

To whom it may concern:

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Notice regarding establishment and operational structure of “Management Strategy Committee”

TOHO HOLDINGS CO.,LTD. (hereinafter referred to as “the Group”) announced the establishment of the "Management Strategy Committee" as stated in the Group’s "Consolidated Financial Results for the Nine Months Ended December 31, 2023" dated February 8, 2024. Subsequently, after extensive discussions and considerations to initiate the Committee, the Group has decided the operational structure of the Committee at today's board of directors meeting.

1. Objectives of the Management Strategy Committee

Under the corporate slogan, "Total commitment to good health," the Group pursues its mission to contribute to society and healthcare through the stable supply of pharmaceuticals. Considering the complex and rapid changes expected in our society and the overall pharmaceutical industry, the Group launched the Medium-term Management Plan "Create the Next Generation" in 2023, with the basic policies of "Business Transformation," "Investment for growth and improvement of profitability," "Sustainability management", and "Improvement of capital efficiency and enhancement of shareholder returns". In order to further accelerate these efforts and increase their effectiveness, the Group has established the Management Strategy Committee as an advisory body to the board of directors. The committee will discuss (1) specific execution plans to improve the profitability and productivity of each business (including indirect departments), as well as (2) investments for growth in existing, adjacent, and new businesses. Additionally, there will be a review and discussion of (3) the business portfolio and (4) cross-shareholdings and the holding of assets for businesses, taking into account capital costs and stock prices, along with (5) capital allocation based on above-mentioned four agendas.

Although there is a possibility of further additions and changes depending on the future discussions, in order to enhance the corporate value of the Group, important management and business strategies will be discussed among the committee, focusing on the following detailed items.

- (1) Improving the profitability and productivity of each business:
 - Enforcement of sales force
 - Improvement of the logistics system
 - Functional improvements including back office functions
 - Further creation of synergies between each business
 - Development of new customer support businesses
- (2) Investment for growth:
 - Entry and further investment in new businesses (digital healthcare, digital diagnostics, diagnostic medicine, health and pre-disease business, e-commerce, and global markets)
- (3) Business Portfolio:
 - Verification of each business from the perspective of our strengths, capital and management efficiency
 - Consideration of structural reforms
- (4) Cross-shareholding and the holding of assets for business:
 - Further reduction of cross-shareholdings and investment securities
 - Optimization of logistics facilities and other real estates
 - Improvement of the efficiency of working capital
- (5) Capital allocation:
 - Appropriate capital allocation as well as fund allocation between growth investment and return to shareholders, with consideration to cost of capital and return on equity.

2. Members of the Committee

In consideration of the purpose of the Committee and to utilize the external perspectives, the Committee will consist of two independent outside directors (Yoshiaki Kamoya and Hidehito Kotani), two outside experts (Shosaku Murayama and Yukio Matsui) and four internal directors (Atsushi Udoh, CEO; Hiromi Edahiro, CFO; Akira Umada, COO; and Takeo Matsutani, Director), totaling eight members. Whilst the Committee is not responsible for making management decisions, the board of directors intends to respect the Committee's final outcome from various discussions as much as possible.

The external experts selected for the Committee are all individuals with expertise in each agendas to be examined by the Committee. Mr. Murayama has experience as a Deputy Director-General at Bank of Japan, the president of Teikoku Seiyaku Co.,Ltd., and an external director for listed companies including SCREEN Holdings Co., Ltd., SHIKOKU KASEI HOLDINGS CORPORATION and the Group. He also serves as the lead independent external director for Tadano Ltd., and is expected to play a role from the perspective of the capital market and management.

Mr. Matsui has served as the Chief Commercial Officer at Astellas Pharma Inc. and has abundant experience and expertise in the pharmaceutical industry. He is expected to take on the role of scrutinizing strategies for improving the profitability and productivity of the business and formulating growth strategies.

Furthermore, in addition to the above-mentioned members of the Committee, in order to utilize the knowledge of highly specialized experts and to stimulate discussion in the Committee, two experts will be appointed as advisors for supporting the Committee: one expert with extensive experience and expertise in capital markets and the pharmaceutical industry, and another with extensive experience and expertise in the pharmaceutical industry and consulting.

3. Future Schedule

Based on the final outcome from the Committee, any corporate actions are expected to be disclosed around November 2024.