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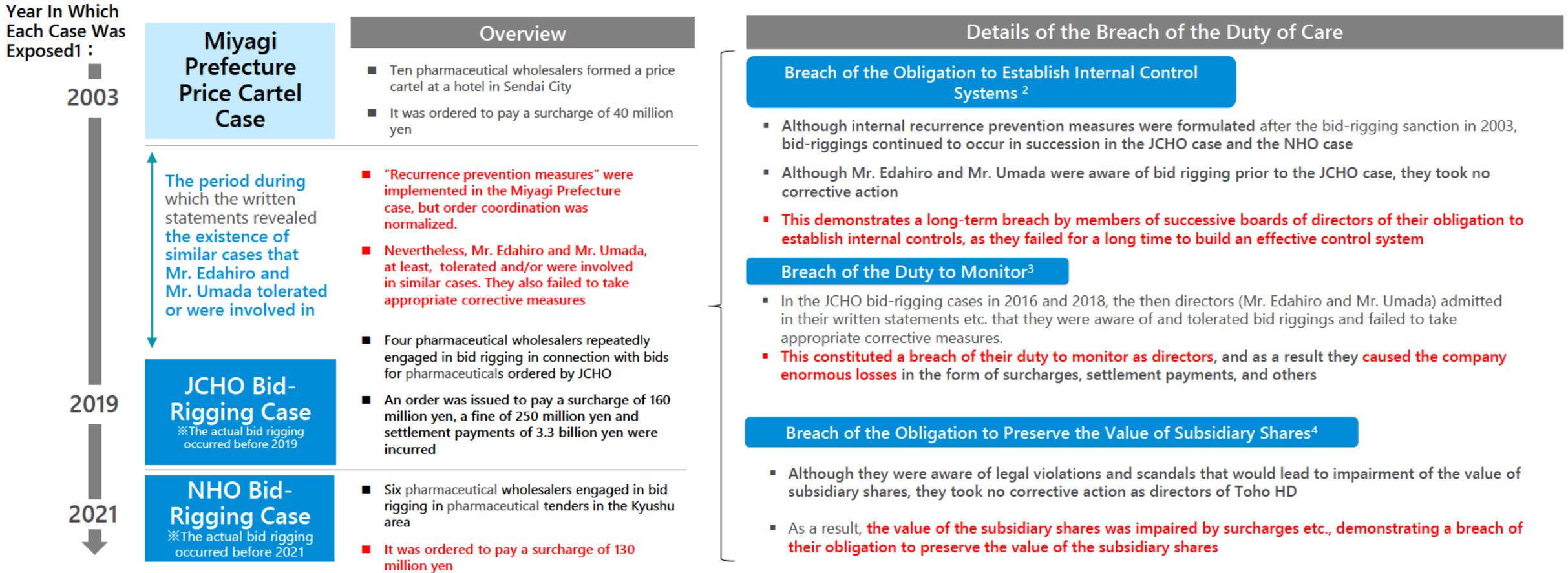
# Information Concerning the Audit and Supervisory Committee of Toho HD's Decision Not to File a Lawsuit Against Current and Former Directors

March 16, 2026



# In December 2025, 3D made a demand for the filing of a lawsuit against Toho HD, based on breaches of the duty of care by Toho HD's current and former directors in connection with past bid-rigging cases

With respect to the JCHO/ NHO bid-rigging cases, we understand that the directors breached their duty of care as set forth below.



Source: Company Disclosure Materials; Various News Articles; Case 2020 (Tokuwa) No. 3100Retained Case Records for Violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade Written Statement of CEO Edahiro; Written Statement of COO Umada

Note: [1] The year in which Toho HD, Toho pharmaceutical, or Kyushu Toho was first publicly reported as being involved in the case (based on our research). Positions are as of the time when the case came to light or when the response was made; [2] The Obligation to Establish Internal Control Systems Is Stipulated in Article 399, Paragraph 1, Item 1 and Paragraph 2 of the Companies Act, and Its Content Is Specified in Article 110-4 of the Ordinance for Enforcement of the Companies Act. In Addition, the Status of Its Implementation Is Subject to Audit by the Audit and Supervisory Committee under Article 399-2, Paragraph 3, Item 1 and Article 130-2, Paragraph 1 of the Companies Act; [3] The duty to monitor is one aspect of directors' duty of care (Articles 330 of the Companies Act and 644 of the Civil Code) and is also related to their duty of loyalty (Article 355 of the Companies Act); [4] The duty to preserve the value of subsidiary shares is an obligation derived from directors' duty care (Articles 330 of the Companies Act and 644 of the Civil Code) and duty of loyalty (Article 355 of the Companies Act).

Our demand for the filing of a lawsuit was based on written statements, in which the individuals, in their own words, directly acknowledged the normalization of the bid-rigging, their awareness thereof, and the fact that they failed to implement appropriate preventive measures.

### Both CEO Edahiro and COO Umada stated that Similar Order Coordinations Repeatedly Had Occurred Even Before the JCHO Bid-Rigging Case



Edahiro CEO

#### Written statement by Mr. Edahiro from the prosecutor's questioning regarding JCHO

"As someone working in the pharmaceutical wholesale industry, from the time of the 2016 JCHO tender and the 2018 JCHO tender onward, I believed that **not only for those JCHO tenders but also for [redacted], orders were likely being coordinated among competitors, including Toho pharmaceutical, Alfresa, Mediceo, and Suzuken, the so-called 'Big Four' pharmaceutical wholesalers.**"



Umada COO

#### Written statement by Mr. Umada from the prosecutor's questioning regarding JCHO

"However, based on my own past experience, **I had long been aware that, in joint pharmaceutical tenders by JCHO [redacted] and others [redacted], order coordination among pharmaceutical wholesalers, including our company, was commonplace, and I understood that similar order coordination was continuing to take place.**"

### Both CEO Edahiro and COO Umada Testified that No substantive recurrence prevention measures were implemented.



Edahiro CEO

#### Written statement by Mr. Edahiro from the prosecutor's questioning regarding JCHO

"Even I myself, as Representative Director and President, although I assumed that Toho pharmaceutical was probably engaging in order coordination and similar practices with competitors at the time of bids or competitive quotations, **did not directly instruct** the personnel in charge of bidding or their supervisors **to refrain from such order coordination, nor did I take any decisive measures to prevent such conduct,** because I **prioritized the desire to secure Toho Pharmaceutical's sales and profits and to maintain its order share.**"



Umada COO

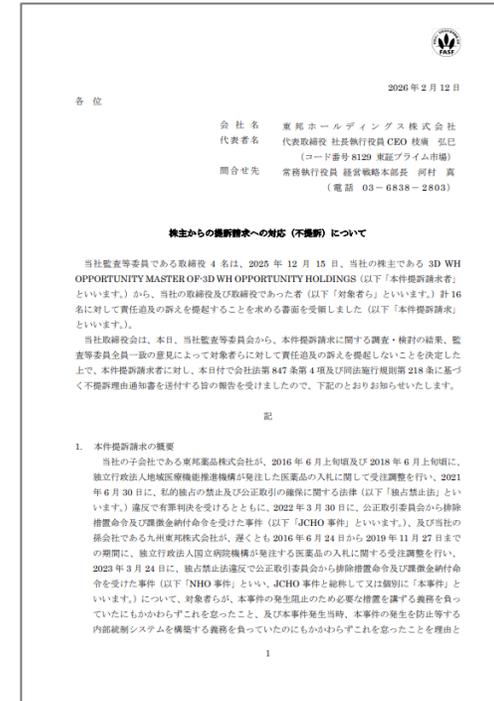
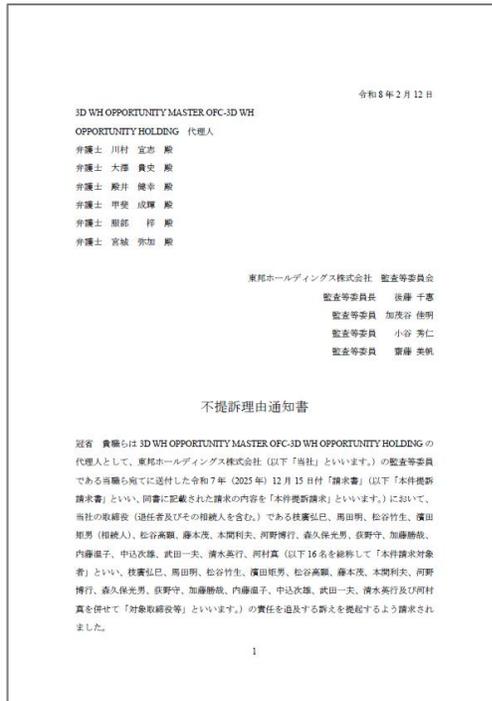
#### Written statement by Mr. Umada from the prosecutor's questioning regarding JCHO

"With respect to the **recurrence prevention measures** that the Toho Group claims to be implementing (omitted), **these were merely "for the authorities,"** such as the Japan Fair Trade Commission and the Ministry of Health, Labour and Welfare—that is, superficial **and their content was abstract and entirely lacking in concreteness.**"

# In response, the Audit and Supervisory Committee of Toho HD determined in February 2026 not to file a lawsuit with respect to our demand for the filing of a lawsuit.

## “Notice of Reasons for the Decision for Not Filing a Lawsuit” (Letter dated February 12, 2026, addressed to counsel for 3D)

## “Responding to a Shareholder’s Request for a Lawsuit (Non-Prosecution)” (Toho HD disclosure dated February 12, 2026)

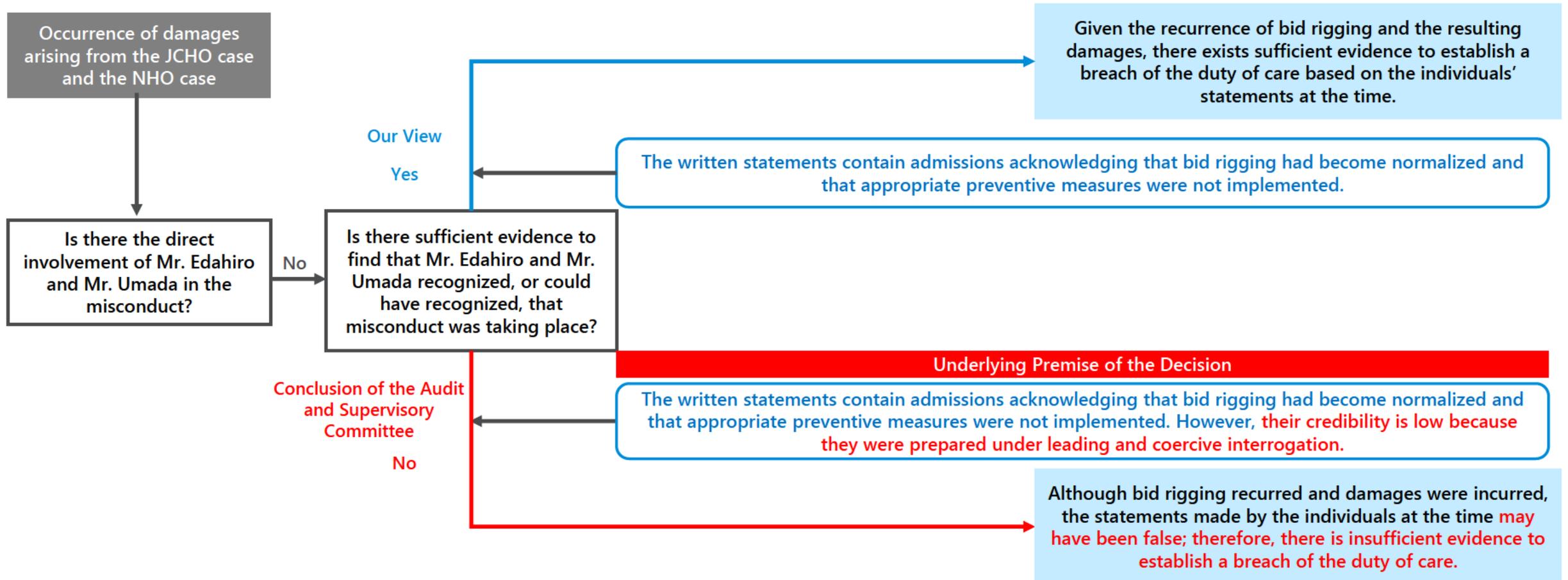


There are material discrepancies.

Along with this Presentation, we are also disclosing the Notice of Reasons for the Decision Not Filing a Lawsuit that we received from Toho HD, and we would appreciate it if shareholders would review its contents.

# The decision by the Audit and Supervisory Committee not to file a lawsuit was based on the astonishing logic that the written statements lacked credibility based on the suspicion that they were prepared under “leading and coercive interrogation.”

## The Logic Underlying the Audit and Supervisory Committee’s Decision Not to File a Lawsuit



The written statements bear the signatures and seals of CEO Edahiro, COO Umada, and the public prosecutor, confirming the accuracy of the contents from the perspectives of both the persons making the statements and the recorder.

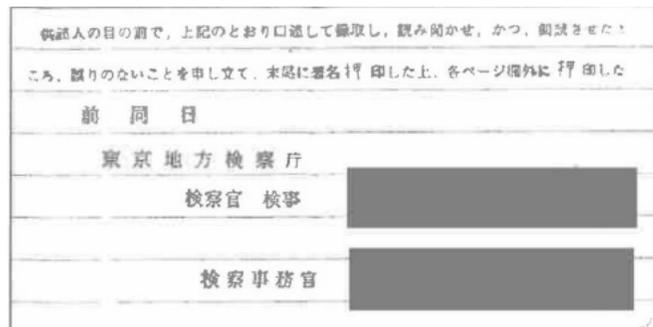
The written statements bear the signatures and seals of both the individuals and the public prosecutor, confirming that, at the time, both the individuals and the prosecutor who conducted the questioning acknowledged their accuracy.

Signatures and seals of the individuals appear on the written statements.



- A written statement is signed and sealed by the individual only after the entire content has been read aloud and the individual has confirmed that there are no inaccuracies(Code of Criminal Procedure, Article 198, paragraphs 4 and 5)
- If the content of a written statement is inaccurate, the individual may refuse to sign or seal it(Code of Criminal Procedure, Article 198, paragraph 5)  
→ In other words, the signing and sealing serve as confirmation that the content is accurate, and the individual personally acknowledges its correctness.

Signature and seal of the public prosecutor appear on the written statements.



- The signature and seal of the public prosecutor certify that the document is an official document prepared by a public prosecutor(Rules of Criminal Procedure, Article 58, paragraph 1; Code of Criminal Procedure, Article 321, paragraph 1, item 2)  
→ In other words, the written statements are properly prepared official documents, and the public prosecutor has acknowledged their accuracy.

Furthermore, the admissibility of evidence of the written statements was admitted in the criminal court at the time. In other words, Toho Pharmaceutical itself acknowledged their credibility through the proper legal process.

The written statements were admitted as evidence in the criminal court at the time, and “Toho Pharmaceutical itself” acknowledged their credibility.

The written statements were obtained through the formal process of copying court records at the Public Prosecutors Office.

We **copied** the written statements, which were preserved as court records at the Public Prosecutors Office, pursuant to the Act on the Final Criminal Case Records.

No record can be found in the judgment indicating that the admissibility of the written statements was contested.

We obtained and reviewed the judgment relating to the JCHO case, and found **no indication that the admissibility of the written statements had been disputed (e.g., through witness examination).**

- The fact that the written statements were subject to **inspection and copying** as part of the court records itself means that they were admitted as evidence with admissibility of evidence in judicial proceedings.
- Evidentiary admissibility is recognized where there is **consent from Toho Pharmaceutical**, the defendant (Code of Criminal Procedure, Article 326, paragraph 1)
- The written statements as evidence included content **unfavorable to Toho Pharmaceutical at sentencing**, and if there had been any dispute as to their credibility, Toho Pharmaceutical would not consent to it.
- If Toho Pharmaceutical had not consented, it would ordinarily be reflected in **the written judgment** that the admissibility of the evidence had been contested (e.g., through witness examination); however, no such indication **can be found**.

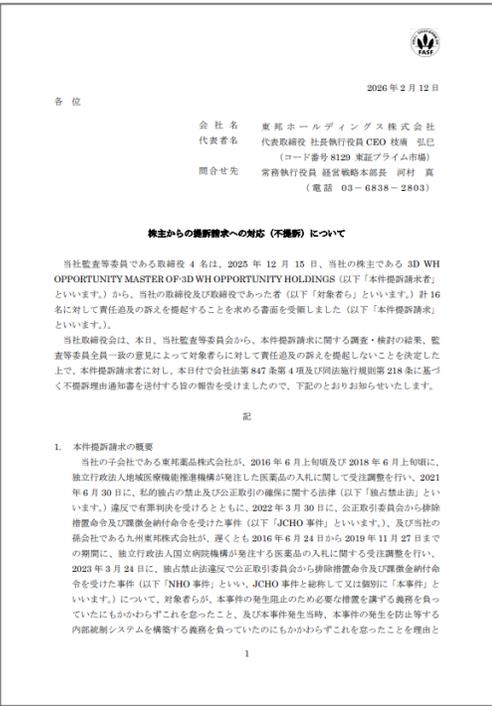
→ **This means that Toho Pharmaceutical itself consented to the admission of the written statements as evidence and acknowledged their credibility.**

※ Even if, hypothetically, Toho Pharmaceutical had not consented and the admissibility of evidence of the written statements had nonetheless been admitted, this means that the judges at the time determined that the statements were sufficiently reliable that no further examination of credibility through cross-examination was required, which would directly contradict the view taken by the Audit and Supervisory Committee.



Furthermore, without disclosing to shareholders the questionable grounds underlying such a decision, Toho HD has made disclosures as though it sincerely examined the credibility of the written statements.

Statement contained in “Responding to a Shareholder’s Request for a Lawsuit (Non-Prosecution)” (Toho HD disclosure dated February 12, 2026)



“In light of the fact that the prosecutor-prepared written statements in the JCHO case constitute important materials in this shareholder demand for the filing of a lawsuit, we carefully examined the credibility of their contents.”

We believe that both the Audit and Supervisory Committee’s unreasonable grounds for its decision not to file a lawsuit and Toho HD’s disclosure posture, which lacks sincerity toward shareholders, demonstrate an “escape into formalism” and a “culture of concealment” at Toho HD, and once again reveal a serious failure in corporate governance.

Source: Toho HD, “Responding to a Shareholder’s Request for a Lawsuit (Non-Prosecution)” dated February 12, 2026; Toho HD, “Notice of Reasons for Not Filing a Lawsuit ” dated February 12, 2026

# Appendix

# The persons against whom Toho HD decided not to file a lawsuit, and the scope of responsibility, are organized as follows:

## 1 Mr. Edahiro / Mr. Umada

### A Liability of Directors for the Duty to Take Necessary Measures to Prevent the Occurrence of Misconduct

- Where directors of a parent company **actively participate in the decision-making of a subsidiary, the directors' duty of care owed to the parent company may be at issue.**
- Even where directors of a parent company did not directly participate in a subsidiary's illegal acts, as part of **their duty of care and duty of loyalty owed to the parent company, they may bear a duty to supervise the operations of the subsidiary.**
- For example, where they recognized, or could have recognized, improper conduct, they bear **duty to take concrete measures.**

### B Liability of Directors for the Obligation to Establish Internal Control Systems

- Directors bear an obligation, in fulfillment of their duty of care and duty of loyalty, to **establish concrete internal control systems based on resolutions of the board of directors.**
- There are court precedents denying a breach of the obligation to establish internal control systems where a **management framework capable of preventing ordinarily foreseeable misconduct was in place and no special circumstances existed requiring the prediction of such misconduct.**
- They bear obligations to establish and operate internal control systems and/or supervisory duties, taking into account matters that they recognized or could have recognized in the capacity of directors or officers of a subsidiary.

## 2 Other Directors, etc.

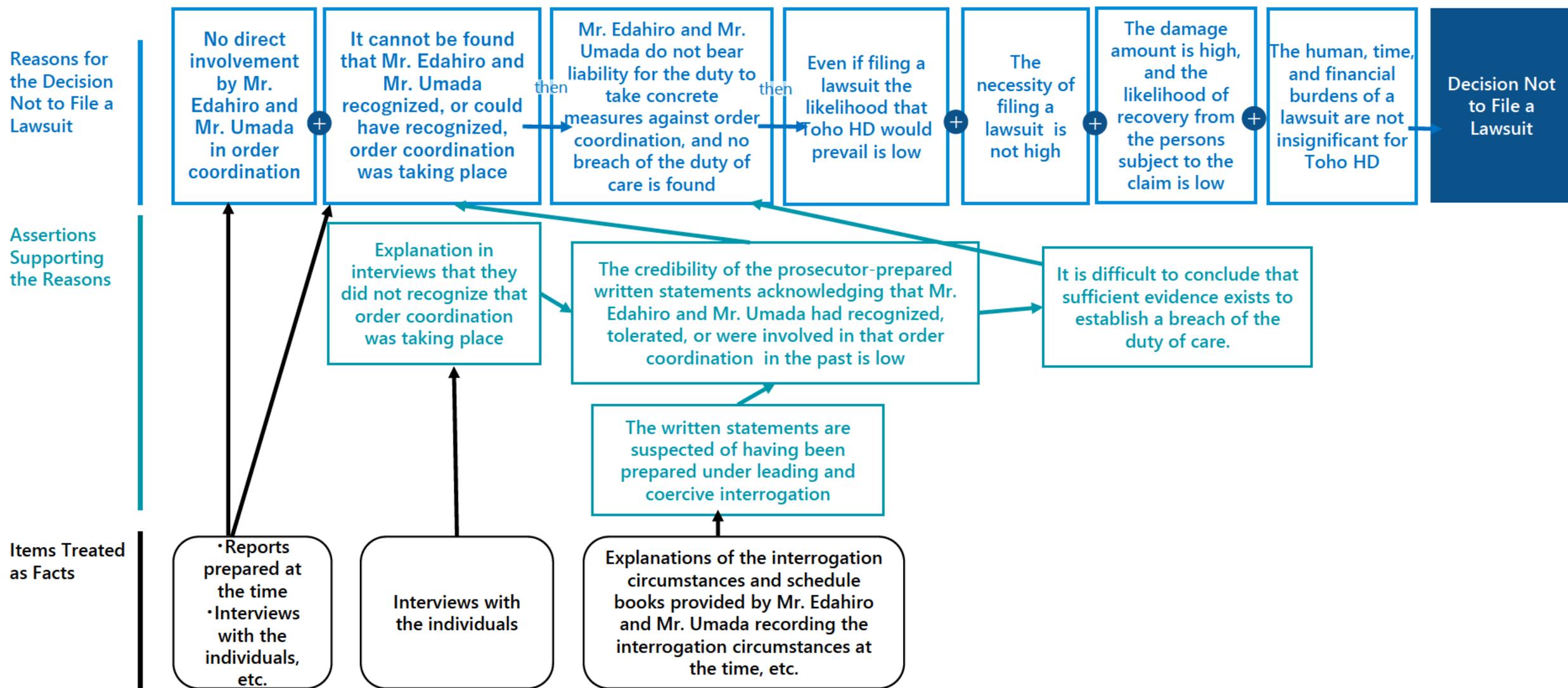
### A Liability of Directors for the Duty to Take Necessary Measures to Prevent the Occurrence of Misconduct

- Same as ①-A

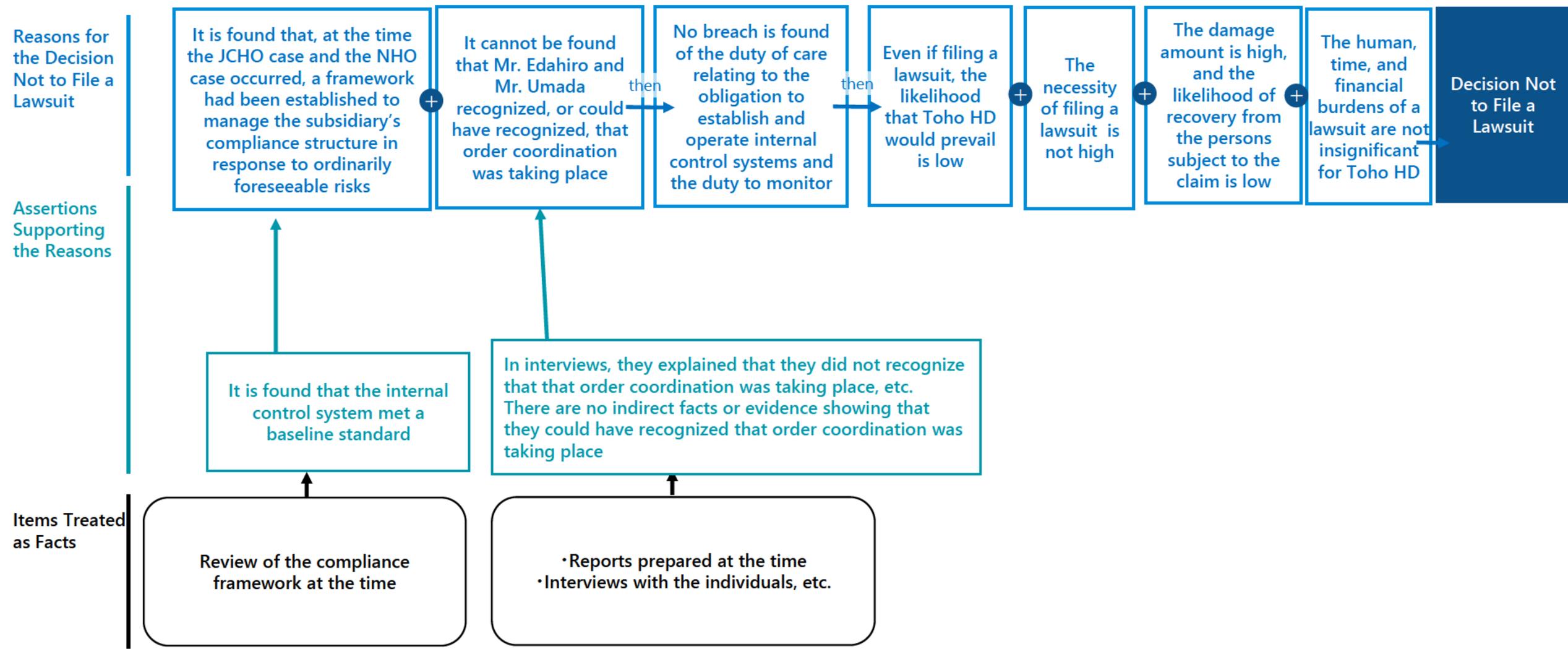
### B Liability of Directors for the Obligation to Establish Internal Control Systems

- Same as ①-B

**1** The reasons for the decision not to file a lawsuit with respect to the liability of Mr. Edahiro and Mr. Umada as directors  
**A** concerning the duty to take concrete measures against improper conduct, as notified to us, are organized as follows:

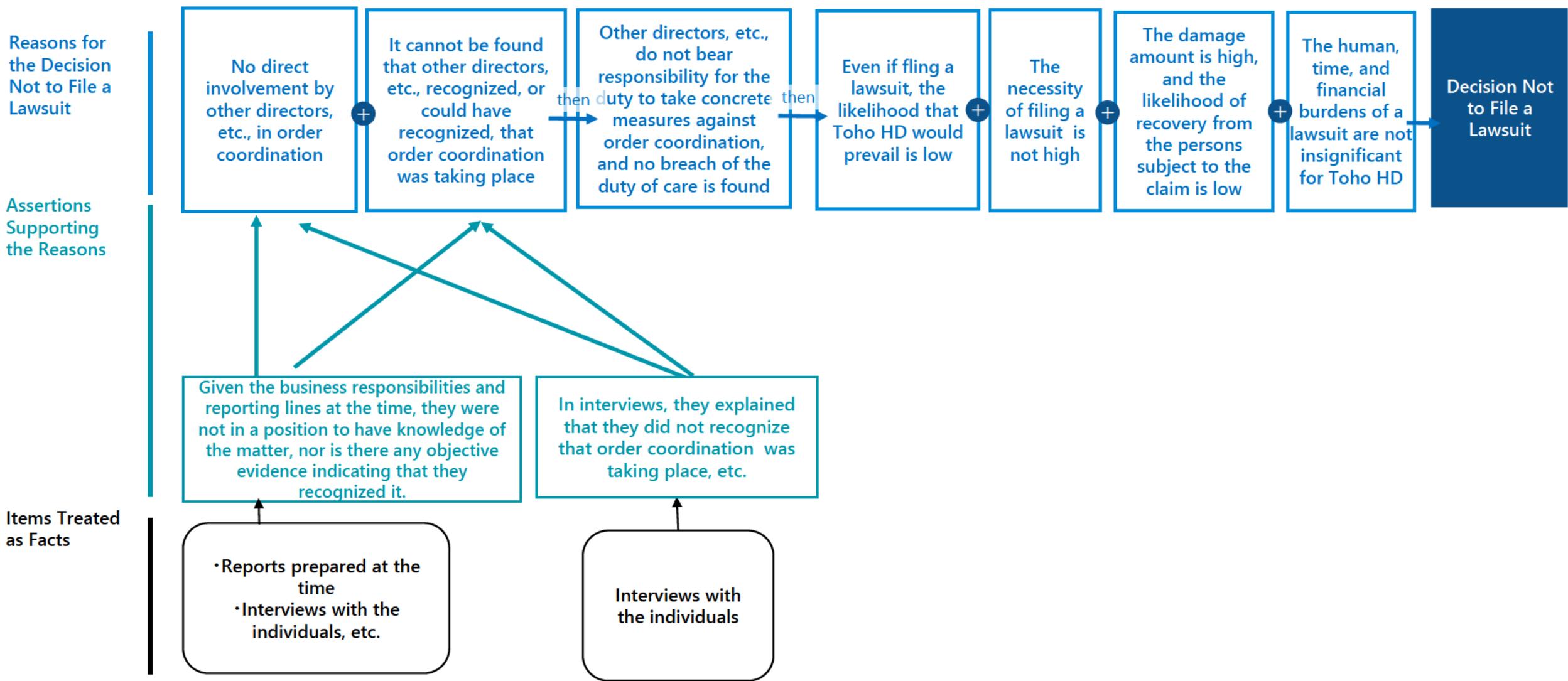


**1** The reasons for the decision not to file a lawsuit with respect to the liability of Mr. Edahiro and Mr. Umada as  
**B** directors concerning the obligation to establish internal control systems, as notified to us, are organized as follows:



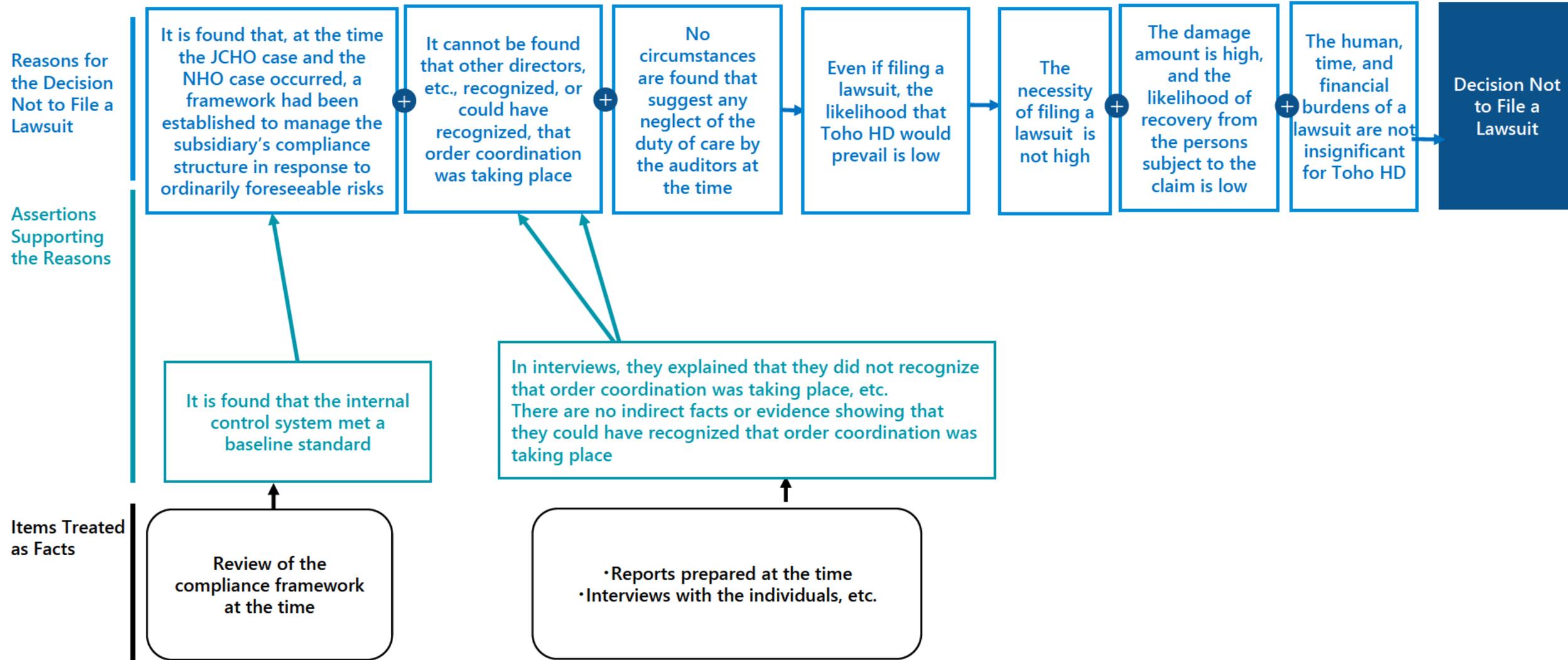
Source: Toho HD, "Notice of Reasons for Not Filing a Lawsuit" dated February 12, 2026

**2**  
**A** The reasons for the decision not to file a lawsuit with respect to the liability of other directors, etc., for directors' liability concerning the duty to take concrete measures against improper conduct are organized as follows:



Source: Toho HD, "Notice of Reasons for Not Filing a Lawsuit" dated February 12, 2026

**2** The reasons for the decision not to file a lawsuit with respect to the liability of other directors, etc., for **B** directors' liability concerning the obligation to establish internal control systems are organized as follows:



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