accountability for past scandals, and did not ensure the appropriate selection of the CEO as a director, and does not fulfill his responsibility for these actions.
- Additionally, Mr. Kamoya currently serves as an advisor to company engaged in a cross-shareholding with Toho HD, raising serious concerns about his independence as an outside director

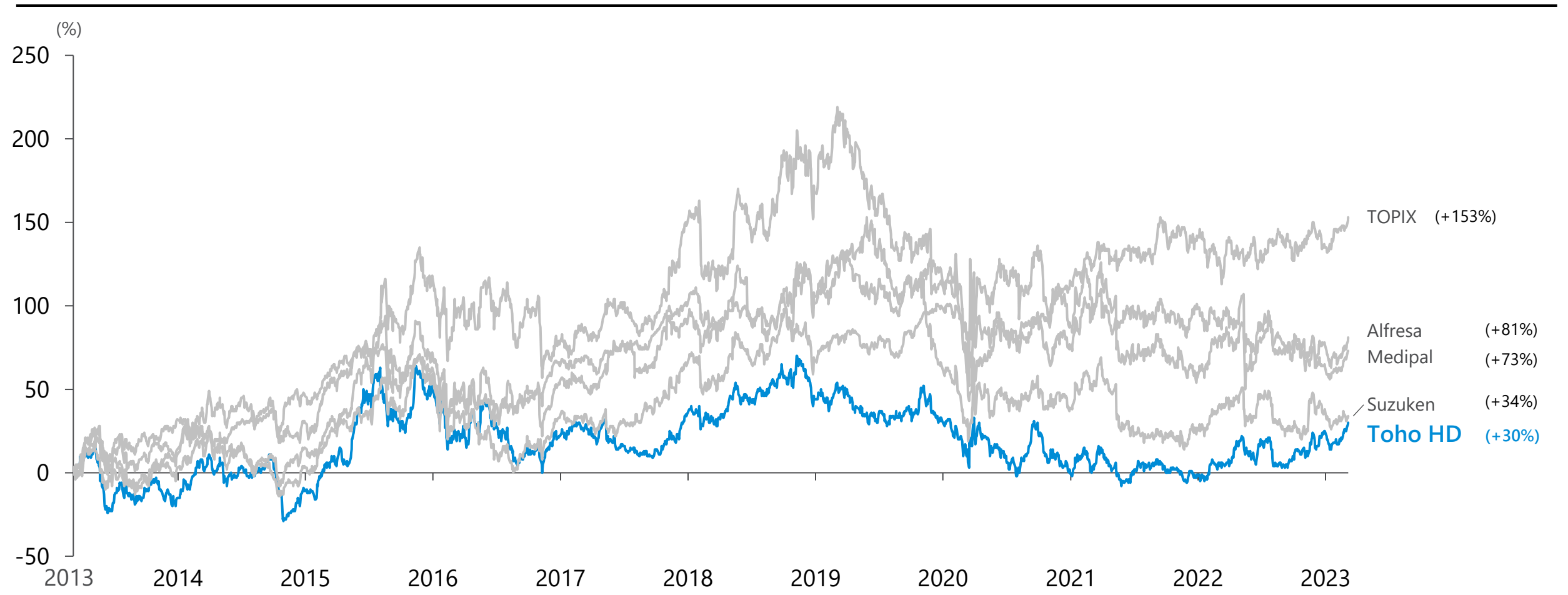
### Mr. Kotani

- As a member of the Nomination Committee, he was involved in last year's flawed process of appointing Mr. Edahiro as CEO. Furthermore, as Chairperson of the Nomination Committee, he does not fulfill his responsibility for the decision to retain Mr. Edahiro as CEO.

## Underperformance of Toho HD

# Before 3D's Engagement Began in March 2023, Toho HD's TSR Significantly Underperformed Peers

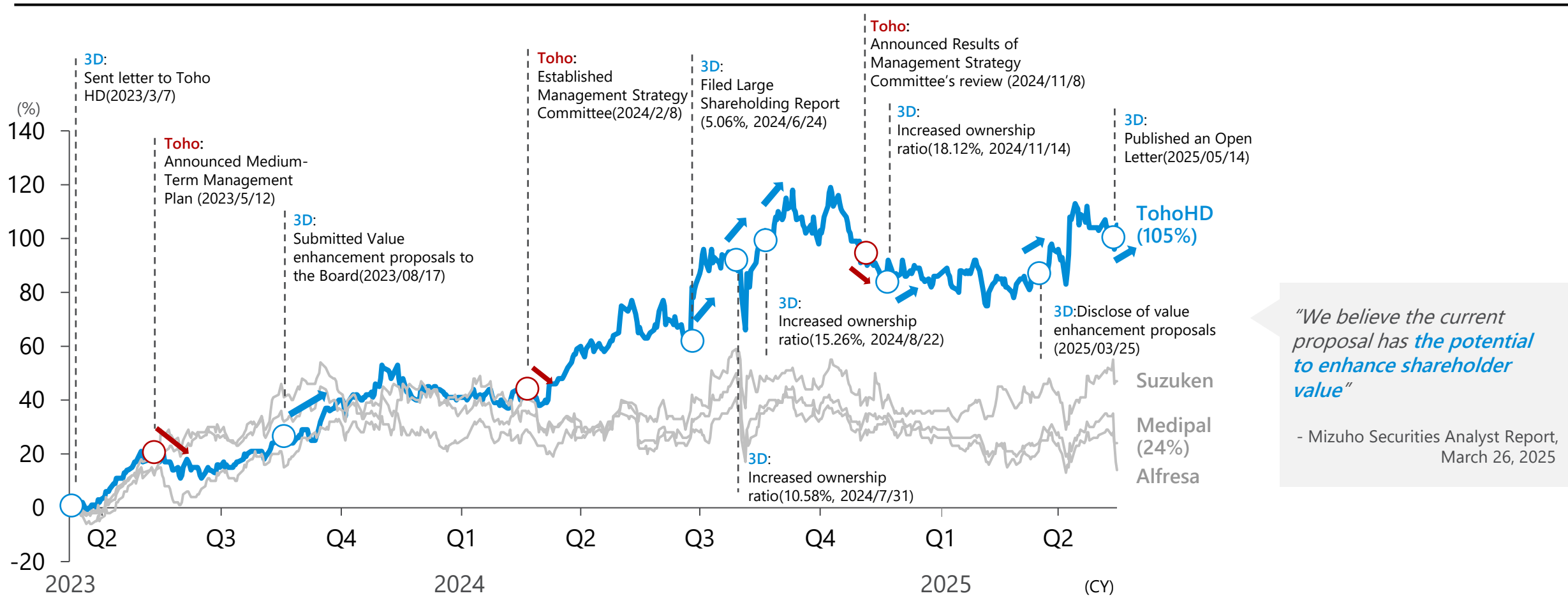
TSR Performance Prior to 3D's Engagement (Daily, over the 10-year period up to March 7, 2023)



Source: Bloomberg  
Note: Period covers March 7, 2013 – March 7, 2023

# Recent Improvement in Share Price Performance Reflects Growing Market Expectations for Transformation

Toho HD Share Price Trend Since 2023



*"We believe the current proposal has the potential to enhance shareholder value"*

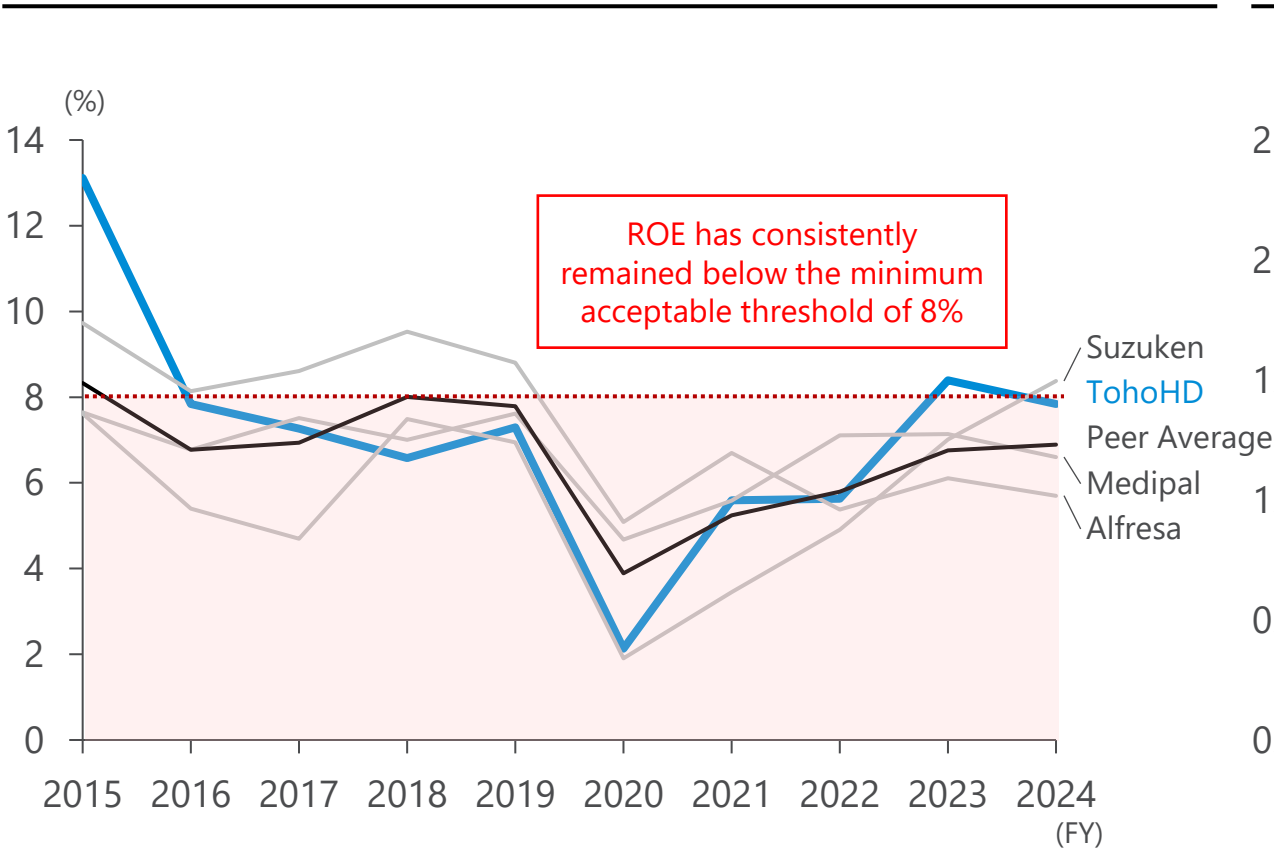
- Mizuho Securities Analyst Report, March 26, 2025

Source: Bloomberg, company disclosures, analyst reports  
Note: Period covers March 7, 2023 – May 16, 2025

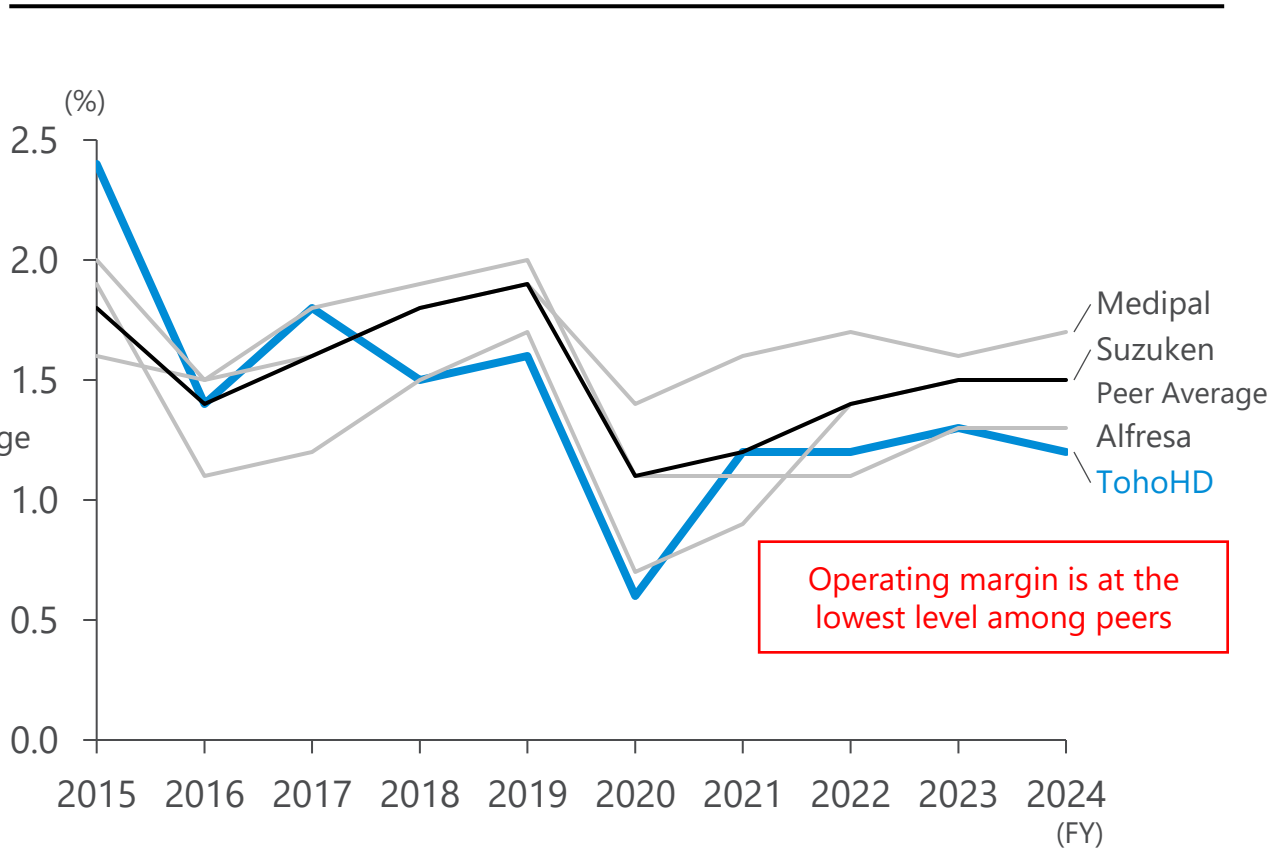


# ROE and Operating Margin Remain Persistently Low

ROE Trend (Past 10 Years)



Operating Margin<sup>1</sup> Trend (Past 10 Years)



Source: Bloomberg; Securities Reports; Annual Reports  
Note: [1] Where information service fees are recorded under non-operating income, they are added back to revenue and operating income for adjustment purposes

# Toho HD's Management Challenges

# Toho HD's Governance and Compliance Deficiencies Have Hindered its Ability to Address Key Management Issues

## Governance and Compliance Deficiencies

- Toho HD has been **implicated in bid-rigging related to pharmaceutical tenders on three separate occasions**, but only responded with ad hoc measures—**failing to implement any meaningful or lasting reforms**
- Subsequently, the company has been involved in the Nihon University hospital scandal, **further exposing deep-seated compliance vulnerabilities**
- **Board composition presents additional governance concerns**, including the appointment of outside directors from cross-shareholding companies and related questions of board independence

Details provided in the following slides

## Low Core Business Profitability

- The pharmaceutical wholesale business operates **with extremely low profitability**, with operating margins around just 1%
- **The industry is structurally pressured** from both pharmaceutical manufacturers and medical institutions, **making profitability inherently weak**
- Excluding its customer support system, **Toho HD has the lowest profitability** among industry peers, **highlighting the critical need for operational improvement**

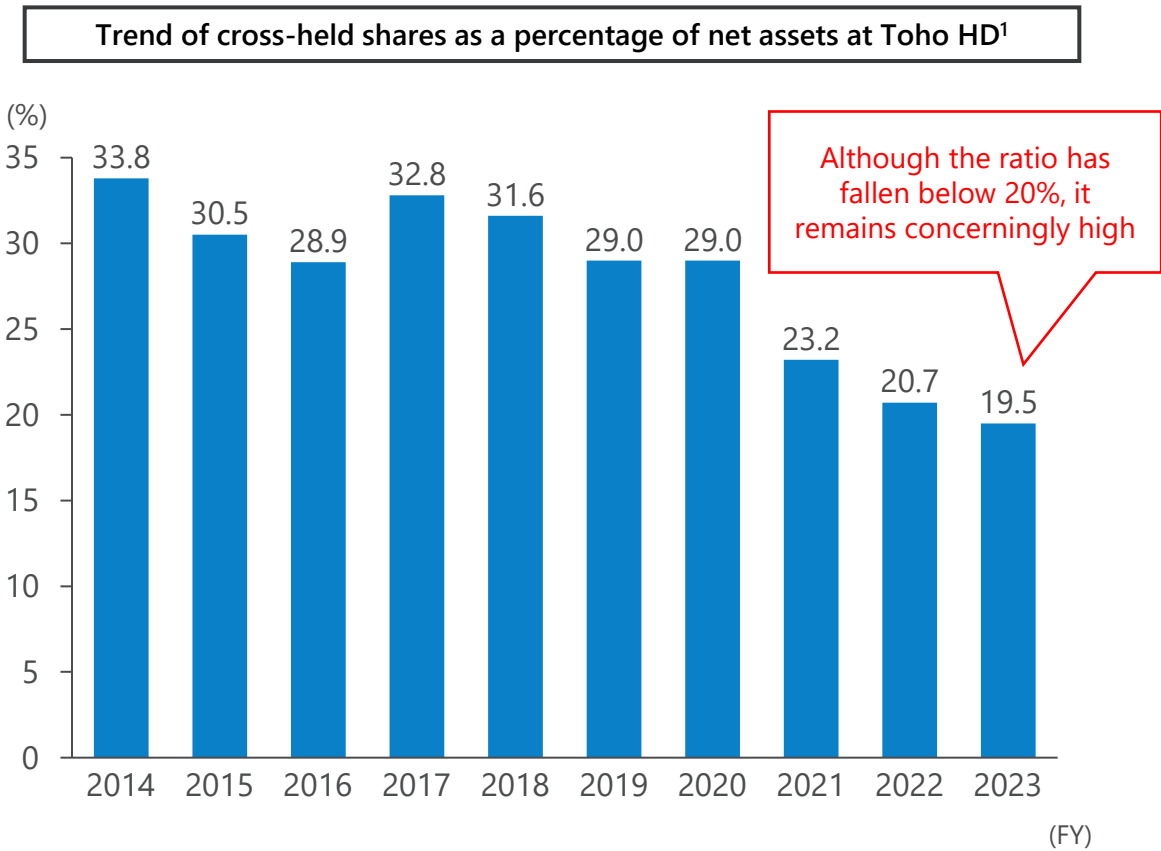
## Inefficient Balance Sheet

- Toho HD holds **excessive non-core assets**, such as excess cash and cross-held shares:
  - ¥86.5 billion in cash and deposits
  - Cross-held shares account for approximately 20% of net assets
- Even **its core business assets** such as working capital and logistics facilities **are inefficient**:
  - Working capital is bloated, with a significantly longer CCC (cash conversion cycle) compared to peers
  - The company owns multiple logistics facilities where ROIC (after-tax cap rate) falls below the cost of capital

A detailed analysis was disclosed in Specific Value Enhancement Measures on March 25

# (Reference) Excessive Cross-Shareholding Partnerships and Questionable Independent Director Appointments Symbolize Deeper Governance Failures

The company has an excessive amount of cross-held shares...



...and continues to appoint outside directors from these cross-shareholding partner companies


List of outside directors appointed since 2013			
Name	Outside Director Appointment Year	Former Affiliation	Cross-Shareholding at Appointment
Chie Goto	2023	Sakura Kyodo Law Office	-
Hidetoshi Kotani	2021	PHCHD	-
Yoshiaki Kamoya	2019	Shionogi & Co., Ltd.	○
Toru Nagasawa	2015	Nagasawa General Law Office	-
Koji Nakamura	2015	Mitsubishi Tanabe Pharma Corporation	○
Yukio Tokaji	2015	Shionogi & Co., Ltd.	○
Shosaku Murayama (Founding)	2013	Teikoku Seiyaku Co., Ltd.	-
Shunsuke Watanabe (Founding)	2013	The Nikkei (Nihon Keizai Shimbun)	-

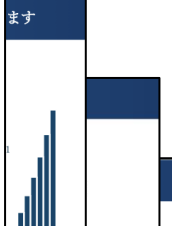
Source: Securities Reports  
Note: Based on disclosures in securities filings

## We Proposed Specific Value Enhancement Measures to Address Management Issues and Enhance Corporate Value

# For the Remarkable Enhancement of Your Corporate Value

August 17, 2023  
Toho Holdings Co., Ltd.  
Attn: Mr. Atsushi Udo, Representative  
Director & CEO  
Mr. Hiromi Edahiro, Representative  
Director & CFO  
Board of Directors





Compound growth

注 [1] ハードウェア→資本コスト+4%以上の回収

- 想定されるM&A領域は、低い取値シェアを補完する地方医薬品卸のM&Aと、本業の周辺領域におけるM&A
- 最も一株当たり価値を高めるのは、自社判断で行える自己株式取得と他社M&Aを組み合わせたハイブリッド投資戦略

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注 [1] 一株当たりCFの代替指標としてEPSを使用 [2] 5社が想定する買収の資本コストである6.73%に4.0%を加えたもの [3] 3物件の想定NOI 18.4億円・想定減価償却費 2.6億円 (建物増価・現存建物年賦) で試算 [4] 医薬品卸業の事業資産を売却した際のCFにも寄与を考慮

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注 [1] 一株当たりCFの代替指標としてEPSを使用 [2] 5社が想定する買収の資本コストである6.73%に4.0%を加えたもの [3] 3物件の想定NOI 18.4億円・想定減価償却費 2.6億円 (建物増価・現存建物年賦) で試算 [4] 医薬品卸業の事業資産を売却した際のCFにも寄与を考慮

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- On August 17, 2023, we submitted a corporate value enhancement proposal exceeding 200 pages to Toho HD's Board of Directors
- This value enhancement proposal was publicly disclosed on March 25, 2025
  - <https://www.3dipartners.com/wp-content/uploads/toho-presentation-on-corporate-value-enhancement-plan-jp-202503.pdf>

# However, Toho HD Has Ignored Most of Our Measures and Continues to Neglect Its Management Issues (1/2)

		3D's Corporate Value Enhancement Proposal	Toho HD's Management Strategy Committee Review Results	
		Our Proposal	Disclosures at the Time of Establishment	Committee Review Findings
Governance Improvements	Governance structure reform	<ul style="list-style-type: none"> <li>Sincerely address scandals, board structure flaws, and cross-shareholdings to build a stronger governance foundation for long-term value creation</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>	<ul style="list-style-type: none"> <li>Only a superficial Governance Special Committee without investigative authority was established (see details: pp.30–31)</li> </ul>
Profitability Enhancements	Operating margin improvement	<ul style="list-style-type: none"> <li>Through the following initiatives, we aim to improve the company-wide operating margin to 1.6%</li> </ul>	<ul style="list-style-type: none"> <li>Discussions held on concrete plans to improve profitability and productivity</li> </ul>	<ul style="list-style-type: none"> <li>Target to improve company-wide operating margin to 1.5% by the fiscal year ending March 2029 (over a long time horizon)</li> </ul>
	Improved MS productivity and role optimization	<ul style="list-style-type: none"> <li>Improve MS productivity by increasing the number of facilities per MS, reassign staff to EMS, and optimize headcount (Operating Profit Benefit: ¥1.1 billion)</li> </ul>	<ul style="list-style-type: none"> <li>Discussions held on strengthening the sales structure</li> </ul>	<ul style="list-style-type: none"> <li>Clarification of roles between MS and EMS functions (no concrete headcount optimization plan disclosed)</li> </ul>
	Consolidation of sales offices	<ul style="list-style-type: none"> <li>Consolidate redundant sales offices to reduce rent expenses, and eliminate surplus branch managers and clerical staff (Benefit: ¥200 million)</li> </ul>		<ul style="list-style-type: none"> <li>No specific mention</li> </ul>
	Streamlining of back-office functions	<ul style="list-style-type: none"> <li>Integrate back-office functions of the holding company and subsidiaries, and optimize staff to appropriate productivity levels (Benefit: ¥1.2 billion)</li> </ul>	<ul style="list-style-type: none"> <li>Discussions held on improving organizational functions, including back-office operations</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>
	Simplification of organizational and managerial structure	<ul style="list-style-type: none"> <li>Adjust the excessive number of managers relative to non-managerial staff, focusing on reducing high-cost management positions (Benefit: ¥1.4 billion)</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>
	Other indirect cost reductions	<ul style="list-style-type: none"> <li>Thoroughly review purchasing and usage practices for each category of indirect costs, and optimize expenditures (Benefit: ¥1.3 billion)</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>
	NPS improvement	<ul style="list-style-type: none"> <li>Implement NPS improvement measures to increase share of wallet among existing customers and improve both revenue and operating profit (Benefit: ¥1.3 billion)</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>	<ul style="list-style-type: none"> <li>No specific mention</li> </ul>

Hardly Reflected

# However, Toho HD Has Adopted Few of the Proposed Measures and Continues to Neglect Its Management Issues (2/2)

## 3D's Corporate Value Enhancement Proposal

## Results of the Review by the Management Strategy Committee Established by Toho HD

		Our Proposal	Disclosures at the Time of Establishment	Committee Review Findings
Balance Sheet Optimization	Optimization of non-core assets	<ul style="list-style-type: none"> <li>Minimize cash holdings (¥60.3 billion generated), sell cross-held shares (¥50.4 billion generated), sell other investment securities (¥22.2 billion generated)</li> </ul>	<ul style="list-style-type: none"> <li>Examine further reduction of cross-held shares and investment securities</li> </ul>	<ul style="list-style-type: none"> <li>Reduce cross-held shares to below 10% of net assets by the end of FY 2029 (<u>long-term target with only partial sales planned</u>)</li> <li>Use ¥40 billion in cash liquidity as a source for investment and shareholder returns</li> </ul>
	Optimization of core business assets	<ul style="list-style-type: none"> <li>Sale and leaseback of logistics facilities (¥20.9 billion generated)</li> <li>Minimize working capital (¥27.6 billion generated)</li> </ul>	<ul style="list-style-type: none"> <li>Examine optimization of real estate such as logistics facilities and improvement in working capital efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Only stated that monetization of owned real estate is under consideration; no concrete actions taken</li> <li><u>No mention regarding working capital</u></li> </ul>
Reinvestment Above Hurdle Rate	Establishment of a hurdle rate	<ul style="list-style-type: none"> <li>Set a hurdle IRR of 11.3% as the investment threshold, based on the cost of capital (7.3%) plus a 4% premium</li> </ul>	<ul style="list-style-type: none"> <li>Examine capital allocation with consideration of capital cost and capital returns</li> </ul>	<ul style="list-style-type: none"> <li>Capital cost is set at an <u>unreasonably low 6%</u></li> <li><u>No mention of calculation logic or hurdle rate</u></li> </ul>
	Bolt-on acquisitions of strong regional wholesalers	<ul style="list-style-type: none"> <li>Expand regional market share through acquisitions of strong local wholesalers</li> </ul>	<ul style="list-style-type: none"> <li>No mention</li> </ul>	<ul style="list-style-type: none"> <li><u>No mention</u></li> </ul>
	Expansion into adjacent areas through M&A	<ul style="list-style-type: none"> <li>Explore new growth opportunities via M&amp;A in adjacent domains</li> </ul>	<ul style="list-style-type: none"> <li>Examine entry into and increased investment in growth areas</li> </ul>	<ul style="list-style-type: none"> <li>Only disclosed a general policy lacking specificity</li> <li>No quantitative explanation provided to justify the policy</li> </ul>
	Share buybacks	<ul style="list-style-type: none"> <li>Consider large-scale share buybacks (up to ¥90 billion) to drive per-share cash flow growth</li> </ul>	<ul style="list-style-type: none"> <li>Examine capital allocation between growth investment and shareholder returns</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder returns of over ¥80 billion by FY March 2029 (<u>long-term timeframe and includes regular dividends</u>)</li> </ul>

Hardly Reflected

Without addressing the deficiencies in governance and compliance, fundamental resolution of management issues and sustainable medium- to long-term corporate value growth cannot be expected

# Governance and Compliance Issues at Toho Holdings: Repeated Scandals and Involvement in the Nihon University Incident



Toho HD has been implicated in bid-rigging related to pharmaceutical tenders on three separate occasions resulted in the regulatory penalties, yet responded only with ad hoc measures—failing to implement any meaningful or lasting reforms

Case Name (Year Uncovered <sup>1</sup> )	Overview of the Incident	Sanctions from JFTC / Prosecutors	Response by Toho HD
Miyagi Prefecture Price Cartel Case (2003)	<ul style="list-style-type: none"><li>In 2003, ten pharmaceutical wholesalers (current Alfresa, Suzuken, Toho HD, current Medipal etc..) formed a <b>price cartel</b> for pharmaceutical sales in Miyagi Prefecture</li></ul>	<ul style="list-style-type: none"><li>The Japan Fair Trade Commission issued a <b>surcharge payment order of ¥46 million</b> to Toho Pharmaceutical</li></ul>	<ul style="list-style-type: none"><li>Despite being the first publicly exposed scandal, <b>no effort was made to investigate the cause or identify those responsible; only vague internal guidance was provided</b></li></ul> <div>"Created the 'Toho Pharmaceutical Co., Ltd. Code of Ethics' and distributed it to all employees" (2003 fiscal year financial statement)</div>
JCHO Bid-Rigging Case (2019)	<ul style="list-style-type: none"><li>Four companies—Alfresa, Suzuken, Toho HD and current Medipal—<b>colluded to predetermine the winning bidder for pharmaceuticals</b> in competitive tenders issued by JCHO</li></ul>	<ul style="list-style-type: none"><li>The Tokyo District Court found Toho Pharmaceutical guilty of violating the Antimonopoly Act and imposed a <b>fine of ¥250 million</b></li><li>The JFTC also issued a <b>cease-and-desist order</b> and a <b>surcharge payment order (approx. ¥160 million)</b></li></ul>	<ul style="list-style-type: none"><li>Due to insufficient response to the previous scandal, the more serious scandal happened. Toho HD established a compliance committee</li><li>However, again, <b>no effort was made to investigate the cause or identify those responsible; only vague policies were announced</b></li></ul> <div>"Established the Group Compliance and Risk Management Committee," "Enhanced legal compliance systems," "Improved compliance training" (Notice on Compliance Strengthening Measures)(July 3, 2020)</div>
Kyushu NHO Bid-Rigging Case (2021)	<ul style="list-style-type: none"><li>Major wholesalers, including the top four, colluded to <b>predetermine winning bidders for pharmaceuticals</b> tendered by the National Hospital Organization (NHO) headquarters</li></ul>	<ul style="list-style-type: none"><li>The JFTC issued a <b>cease-and-desist order</b> and a <b>surcharge payment order (approx. ¥130 million)</b> to Kyushu Toho</li></ul>	<ul style="list-style-type: none"><li>As in previous cases, <b>no effort was made to investigate the cause or identify those responsible; only vague policies were announced</b></li></ul> <div>"Our group takes the matter seriously once again and will make every effort to reinforce compliance." (2023 fiscal year financial statement)</div>

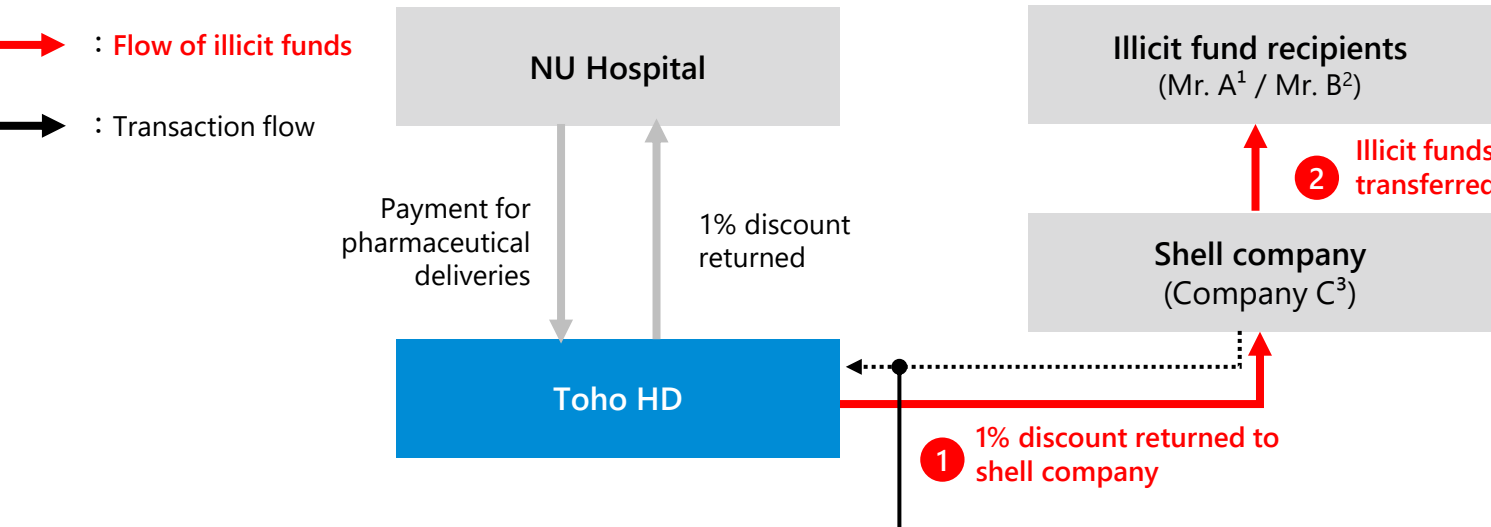
Toho HD's responses have been limited to a list of superficial measures, lacking any effort to examine the root causes, resulting in reactive and ad hoc responses

Source: Company disclosures, various news articles  
Note: [1] The year in which Toho HD or Toho Pharmaceutical's involvement in the case was first publicly reported (based on our research)

Despite ongoing governance and compliance issues, it was revealed that Toho HD had been involved in the payment of illicit funds in the Nihon University Hospital incident (the “NU Incident”)

Toho HD was involved in the payment of illicit funds in the NU Incident

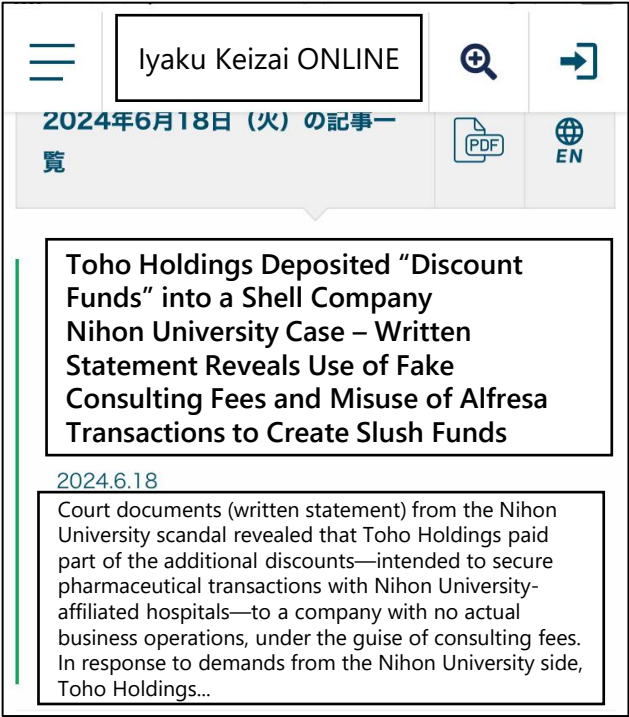
- 1 Toho HD returned part of the discount on pharmaceuticals sold to Nihon University-affiliated hospitals to a shell company
- 2 The returned funds were then transferred to specific individuals, resulting in at least ¥101.65 million in illicit funds being created



- The shell company provided no actual services to Toho HD.
- The contracting party with the shell company was not the subsidiary Toho Pharmaceutical, but Toho HD itself
  - The contract concluded under the name of Mr. Katsuya Kato, then Director of Toho HD

A specialized media outlet revealed the incident in its publication

Iyaku Keizai ONLINE (June 18, 2024)



Case records indicate that questionable transactions with shell companies may have been a repeated pattern of behavior, not limited to the NU case

Internal email within Toho HD  
(excerpted from civil case records related to the NU Incident)

From: Akira Umada, Pharmaceutical Sales Division  
Date/Time: 2016/08/09 09:47:55  
To: President Hamada  
CC: Executive Managing Director Morikubo  
This is to report on the meeting with B held on 8/8. (Note: Mr. A from the Nihon University Business Division was absent. Attendees: Morikubo, SPD, Tokyo, and others)

1. Regarding the in-hospital pharmacy at Itabashi Hospital: According to the Chairman, the final decision will be made through discussions between President Hamada and President. He mentioned that if our proposal undercuts Company's, it will be approved.

2. Regarding medical materials: According to B's procurement estimate, a 10% cost reduction is possible without changing product items. The plan is to procure from Association D's tunnel company Company E and deliver. → Our Inomedex Alliance has a maximum discount capacity of 4%.

3. (Omitted)

4. (Omitted)

5. Regarding pharmaceuticals: Is it feasible for Toho to be the sole supplier? The total scale, including pharmaceuticals and medical materials, would reach approximately 16 billion yen annually. → We conveyed that further price reductions on pharmaceuticals would be difficult. We believe that rather than insisting on being the sole supplier, we need to present a more advantageous proposal.

Sender of the email:  
Executive Vice President (Senmu)  
Akira Umada

Recipient of the email:  
Former President Norio Hamada

The email includes the phrase:  
"Procure from Association D's tunnel company Company E and deliver"

※Masking, anonymization, and red highlighting were added by 3D

Comment

- Transactions with "tunnel companies,"—nominal companies that exist solely to capture intermediary profits—pose a significant risk of enabling inappropriate practices
- This email suggests that transactions with these tunnel companies were routinely accepted within the company
- This indicates that such transactions had become commonplace, raising concerns that improper activities may extend beyond this specific incident

Source: Civil court records related to the NU Incident (Some of the names of individuals and corporations have been anonymized.); Digital Daijisen (Japanese dictionary)

# Governance and Compliance Issues at Toho Holdings: A Suspected Culture of Concealment Revealed Through Its Response to the Nihon University Scandal

# Toho HD's continued concealment of the Nihon University incident severely undermines the trust of its business partners and the market

## ① Discrepancy in public statements (pp. 23~26)

- There are multiple inconsistencies between Toho HD's statements in media interviews and the case records related to the Nihon University incident, raising concerns that the company is misrepresenting the facts

## ② Failure to voluntarily disclose the Nihon University incident (pp. 27, 28)

- Toho HD has not made any voluntary external disclosure regarding the Nihon University incident
- One of the reasons cited for withholding disclosure was "to avoid damaging the company's image," and in interviews, statements of executive officer (*Shikkoyakin*) such as "we would like you to refrain from pursuing the matter" were confirmed

## ③ Rejection of establishing a third-party committee (pp. 29~31)

- The establishment of an independent third-party committee was rejected
- Meanwhile, the "Special Committee for Governance Enhancement" set up by Toho HD is, for the following reasons, lacking in substance:
  - Lack of independence
  - Deficient scope setting
  - Flawed investigative methods
  - Lack of accountability

# Toho HD continues to deflect governance and compliance concerns by insisting “there was no illegality” to minimize and is suspected of concealing its wrongdoing

## Toho HD’s response to the 3D letter (September 2024)

- The company merely repeats that no laws were violated, without offering a detailed explanation of the circumstances or showing any efforts to restore trust

September 13, 2024  
To:  
3D Investment Partners Pte.  
Ltd.  
Attn: Authorized  
Representative  
From:  
Toho Holdings Co., Ltd.  
Hiromi Edahiro  
Representative Director, CEO  
& CFO

2024年9月13日

東亜ホールディングス株式会社  
代表取締役 CEO 兼 CFO 枝原 弘二

Response Regarding “Our Position on Transactions Related to Nihon University-Affiliated Hospitals”

拝啓 敬下します。貴社のこととお慶び申し上げます。  
貴社は、2024年8月13日付で貴社より受領した貴社（以下「貴社」といいます。）  
について、別紙のとおりご回答いたします。なお、本書において使用する用語は、本書  
において別紙定義を行うものを除き、貴社において定義された意味を有するものとします。  
貴社においては、3D Investment Partners Pte. Ltd.（以下「貴社」といいます。）にお  
いて、本件報道を契機に貴社のガバナンス体制の不備に対してご懸念を有している旨が記  
載されております。  
もともと、本件報道の対象となった貴社から Company C に対するコンサルティング  
報酬の支払い（以下「本件」といいます。）に関しては、法令違反を構成するものでは  
ないと認識しており、また、貴社グループにおいて本件と類似する取引が行われてい  
ないことを確認しております。加えて、本件における貴社の対応について改善すべき点があ  
ったことは否定できないと考えております。  
そのため、貴社においては、同時に発生した貴社子会社による独占禁止法違反の事実と  
併せて検討し、貴社のガバナンス体制及びコンプライアンス体制の改善に取り組んでまい  
りました。直近では、資本市場や貴社の主要な取引先である製薬企業等におけるガバ  
ナンス・コンプライアンスに対する貴社の積極的な取り組みを評価として、貴社グループのガバナ  
ンスをより一層強化するとともに、ガバナンス体制の強化を目的として、グループ全体のガ  
バナンス・コンプライアンス体制の強化を図っております。  
このような取り組みにより、貴社グループは、さらなる改善の余地はあるものの、現在は  
適切なガバナンス体制・コンプライアンス体制を構築することができているものと考え  
ております。

“However, with regard to the payment of consulting fees to Company C by our company, which was the subject of the media report (hereinafter referred to as ‘the matter’), we recognize that it does not constitute a legal violation...”

“As a result of the investigation, no criminal acts have been identified with respect to our company, and we understand that there was no legal violation.”

※Some of the names of corporations have been anonymized.

## Toho HD’s response to the 3D letter (April 2025)

- They simply emphasize compliance with laws and assert, in an overly simplistic manner, that there are no governance issues

April 11, 2025  
To:  
3D Investment Partners Pte.  
Ltd.  
From:  
Board of Directors Toho  
Holdings Co., Ltd.

東亜ホールディングス株式会社 取締役会

Response to Your Request

拝啓 敬下します。貴社のこととお慶び申し上げます。  
2025年3月25日及び同日 26日付で貴社より受領した貴社（以下、それぞれ「2025年3月25日付貴社」と及び「2025年3月26日付貴社」といいます。）におけるご質問について、以下のとおりご回答申し上げます。  
なお、各貴社に記載いただいた貴社のご認識・見解は、貴社の理解と異なる点が多くあり、また、弊社取締役との協議内容についても乖離されているものがあるように思われますが、貴社に記載いただいた内容が事実であることを、弊社として内容を要するものではございませんのでご了承ください。  
1. 2025年3月25日付貴社について  
貴社は、2025年3月25日付貴社において、弊社における適切なガバナンス体制の不備を指摘するために、貴社で取締役の事実について、第三者委員会を設置して調査を行うことを依頼いただいておりますが、弊社としては、現在も貴社のガバナンス体制の改善の途程が不明な状況にあると考えております。ご指摘いただいた事項についてもいづれも適切な対応を行っていると考えておりますので、第三者委員会の設置は必要ないものと考えております。  
まず、医療関係者の入札に関する事項につきましては、すでに公正取引委員会の独占禁止法違反勧告による調査を経て、当該医師子会社である東亜薬品株式会社（以下「東亜薬品」といいます。）に対して罰金刑が科され、東亜薬品及び九州東亜株式会社に対して独占禁止法に基づく排除措置命令及び課徴金納付命令が課されております。貴社は、2019年に東亜薬品が公正取引委員会の独占禁止法違反を受けて以降、これらの検査及び監査に全面的に協力し、すでに公表されておりますとおり、再発防止策として、グループ・コンプライアンス・リスク管理委員会の機能強化、グループ子会社に対する法令遵守体制の強化・徹底、コンプライアンス研修の充実等の取組み等を実施しており、それ以降、弊社グループにおいて独占禁止法違反事象は発生していません。  
また、日本大学医療科学院に関する事項につきましては、医師の書面や協議でご回答したとおり、貴社は、日本大学医療科学院やその関係先との医薬品取引の継続・拡大や病院との取引

“Our company does not currently believe that there are deficiencies in our governance structure as suggested by your firm, and we believe that we have responded appropriately to each of the matters you have raised.”

“We entered into a consulting agreement with Company C, and we did not recognize the company as a shell company. We understand that our conduct does not constitute a legal violation.”

※Some of the names of corporations have been anonymized.

Toho HD’s involvement in the Nihon University incident and its suspected posture of concealing inconvenient facts are emblematic of the company’s structural governance failure

Source: Company materials (Some of the names of individuals corporations have been anonymized.)

# ① In responding to media coverage regarding the Nihon University incident, Toho HD's explanations clearly contradicted case records, raising suspicions of misrepresentation

## Toho HD's response in media interviews

## Our company's interpretation based on case records

### Existence of similar fraudulent transactions

- There were “no” cases—other than with Company C—in which a portion of pharmaceutical discounts was transferred under the guise of consulting fees to a bank account of an unrelated entity

“There are no cases, other Company C, in which a portion of pharmaceutical discounts was transferred under the guise of consulting fees to a bank account of an unrelated entity” – this was the response provided.

July 4, 2024, Iyaku Keizai ONLINE

“Distorted Transactions Revealed in Evidence from the ‘Nihon University Incident’ Involving Toho HD, a Major Pharmaceutical Wholesaler — Risk of Contract Termination by Manufacturers”

- A** As transferring money to a bank account of an entity unrelated to a business partner under the guise of consulting fees is nearly equal to payment to a tunnel company, considering these internal email exchanges, we strongly suspect that payments to “tunnel companies” were a common practice at Toho HD

- In an email at the time from Executive Vice President (*Senmu*) of Toho Pharmaceutical, Akira Umada to President of Toho HD, Norio Hamada, Mr. Umada stated: “Procure through Association D’s tunnel company Company E and deliver.”

### Recognition regarding transfers to paper companies

- There was **absolutely no recognition that the transfer to an account under the name of a paper company would serve as a source of illicit rebates for Nihon University**

“What Toho HD repeatedly emphasized in interviews was that it had absolutely no recognition that the transfer to an account under the name of Company C would serve as a source of illicit rebates for Nihon University.”

July 4, 2024, Iyaku Keizai ONLINE

“Distorted Transactions Revealed in Evidence from the ‘Nihon University Incident’ Involving Toho HD, a Major Pharmaceutical Wholesaler — Risk of Contract Termination by Manufacturers”

- B** Following further investigation, we raise serious doubt that Toho HD had “absolutely” no understanding that the funds would become a source of illicit rebates

- As a matter of fact, competitors refused to engage in similar payment schemes, suggesting that the transactions were recognizably improper
- It was objectively clear that the representative of the payee (Company C) had no connection to Nihon University

### Recognition regarding the nature of the paper company

- It was **also not recognized that Company C was a paper company**

“They also claimed not to have realized that Company C was a paper company. Whether they genuinely expected any consulting service is unclear, but in the end, none was provided.”

July 4, 2024, Iyaku Keizai ONLINE

“Distorted Transactions Revealed in Evidence from the ‘Nihon University Incident’ Involving Toho HD, a Major Pharmaceutical Wholesaler — Risk of Contract Termination by Manufacturers”

- C** Following further investigation, we raise serious doubt that Toho HD did not recognize Intelligence Inc. as a shell company

- The company could have easily verified that the address of the counterparty (Company C) was merely a unit in a residential apartment
- The contract with Company C was a nominal one created retroactively to make the transfer to the company’s account appear legitimate



**A** Considering internal email exchanges, we strongly suspect that payments to “tunnel companies” were a common practice at Toho HD

Internal email within Toho HD  
(excerpted from civil case records related to the NU Incident)

Comment

From: Akira Umada, Pharmaceutical Sales Division  
Date/Time: 2016/08/09 09:47:55

To: President Hamada

CC: Executive Managing Director Morikubo

This is to report on the meeting with B held on 8/8. (Note: Mr. A from the Nihon University Business Division was absent. Attendees: Morikubo, SPD ■ Tokyo ■, and others)

1. Regarding the in-hospital pharmacy at Itabashi Hospital: According to the Chairman, the final decision will be made through discussions between President Hamada and President ■. He mentioned that if our proposal undercuts Company ■'s, it will be approved.

2. Regarding medical materials: According to B's procurement estimate, a 10% cost reduction is possible without changing product items. The plan is to procure from Association D's tunnel company Company E and deliver. → Our Inomedex Alliance has a maximum discount capacity of 4%.

3. (Omitted)

4. (Omitted)

5. Regarding pharmaceuticals: Is it feasible for Toho to be the sole supplier? The total scale, including pharmaceuticals and medical materials, would reach approximately 16 billion yen annually. → We conveyed that further price reductions on pharmaceuticals would be difficult. We believe that rather than insisting on being the sole supplier, we need to present a more advantageous proposal.

Sender of the email:  
Executive Vice President (*Senmu*)  
Akira Umada

Recipient of the email:  
Former President Norio Hamada

The email includes the phrase:  
“Procure from Association D's tunnel company Company E and deliver”

※Masking, anonymization, and red highlighting were added by 3D

- Transactions with “tunnel companies,”—nominal companies that exist solely to capture intermediary profits—pose a significant risk of enabling inappropriate practices.
- This email suggests that transactions with these tunnel companies were routinely accepted within the company.
- This indicates that such transactions had become commonplace, raising concerns that improper activities may extend beyond this specific incident



# **B** Following further investigation, we raise serious doubt that Toho HD had “absolutely” no understanding that the funds would become a source of illicit rebates

Competing companies rejected similar payment schemes, suggesting that these transactions were recognizably improper

- **Alfresa, a competitor**, was approached with the same type of improper transaction as Toho HD **but refused to participate**

“Although Alfresa agreed to match the discount conditions after Toho Pharmaceutical’s price reduction, it refused to transfer funds to a bank account designated by Mr. A and his associates, which belonged to a different company.”

Nikkan Yakugyo, June 19, 2024

“Funds Were Also Recycled in Transactions Between Toho and Alfresa – Former Executives Confess in Nihon University Hospital Procurement Fraud”

“In the end, Alfresa agreed to provide a 2% discount, and its share of responsibility increased, covering most of the wholesale distribution not handled by Toho Pharmaceutical. **However, Alfresa refused to deposit the amount equivalent to 1% of the discount into a bank account under the name of Company F.**”

Written statement of Mr.B,  
Civil Case Record Related to the Nihon University Incident

It was objectively clear that the representative of the payment recipient (Company C) had no connection to Nihon University

- The representative director of Company C, Mr. G, has the following background, and **no direct relationship with Nihon University can be identified based on his career history**:
  - Up to 2010: **Employed at a travel agency**
  - After 2010: **Employed at the medical corporation Association D’s and Company F, both operated by Mr. B**

“Mr. G (President and Representative Director of Company C) was employed at a travel agency called Travel Agency Company H before 2010. (...) In 2010, I (Mr. B) hired Mr. G at Kinshu-kai, and after the establishment Company F, had him work there as well. Since hiring Mr. G at Association D, he has also been serving as my personal secretary up to the present.”

Written statement of Mr.B,  
Civil Case Record Related to the Nihon University Incident

© Toho HD's claim that it did not recognize the rebate recipient as a shell company raises serious doubts about its reasoning and veracity

**It was clearly evident that the address of the shell company was merely a unit in a residential apartment**

- The registered address of Company C is 1-12-3 Shiba, Minato-ku, Tokyo, Estem Plaza Shiba Koen Room ●
- It was easily verifiable that Room ● in Estem Plaza Shiba Koen is a unit within a residential apartment building

Excerpt from the contract between Company C and Toho HD (as found in the case records with anonymization and accompanied partial revisions by 3D)

1-12-3 Shiba, Minato-ku, Tokyo  
Estem Plaza Shibakoen Room ●●  
Party A: Company C  
Representative Director: G

Images displayed when searching  
for "Estem Plaza Shiba Koen"

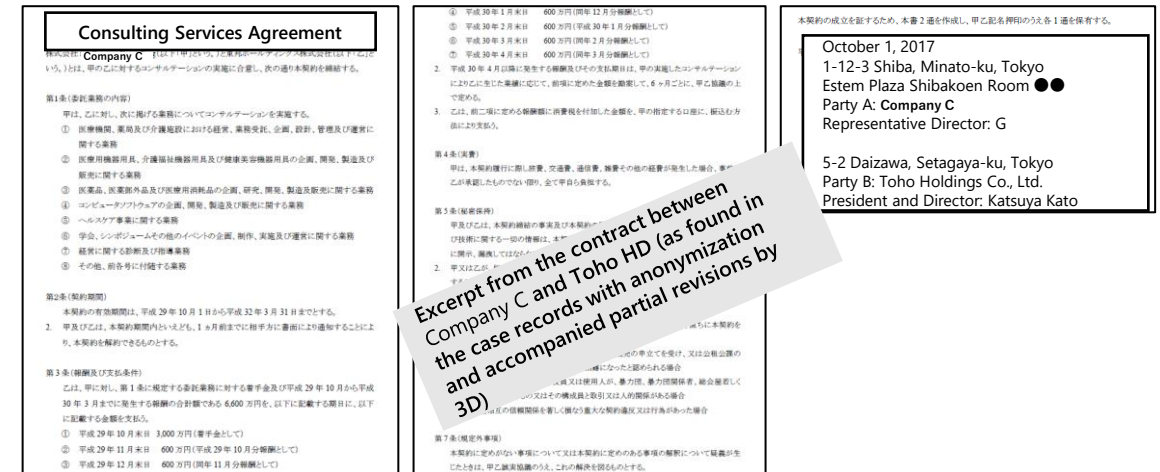


**The contract with Company C was created retroactively to make the transfer to the company's account appear legitimate**

"I (Mr. B) instructed Mr. G (President of Company C) to create a consulting contract and similar documents so that the additional 1% discount payment from Toho Pharmaceutical to Company C would appear to be a legitimate transfer."

"As I mentioned on another occasion **Company C was a company without any actual business operations, so the contract itself was also without substance.**"

Written statement of B,  
Civil Case Record Related to the Nihon University Incident



# ②Toho HD has not made any voluntary external disclosures regarding its involvement in the Nihon University incident

Toho HD’s involvement in the Nihon University incident was reported in the media between June and July 2024

## 2024/06/18 – Iyaku Keizai ONLINE

**Toho Holdings Deposited “Discount Funds” into a Shell Company Nihon University Case – Written statement Reveals Use of Fake Consulting Fees and Misuse of Alfresa Transactions to Create Slush Funds**

2024.6.18

Case records (written statement) from the Nihon University scandal revealed that Toho Holdings paid part of the additional discounts—intended to secure pharmaceutical transactions with Nihon University-affiliated hospitals—to a company with no actual business operations, under the guise of consulting fees. In response to demands from the Nihon University side, Toho Holdings...

**Toho Holdings Claims No Knowledge of Nihon University’s Slush Fund Scheme Company Deeply Regrets Misappropriated Discount Payments and Vows Internal Reform**

2024.6.18

Toho Holdings admitted to this publication that a portion of the additional pharmaceutical discounts related to transactions with two Nihon University hospitals was deposited into a bank account under the name “Company C,” owned by Mr. B, Chairman of the medical corporation Association D. However, the company stated it was unaware that these funds were later used by the Nihon University side as a source for illicit rebates...

## 2024/07/04 – Iyaku Keizai ONLINE

**Evidence from the “Nihon University Scandal” Exposes Distorted Dealings by Pharmaceutical Wholesaler Toho Holdings Company Now Faces Risk of Contract Terminations by Manufacturers**



Photo: 読売新聞

Since June 2024, Toho HD has not issued any voluntary press releases regarding the incident

- Out of a total of 60 press releases, not a single one mentions the Nihon University incident
  - Even in press releases titled “Notice on the Establishment of the Special Committee for Governance Enhancement” and “Notice on the Receipt of the Interim Report from the Special Committee for Governance Enhancement,” there is no reference to the Nihon University incident

Date of Announcement	Category	Title
2025.05.14	Corporate Performance	Financial Results Summary for the Fiscal Year Ending March 2025
2025.05.14	Stock	Notice Regarding the Resolution on Acquisition of Treasury Shares
2025.05.14	Organization / Human Resources	Notice Regarding Executive Changes and the New Management Structure
2025.05.14	Organization / Human Resources	Notice Regarding Executive Changes and the New Management Structure of a Subsidiary
2025.05.14	Organization / Human Resources	Notice Regarding Organizational Changes and Personnel Transfers at a Subsidiary
2025.05.14	M&A/Alliance	Notice Regarding Capital and Business Alliance with Ishin Pharma Co., Ltd.
2025.05.14	Stock	Notice Regarding Adjustment of Conversion Price for Euro-Yen Denominated Convertible Bonds with Stock Acquisition Rights Due in 2028
2025.05.14	Organization / Human Resources	Notice Regarding Office Consolidation and Relocation
:	:	:
2025.02.07	Others	Notice on Receipt of Interim Report from the Special Committee for Governance Enhancement
:	:	:
2024.08.06	Others	Notice on the Establishment of the Special Committee for Governance Enhancement
:	:	:
2024.07.24	M&A/Alliance	Notice Regarding Investment in Hirosaki LI Co., Ltd.
2024.07.23	Stock	Notice Regarding Changes in Major Shareholders
2024.06.27	Organization / Human Resources	Notice Regarding Change of Representative Director
2024.06.27	Organization / Human Resources	Notice Regarding Executive Personnel
2024.06.19	Others	Commencement of Industry-Academia-Government Collaborative R&D with the National Institute of Advanced Industrial Science and Technology and the Japan Advanced Institute of Science and Technology to Develop the Next-Generation Call Center

② As a reason for withholding external disclosure, Toho HD cited “avoidance of damage to the corporate brand.” In a meeting with 3D, executive officer of Toho HD requested that we refrain from pursuing the issue. These points raise unavoidable suspicions of Toho HD’s intentional concealment

### Toho HD’s response to our inquiry

- Toho HD decided not to voluntarily disclose the Nihon University incident, **insisting it was trying to avoid damage to the corporate brand**

25) Despite the ongoing criminal trial related to this scandal since 2021 and media coverage as recent as June 2024, why has your company not made any voluntary public disclosure to date? Please share the Board of Directors’ position on this matter.

#### [Response]

Since October 2020, we have fully cooperated with the investigation conducted by the Tokyo District Public Prosecutors Office’s Special Investigation Department. As a result of this investigation, no criminal conduct was determined on the part of our company, and we understand that no violations of laws or regulations occurred.

That said, we acknowledge that there were areas for improvement in our due diligence process when entering into contracts with business partners. Accordingly, we have been working to strengthen our governance and compliance systems, including measures addressing the JCHO case and other matters.

Under these circumstances, we determined that voluntary disclosure of this matter could lead to potential negative impacts on our business relationships with pharmaceutical companies and medical institutions, as well as reputational risks such as brand damage or a decline in trust—ultimately affecting our corporate value. Taking all of this into consideration, we decided against making a public announcement.

※ Red highlighting added by 3D

### Statements made by executive officer (*Shikkoyakuin*) of Toho HD during an online meeting

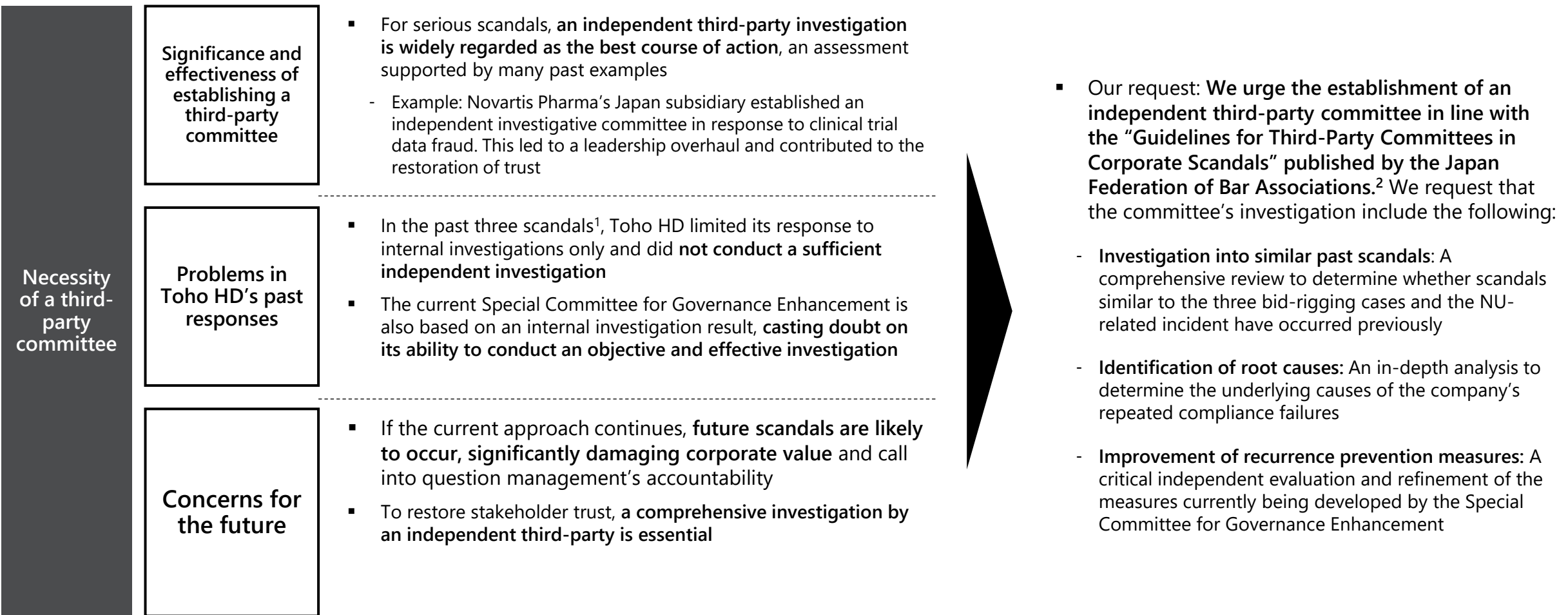
A statement was made: “**We would like you to refrain from further pursuing issues related to transactions involving Nihon University-affiliated hospitals.**”

October 1, 2024,  
Executive Officer of Toho HD



③On March 25, 2025, 3D formally requested the establishment of an independent third-party committee, but Toho HD rejected the request

Our request (March 25, 2025)




Source: Letter from our company to Toho HD’s Board of Directors (March 25, 2025); Letter from Toho HD’s Board of Directors to our company titled “Response to Your Request” (April 11, 2025)  
Note: [1] Miyagi Prefecture price cartel (2003), JCHO bid-rigging case (2019), NHO bid-rigging case (2021) [2] Japan Federation of Bar Associations



③The “Special Committee for Governance Enhancement” established by Toho HD is lacking in substance and cannot act as a substitute for an independent third-party committee (1/2)

Toho HD announced the establishment of the Special Committee for Governance Enhancement in August 2024



2024 年 8 月 6 日

各 位

**August 6, 2024**  
**Toho Holdings Co., Ltd.**  
**Hiromi Edahiro**  
**Representative Director, CEO & CFO**

**Announcement on the Establishment of the Special Committee for Governance Enhancement**

当社は、本日開催の取締役会において、取締役会の諮問機関として「ガバナンス強化特別委員会」を設置することを決定いたしましたので、下記の通りお知らせいたします。

**【本委員会の目的】**  
当社は「全ては健康を願う人々のために」のコーポレートスローガンのもと「医薬品等の安定供給」を通じて社会・医療へ貢献することを社会的使命とし、健康を願う人々、顧客、地域社会、株主、社員など全てのステークホルダーから必要とされ、継続して支持される企業集団を目指しております。当社グループは東邦薬品株式会社ならびに九州東邦株式会社独占禁止法第3条（不当な取引制限の禁止）に違反したとして排除措置命令等を受けた事案を受け、関連法規の遵守（コンプライアンス）及びリスクマネジメントを最優先事項として取り組んでまいりました。この度、当社グループのコンプライアンス、リスクマネジメントを含めたガバナンスのより一層の強化を図るべく、「ガバナンス強化特別委員会」（以下「本委員会」といいます。）を取締役会の諮問機関として設置することといたしました。本委員会は客観的かつ専門的立場から、内部統制組織に係る検証及びガバナンスに係る助言・提言を行うべく、当社から独立したメンバーで構成いたします。当社グループは本委員会からの助言・提言を踏まえ、更なるガバナンス体制の強化を図っていく所存です。

**【構成メンバー】**  
本委員会は、その設置目的に鑑み、法律・財務・企業経営等の専門性を持つ下記の社外メンバーで構成するものといたします。

委員長	高井 康行 (弁護士)	1972 年 4 月 検事任官。東京地検特捜部等に勤務 1990 年 4 月以降、福岡地検刑事部長、東京地検刑事部副部長、横浜地検特別刑事部長などを歴任 1997 年 6 月 東京高検刑事部検事を最後に退官 1997 年 9 月 弁護士登録 岐阜地検時代に岐阜県庁汚職事件、特捜部時代にリクルート事件等を担当。 福岡地検刑事部長時代に被害者通知制度を創設。 弁護士登録後は主に企業のコンプライアンス、危機管理に関する業務、企業の事業活動に伴う刑事事件等を取り扱う。その傍ら、公益活動として、政府の捜査手法・取調べの高度化を図るための研究会委員などを務める。
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Item	Details
Period	<ul style="list-style-type: none"><li>Established in August 2024</li><li>Issued an interim report dated February 8, 2025</li><li>Final report expected around summer 2025</li></ul>
Purpose	<ul style="list-style-type: none"><li>To develop measures for preventing the recurrence of legal violations and inappropriate transactions</li><li>“From an objective and professional standpoint, to examine internal control systems and provide advice and recommendations on governance” (Excerpt from Toho HD disclosure materials)</li></ul>
Structure	<ul style="list-style-type: none"><li>Composed of three outside members with expertise in law, finance, and corporate management</li><li>Chair: Mr. Yasuyuki Taka</li><li>Member: Mr. Hidetoshi Kotani (Outside Director)</li><li>Member: Ms. Chie Goto (Outside Director)</li><li>Secretariat: Toho HD’s Legal Department, Corporate Strategy Division, and Corporate Planning Department</li></ul>

③The “Special Committee for Governance Enhancement” established by Toho HD is lacking in substance and cannot act as a substitute for an independent third-party committee (2/2)

The committee does not meet independent third-party requirements

	Independence	Scope of Activities	Investigation Methods	Accountability
Requirement for Third-Party Committees	<ul style="list-style-type: none"><li>Composed solely of members independent from the company or related entities</li><li>The secretariat should report directly to the third-party committee, with strict information barriers established between the secretariat staff and the company</li></ul>	<ul style="list-style-type: none"><li>Investigations into scandals should be conducted to establish and assess facts and analyze the root causes<ul style="list-style-type: none"><li>The scope of investigation should include: factual details of the scandal, sequence of events, motives, background, existence of similar cases, as well as issues related to internal controls, compliance, governance, and corporate culture</li></ul></li></ul>	<ul style="list-style-type: none"><li>Every effort should be made to accurately and comprehensively ascertain the facts, using various methods<ul style="list-style-type: none"><li>Methods should include: hearings, examination of documentary evidence, hotline setup, and digital forensics</li></ul></li></ul>	<ul style="list-style-type: none"><li>Investigation reports should be promptly disclosed to stakeholders involved in the scandal</li></ul>
Special Committee for Governance Enhancement – Level of Fulfillment	<ul style="list-style-type: none"><li>Mr. Takai was contacted directly and appointed as chair without a candidate review process, solely on the decision of a specific executive officer</li><li>The Legal Department, Corporate Strategy Division, and Corporate Planning Department—which routinely work closely with executive management—are involved with the committee as part of their regular duties</li></ul>	<ul style="list-style-type: none"><li>Rather than conducting a comprehensive investigation into past scandals, determining the causes, and identifying whether similar problems exist, the committee has only developed a set of recurrence prevention measures</li></ul>	<ul style="list-style-type: none"><li>The committee has only received explanations based on past internal investigation results of the scandals, rather than using various investigative methods to ascertain new, unbiased facts</li></ul>	<ul style="list-style-type: none"><li>Although the policy based on the interim report has been disclosed, the content of the interim report itself remains undisclosed</li><li>There appears to be no plan to disclose the final report either</li></ul>

Source: Toho HD website; Japan Federation of Bar Associations, Guidelines for Third-Party Committees in Corporate Scandals (literally translated); Interview minutes with Outside Directors Kamoya, Kotani, Goto, and Attorney Takai

## Risk of Irreversible Loss of Trust from Business Partners and Damage to Corporate Value



The pharmaceutical wholesale industry has been consolidated into a four-company structure nationwide; however, pharmaceutical companies are further narrowing down their distributors due to risk management considerations

Currently, pharmaceutical companies are accelerating efforts to limit distribution to fewer wholesalers, including single-distributor arrangements














*“Out of 95 responding companies, 64 reported having at least one product distributed through a single wholesaler, covering 235 products. Among these, 134 were orphan drugs, 34 were biologics, and 8 were regenerative medicine products.” (Summary by our company)*  
Ministry of Health, Labour and Welfare, Ryukai-Kon (Distribution Reform Council), September 2023


*“There are three major changes I’ve noticed in the pharmaceutical industry over the past year and a half. (...) One of them is the sharp increase in products distributed through a single wholesaler.”*  
Healthcare System Research Institute, April 2022

Examples of major distributor narrowing by pharmaceutical companies

Pharmaceutical company	Timing of implementation	Overview
GlaxoSmith Kline (GSK)	2023	<ul style="list-style-type: none"><li>• Transactions narrowed down to two companies, Alfresa and Toho Pharmaceutical</li><li>• Ended transactions with multiple wholesalers including Vitalnet and Suzuken</li><li>• In 2021, also ended transactions with several regional wholesalers</li></ul>
Pfizer	2023	<ul style="list-style-type: none"><li>• Terminated transactions with three regional wholesalers: Chuhoku Yakuhin, Nabelin, and Marutake</li><li>• Promoted wholesaler restructuring under the pretext of “reconsidering efficient logistics systems”</li><li>• Consolidated distribution of some products to Toho HD</li></ul>
Novartis Pharma	2020	<ul style="list-style-type: none"><li>• “SMA treatment drug Zolgensma” distributed exclusively through Suzuken</li><li>• Suzuken Group handles everything from sales to delivery</li><li>• CAR-T cell therapy drugs are also distributed solely by Suzuken</li></ul>
Novo Nordisk	2019	<ul style="list-style-type: none"><li>• Plan to end transactions with eight companies, including those under the Medipal group</li><li>• Purpose: cost reduction and logistics efficiency in response to drug pricing reform</li><li>• Similar measures may expand among foreign pharmaceutical companies</li></ul>

Due to its repeated involvement in bid-rigging scandals and the NU incident, Toho HD is now viewed as having the highest compliance risk among the four major players in the industry

Case Name (Year Uncovered <sup>1</sup> )	Toho HD was a directly involved party in all of these cases, exposing the high level of its compliance risk			Suspected from a compliance risk perspective, one company has already decided to suspend transactions with Toho HD
Miyagi Prefecture Price Cartel Case (2003)	 東邦ホールディングス			 メディパル
JCHO Bid- Rigging Case (2019)	 東邦ホールディングス			 メディパル
Kyushu NHO Bid- Rigging Case (2021)	 東邦ホールディングス			 メディパル
Nihon University Slush Fund Scandal (2024)	 東邦ホールディングス	※ <i>Alfresa rejected improper transactions</i>		



Iyakukezai ONLINE

Janssen Ends Business with Toho Group—  
Compliance Issues Suspected as the Reason  
Contract with Sayle Continues Beyond April

2025.2.20

Janssen Pharma is set to terminate its business relationship with the Toho Group, a major pharmaceutical wholesaler, at the end of March, according to interviews with multiple sources. The termination will affect Toho Pharmaceutical (Chuo-ku, Tokyo), Kyushu Toho (Fukuoka City), and Koyo (Takamatsu City, Kagawa Prefecture), among others...

If pharmaceutical companies expand their suspension of transactions with Toho HD due to concerns over its high compliance risk, Toho HD will inevitably face adverse effects on its revenue base

# Toho HD's continued concealment of the Nihon University incident severely undermines the trust of its business partners and the market

Repeat

## ① Discrepant public statements (pp. 24–27)

- There are multiple inconsistencies between Toho HD's statements in media interviews and the official case records related to the Nihon University incident, raising concerns that the company is misrepresenting the facts

## ② Failure to voluntarily disclose the Nihon University incident (pp. 27,28)

- Toho HD has not made any voluntary external disclosure regarding the Nihon University incident
- The company insisted it was trying to avoid reputational harm, and in interviews, executive officer (*Shikkoyakuin*) stated "we would like you to refrain from pursuing the matter"

## ③ Rejection of establishing a third-party committee (pp. 29–31)

- The establishment of an independent third-party committee was rejected
- The "Special Committee for Governance Enhancement" set up by Toho HD is lacking in substance:
  - Lacks independence
  - Deficient scope setting
  - Flawed investigative methods
  - Lacks accountability



Continuing to ignore the structurally deficient governance framework means failing to resolve compliance risk and directly leads to the irreversible destruction of corporate value

# Voting Recommendation to Address Governance Failures

We recommend exercising voting rights against Mr. Edahiro, Mr. Kamoya and Mr. Kotani



**Hiromi Edahiro**

Toho HD Representative Director, CEO and CFO

**Career**

April 1977	Joined Tokio Marine & Nichido Fire Insurance
September 1985	Joined TOKIWA Pharmaceutical Co., Ltd.
August 2000	President and Representative Director, TOKIWA Pharmaceutical Co., Ltd.
June 2012	Auditor, Toho Holdings
June 2015	President and Representative Director, Toho Pharmaceutical
June 2019	Executive Vice Chairman and CFO, Toho Holdings
June 2020	<b>Director, Toho Pharmaceutical (current)</b>
June 2022	Representative Director and CFO, Toho Holdings
June 2024	<b>Representative Director, CEO and CFO, Toho Holdings (current)</b>
May 2025	<b>President and Executive Officer, CEO, Toho Holdings (designate)</b>

**Reasons**

- **Mr. Edahiro has been part of the central management at the time of both bid-rigging cases and the NU scandal, and therefore cannot be absolved of responsibility for Toho’s governance and compliance issues**
- **His public statements regarding the NU case conflict with case records, raising serious concerns about the credibility and transparency of his explanations**
- **Despite these issues, he was appointed CEO through an internal succession process, with no external benchmarking or accountability review**

We recommend exercising voting rights against Mr. Edahiro, Mr. Kamoya and Mr. Kotani



Yoshiaki Kamoya

Outside Director /  
Member of the Audit and Supervisory Committee

Career

April 1978	Joined Shionogi & Co., Ltd.
April 2009	Executive Officer, General Manager of Administration Division and Tokyo Branch Manager, Shionogi & Co., Ltd.
April 2011	Senior Executive Officer, Shionogi & Co., Ltd.
April 2017	Executive Corporate Officer, Tokyo Branch Manager, Shionogi & Co., Ltd.
April 2020	Advisor, Shionogi & Co., Ltd. (current)
June 2020	Outside Director, Toho Holdings (current)

Reasons

- As the longest-serving outside director, Mr. Kamoya’s lack of involvement in the Special Committee for Governance Enhancement, **reflects a blatant disregard for governance and compliance issues**
- Furthermore, **despite his key role on the Nomination Committee as the former Chairperson of the Nomination Committee, he failed to pursue accountability for past scandals, did not ensure the appropriate selection of the CEO as a director, and does not fulfill his responsibility for these actions.**
- Additionally, Mr. Kamoya currently serves as an advisor to a company engaged in a cross-shareholding with Toho HD, **raising doubts about his independence as an outside director**



Hideto Kotani

Outside Director /  
Member of the Audit and Supervisory Committee

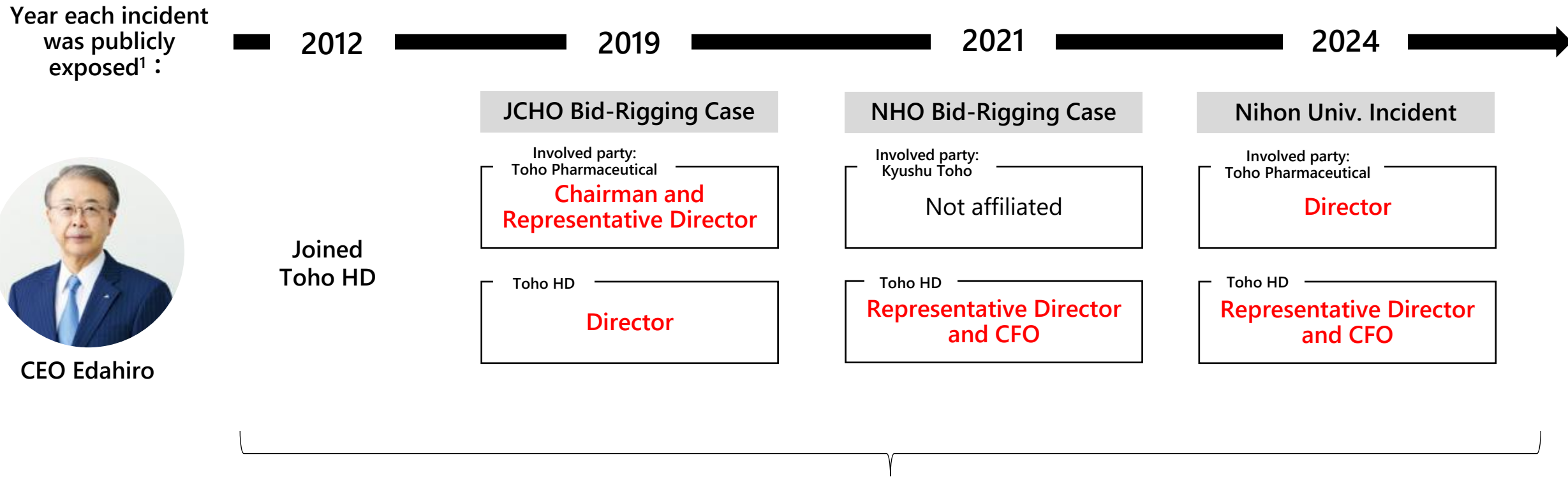
Career

April 1984	Joined Pfizer
January 1998	Joined Banyu Pharmaceutical
July 2009	Executive Officer, Banyu Pharmaceutical
March 2012	Executive Vice President, Banyu Pharmaceutical
March 2012	Vice President, Merck
September 2015	President, CEO & CTO, Panasonic Healthcare Holdings Co., Ltd.
September 2019	Managing Partner, Frederick Research (current)
February 2022	Representative Director, Novocure (current)
June 2022	Outside Director, Toho Holdings (current)

Reasons

- As a member of the Nomination Committee, **he was involved in last year’s flawed process of appointing Mr.Edahiro as CEO. Furthermore, as Chairperson of the Nomination Committee, he does not fulfill his responsibility for the decision to retain Mr. Edahiro as CEO**

① CEO Edahiro was part of Toho HD’s central management when the two collusion cases and the NU scandal broke and during the subsequent response, and therefore cannot be absolved of responsibility for the company’s governance and compliance issues



Since joining the company, Mr. Edahiro has been part of the central management of Toho HD or Toho Pharmaceutical when each scandal was uncovered and during the response, yet left the issues unaddressed.

# ① In responding to media coverage regarding the Nihon University incident, Toho HD's explanations clearly contradicted case records, raising suspicions of misrepresentation

Repeat

## Toho HD's response in media interviews

## Our company's interpretation based on case records

### Existence of similar fraudulent transactions

- There were **"no" cases—other than with Company C**—in which a portion of pharmaceutical discounts was transferred under the guise of consulting fees to a bank account of an unrelated entity

"There are no cases, other Company C, in which a portion of pharmaceutical discounts was transferred under the guise of consulting fees to a bank account of an unrelated entity" – this was the response provided.

July 4, 2024, Iyaku Keizai ONLINE

"Distorted Transactions Revealed in Evidence from the 'Nihon University Incident' Involving Toho HD, a Major Pharmaceutical Wholesaler — Risk of Contract Termination by Manufacturers"



- A** As transferring money to a bank account of an entity unrelated to a business partner under the guise of consulting fees is nearly equal to payment to a tunnel company, considering these internal email exchanges, we strongly suspect that payments to "tunnel companies" were a common practice at Toho HD

- In an email at the time from Executive Vice President (*Senmu*) of Toho Pharmaceutical, Akira Umada to President of Toho HD, Norio Hamada, Mr. Umada stated: "Procure through Association D's tunnel company Company E and deliver."

### Recognition regarding transfers to paper companies

- There was **absolutely no recognition that the transfer to an account under the name of a paper company would serve as a source of illicit rebates for Nihon University**

"What Toho HD repeatedly emphasized in interviews was that it had absolutely no recognition that the transfer to an account under the name of Company C would serve as a source of illicit rebates for Nihon University."

July 4, 2024, Iyaku Keizai ONLINE

"Distorted Transactions Revealed in Evidence from the 'Nihon University Incident' Involving Toho HD, a Major Pharmaceutical Wholesaler — Risk of Contract Termination by Manufacturers"



- B** Following further investigation, we raise serious doubt that Toho HD had **"absolutely" no understanding that the funds would become a source of illicit rebates**

- As a matter of fact, competitors refused to engage in similar payment schemes, suggesting that the transactions were recognizably improper
- It was objectively clear that the representative of the payee (Company C) had no connection to Nihon University

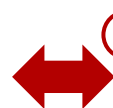
### Recognition regarding the nature of the paper company

- It was **also not recognized that Company C was a paper company**

"They also claimed not to have realized that Company C was a paper company. Whether they genuinely expected any consulting service is unclear, but in the end, none was provided."

July 4, 2024, Iyaku Keizai ONLINE

"Distorted Transactions Revealed in Evidence from the 'Nihon University Incident' Involving Toho HD, a Major Pharmaceutical Wholesaler — Risk of Contract Termination by Manufacturers"



- C** Following further investigation, we raise serious doubt that Toho HD did **not recognize Intelligence Inc. as a shell company**

- The company could have easily verified that the address of the counterparty (Company C) was merely a unit in a residential apartment
- The contract with Company C was a nominal one created retroactively to make the transfer to the company's account appear legitimate



# ①Mr. Ediharo was appointed CEO through an internal succession process, with no external benchmarking or accountability review

## Failure to compare Mr. Edahiro to external candidates in the CEO appointment process

- In principle, the appointment of a CEO should be made by comparing suitable external candidates

“Although top executives in Japan are often promoted from within, from the perspective of selecting the best possible successor, **there may be cases where it is appropriate to consider outside recruitment**, depending on the circumstances facing the company.”

Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) Ministry of Economy, Trade and Industry (METI)

“Furthermore, if the pool of CEO candidates consists only of internal personnel, the selection process will inevitably involve comparisons among internal candidates. However, **by also comparing and benchmarking against external candidates**, it becomes possible to assess the relative standing of the candidates and verify the suitability of internal ones.”

Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) Ministry of Economy, Trade and Industry (METI)

- However, Mr. Edahiro’s appointment as CEO was **decided without comparison to external candidates**.

(In response to a question on whether the CEO selection process involved objectively comparing multiple individuals and selecting the most suitable candidate:)

“**I don’t believe that process was adopted**. Given the circumstances I mentioned earlier, the choice was for Edahiro to concurrently serve as CEO.”

Interview minutes with Outside Director Kotani

## Failure to examine accountability related to past scandals in the CEO appointment process

- Since Mr. Edahiro has been part of the central management at the time of the past scandals, the question of his accountability should have been considered when determining the appropriateness of his appointment as CEO
- However, in Mr. Edahiro’s appointment as CEO, **the issue of accountability was not considered at all**

(In response to a question on whether accountability issues related to Mr. Edahiro were considered during the CEO appointment process:)

“Edahiro’s appointment as CEO was a very difficult decision given the circumstances. **To be honest, we did not go so far as to say, for example, that he was inappropriate because of the Nihon University matter or the JCHO case. I don’t think we reached that level of discussion.**”

Interview minutes with Outside Director Kotani

# ②Outside Director Kamoya did not participate in the Special Committee for Governance Enhancement, emphasizing his indifference toward governance and compliance deficiencies

Mr. Kamoya is the longest-serving outside director



- Mr. Yoshiaki Kamoya
- Term of office: Since June 2020 (5 years)
  - Background: Shionogi & Co., Ltd.



- Mr. Hideto Kotani
- Term of office: Since June 2022 (3 years)
  - Background: Pfizer, Banyu Pharmaceutical, etc.



- Ms. Chie Goto
- Term of office: Since September 2022 (3 years)
  - Background: Attorney, Certified Public Accountant

However, he did not participate in the Special Committee for Governance Enhancement, and his indifference toward deficiencies in governance and compliance is particularly noticeable

- Mr. Kamoya was absent from the Special Committee for Governance Enhancement, which was newly established in 2024

Members of the Special Committee for Governance Enhancement		
Chairperson	Yasuyuki Takai (Lawyer)	1972 年 4 月 検事任官。東京地検特捜部等に勤務 1990 年 4 月以降、福岡地検刑事部長、東京地検刑事部副部長、横浜地検特別刑事部長などを歴任 1997 年 6 月 東京高検刑事部検事を最後に退官 1997 年 9 月 弁護士登録 岐阜地検時代に岐阜県庁汚職事件、特捜部時代にリクルート事件等を担当。 福岡地検刑事部長時代に被害者通知制度を創設。 弁護士登録後は主に企業のコンプライアンス、危機管理に関する業務、企業の事業活動に伴う刑事事件等を取り扱う。その傍ら、公益活動として、政府の捜査手法・取調べの高度化を図るための研究会委員などを務める。
Member	Hideto Kotani	1994 年 4 月 ファイザー社（米国）コネチカット州世界中央研究所 入社 1998 年 1 月 万有製薬株式会社（現 MSD 株式会社）入社 2009 年 7 月 同社執行役員コーポレートサービス担当 兼 社長室長 2012 年 3 月 同社副社長執行役員営業本部長 兼 社長室長 2012 年 3 月 メルク社（米国）バイスプレジデント 2015 年 9 月 パナソニックヘルスケアホールディングス株式会社（現 PHC ホールディングス株式会社）代表取締役社長 CEO 兼 CTO 2019 年 9 月 Frederick Research 合同会社代表社員（現任） 2022 年 2 月 ノボキア株式会社代表取締役（現任） 2022 年 6 月 当社社外取締役（監査等委員）（現任）
Member	Chie Goto (Lawyer & Certified Public Accountant)	1984 年 4 月 株式会社ソシエ・ワールド 入社 1988 年 4 月 株式会社東京学生進路資料室 入社 1994 年 9 月 山田&パートナーズ会計事務所 入所 2006 年 10 月 弁護士登録 さくら共同法律事務所 入所、公認会計士登録 2011 年 1 月 さくら共同法律事務所 パートナー（現任） 2021 年 9 月 株式会社アバント（現 株式会社アバントグループ）社外監査役 2022 年 9 月 同社社外取締役（監査等委員）（現任） 2024 年 6 月 当社社外取締役（監査等委員）（現任）
事務局：東邦ホールディングス㈱ 法務部、経営戦略本部 経営企画部		

②As a former chairperson of the Nomination Committee, Mr. Kamoya does not fulfill his responsibility for not appointing appropriate directors, including the CEO, without holding them accountable for past scandals. He also failed to consider external candidates for CEO

In the appointment of Mr. Edahiro as CEO last year, the selection process was flawed. There was no comparison with external candidates, and no consideration was given to accountability for past scandals.

Mr. Kamoya stepped down as Chairperson of the Nomination Committee at an unnatural time, has refused to meet with 3D, and does not fulfill his responsibility.

①Mr. Ediharo was appointed CEO through an internal succession process, with no external benchmarking or accountability review

Failure to compare Mr. Edahiro to external candidates in the CEO appointment process

- In principle, the appointment of a CEO should be made by comparing suitable external candidates

"Although top executives in Japan are often promoted from within, from the perspective of selecting the best possible successor, **there may be cases where it is appropriate to consider outside recruitment**, depending on the circumstances facing the company."

Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) Ministry of Economy, Trade and Industry (METI)

"Furthermore, if the pool of CEO candidates consists only of internal personnel, the selection process will inevitably involve comparisons among internal candidates. However, by also **comparing and benchmarking against external candidates**, it becomes possible to assess the relative standing of the candidates and verify the suitability of internal ones."

Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) Ministry of Economy, Trade and Industry (METI)

- However, Mr. Edahiro's appointment as CEO was **decided without comparison to external candidates.**

(In response to a question on whether the CEO selection process involved objectively comparing multiple individuals and selecting the most suitable candidate:)

"**I don't believe that process was adopted.** Given the circumstances I mentioned earlier, the choice was for Edahiro to concurrently serve as CEO."

Interview minutes with Outside Director Kotani

Failure to examine accountability related to past scandals in the CEO appointment process

- Since Mr. Edahiro has been part of the central management at the time of the past scandals, the question of his accountability should have been considered when determining the appropriateness of his appointment as CEO
- However, in Mr. Edahiro's appointment as CEO, the issue of accountability was **not considered at all**

(In response to a question on whether accountability issues related to Mr. Edahiro were considered during the CEO appointment process:)

"Edahiro's appointment as CEO was a very difficult decision given the circumstances. To be honest, we did not go so far as to say, for example, that he was inappropriate because of the Nihon University matter or the JCHO case. I don't think we reached that level of discussion."

Interview minutes with Outside Director Kotani

Source: "Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines)" Ministry of Economy, Trade and Industry (METI)

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- Mr. Kamoya stepped down as Chairperson of the Nomination Committee at an extremely unnatural point in January of this year
  - It should be noted that the change in Chairperson of the Nomination Committee was not announced at the time it occurred.
- Mr. Kamoya declined to attend a meeting with our company, the largest shareholder, regarding the executive nomination proposal, citing his resignation as Chairperson of the Nomination Committee as the reason

②Mr. Kamoya currently serves as an advisor to a company engaged in a cross-shareholding with Toho HD, raising doubts about his independence as an outside director

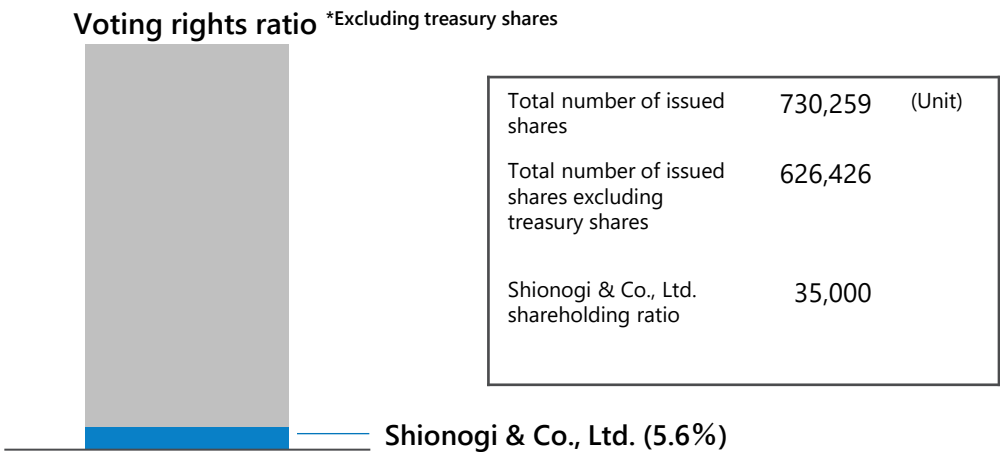
Mr. Kamoya is currently serving as an advisor to Shionogi & Co., Ltd



Shionogi & Co., Ltd. is one of Toho HD's main cross-shareholding partners

- Shionogi & Co., Ltd. and Toho HD engage in mutual shareholding
- As a result of this cross-shareholding, Shionogi & Co., Ltd. holds 5.6% of Toho HD's voting rights and is one of its major shareholders

Toho HD Securities Report	Shionogi & Co., Ltd.	523,614	523,614	In order to maintain a close relationship in transactions such as pharmaceutical procurement	有
		4,058	3,129		
Shionogi & Co., Ltd. Securities Report	Toho Holdings Co., Ltd.	3,500,112	3,500,112	As the company group is one of our business partners, we hold shares for the purpose of maintaining and strengthening our business relationship, including pharmaceutical sales. At the Board of Directors meeting in May 2024, we conducted a comprehensive assessment of each individual strategic shareholding—reviewing the purpose of holding, associated benefits and risks, capital costs, and other factors—and confirmed the economic rationale and strategic validity of such holdings.	有
		12,782	8,225		



# ③Mr. Kotani was involved, as a member of the Nomination Committee, in last year’s flawed process of appointing Mr. Edahiro as CEO. Furthermore, as Chairperson of the Nomination Committee, he does not fulfill his responsibility for the decision to retain Mr. Edahiro as CEO

In last year’s appointment of Mr. Edahiro as CEO, a proper selection process was not followed—no comparison with external candidates was conducted, nor was accountability for past scandals examined.

Mr. Kotani, as a current chairperson of the Nomination Committee, does not fulfill his responsibility for the decision to retain Mr. Edahiro, who owned responsibility for the past scandals, as CEO.

## ①Mr. Ediharo was appointed CEO through an internal succession process, with no external benchmarking or accountability review

### Failure to compare Mr. Edahiro to external candidates in the CEO appointment process

- In principle, the appointment of a CEO should be made by comparing suitable external candidates
- “Although top executives in Japan are often promoted from within, from the perspective of selecting the best possible successor, **there may be cases where it is appropriate to consider outside recruitment**, depending on the circumstances facing the company.”

Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) Ministry of Economy, Trade and Industry (METI)

“Furthermore, if the pool of CEO candidates consists only of internal personnel, the selection process will inevitably involve comparisons among internal candidates. However, **by also comparing and benchmarking against external candidates**, it becomes possible to assess the relative standing of the candidates and verify the suitability of internal ones.”

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Interview minutes with Outside Director Kotani
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“Edahiro’s appointment as CEO was a very difficult decision given the circumstances. To be honest, we did not go so far as to say, for example, that he was inappropriate because of the Nihon University matter or the JCHO case. I don’t think we reached that level of discussion.”

Interview minutes with Outside Director Kotani
- Source: “Guidelines for Nomination and Compensation Committees and Succession Planning: Supplement to the Practical Guidelines for Corporate Governance Systems (CGS Guidelines)” Ministry of Economy, Trade and Industry (METI)
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- Mr. Kotani assumed the position of Chairperson of the Nomination Committee in January of this year. He approved the appointment of Mr. Edahiro as the next CEO, despite Mr. Edahiro being unfit for the role
  - We inquired during the meeting with Mr. Kotani about the background to the appointment of the director, but no convincing explanation was provided regarding the appropriateness of appointing Mr. Edahiro as Representative Director and CEO.
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# Disclaimer

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