



December 16, 2020

To whom it may concern:

Company Name TOHO HOLDINGS CO., LTD.
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(First Section of Tokyo Stock Exchange Securities Code:8129)
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Regarding a Reduction of Directors' Compensation and Compliance Enhancement Initiatives for Recurrence Prevention

On December 9, 2020, TOHO PHARMACEUTICAL CO., LTD. (Headquarters: Tokyo; President and Representative Director: Akira Umada), one of our consolidated subsidiaries, along with one of our employees, was charged by the Japan Fair Trade Commission (JFTC) with suspected violation of the Antimonopoly Act in connection with bidding on the supply of ethical pharmaceuticals to the Japan Community Health care Organization (JCHO) ("these charges"). Although we have not received a written indictment as of this reporting, the media reported that the Tokyo District Public Prosecutors Office lodged the indictment on that day.

Accused by the JFTC on these charges are three pharmaceutical wholesalers and seven of their officials, of which one is an employee of TOHO HOLDINGS CO., LTD. It is truly regrettable that TOHO PHARMACEUTICAL and one of our employees are among the criminally accused. We once again sincerely apologize for having caused a great deal of concern and inconvenience to our customers, suppliers, shareholders, and other stakeholders.

Four pharmaceutical wholesalers have been subjected to the JFTC's investigation, which started with onsite inspections on November 27, 2019. We, together with TOHO PHARMACEUTICAL, have been fully cooperating with the investigation. We have also been working hard to ensure that all of the Group's employees strictly comply with the Antimonopoly Act. To this end, our top management has been taking every opportunity, including the monthly Group Television Meeting, to warn all of our employees not to engage in any act that could be construed as violating the Antimonopoly Act.

We take this incident very seriously. In fact, we have already reduced the bonuses and monthly compensation for our directors and those at TOHO PHARMACEUTICAL, effective from July 2020, as shown below:

1. Bonuses: a 70% cut for three representative directors, and a 50% cut for other directors
2. Monthly compensation: a 10% cut

The Group has been committed to ensuring compliance with its Code of Ethics, a code of conduct to be observed by the Group's executives and employees that was put in place in 2003. The Code of Ethics was revised in 2017. The new code identifies the Antimonopoly Act and the Pharmaceutical and Medical Device Act as two of the essential laws to be strictly observed by all personnel,

reminding them of the importance of following the code of conduct.

As reported in the news release dated July 3, 2020, we have been undertaking the following initiatives to strengthen corporate compliance, with top management's strong determination and leadership, in order to prevent any recurrence.

1. Improving the functionality of the Group Compliance and Risk Management Committee
 - President and Representative Director Atsushi Udoh has assumed the chair of the Group Compliance and Risk Management Committee (GCRMC) to take the lead in strengthening corporate compliance.

<Details of the initiative>

On August 7, 2020, Atsushi Udoh convened the GCRMC, which had been established to identify and manage business risks and appropriately address business problems as they arise. The convened GCRMC was constituted from members who had been newly selected from across the Group to pursue better compliance without any compromise. At the outset, the Chair declared that the Group would redouble its commitment to ensuring compliance with the Antimonopoly Act and that it would never again do anything that might lose the trust and sympathy of stakeholders.

Then the GCRMC agreed that it will share its minutes with compliance committees at the Group's wholesaling subsidiaries and work closer with them to identify any potential problem that might entail a business risk, in order to forestall any recurrence. It also agreed to promptly address problems as they arise upon completion of the proper process.

The Chair's declaration and the compliance enhancement steps to be taken were communicated to all personnel of the Group via the in-house newsletter issued in late August 2020. In response to the criminal accusation, the GCRMC will meet again to come up with further compliance measures.

2. Instructing the Group's subsidiaries to improve their compliance systems and raise the compliance awareness of their personnel
 - We have instructed our wholesaling subsidiaries to further improve their compliance systems through such means as compliance training offered to them.
 - We are more strongly supporting their efforts with guidance, supervision, and information sharing through each subsidiary's board of directors, compliance committee, etc.

< Details of the initiative>

We provided the wholesaling subsidiaries with training sessions on the Antimonopoly Act, in which participants reviewed the Rules concerning Compliance with the Antimonopoly Act, with focus on their purport and specific requirements. These requirements include the need to identify beforehand the purpose of attending a meeting of people of the same trade, as well as restrictions in relation to such attendance and information provision and exchange. Participants were also inculcated with the need to use the whistle-blowing system when they happen to learn of any improper conduct.

3. Enhancing compliance training and other efforts
 - We have scaled up and improved the training we offer to new employees in the MS category on the rules regarding the Antimonopoly Act and fair competition in wholesaling. We have also expanded its scope to cover managers and all sales representatives. Members of the Management team are now given compliance training as well.

- As appropriate, we review the various materials for compliance-related training available on the intranet bulletin board known as the “Compliance Library.” We have been encouraging the use of the bulletin board at meetings and morning assemblies at sales branches. We are now encouraging wider use of it and are monitoring its usage.

< Details of the initiative >

Compliance training at TOHO PHARMACEUTICAL was provided by a general manager of our Legal Department from September to December of 2020 at the five branch offices under the Sales and Marketing Division. This particular training, which focused solely on compliance with the Antimonopoly Act, was attended by a total of 250 people, including branch office heads, general managers, and other sales managers. The participants renewed their commitment to both eradicating any act that infringes on the Antimonopoly Act or that is suspected of doing so, and devoting their constant efforts to promote compliance for restoring trust.

Compliance training at the five wholesaling subsidiaries of TOHO PHARMACEUTICAL was provided by an attorney from March to October of 2020 for directors and senior sales representatives. The focus was solely on the Antimonopoly Act. We will continue to provide compliance training.

TOHO HOLDINGS and TOHO PHARMACEUTICAL take this incident very seriously. We, including executives and employees, renew our commitment to ensuring compliance to regain trust. We humbly hope for your understanding.