

To whom it may concern:

Company Name	TOHO HOLDINGS CO., LTD.
Corporate Representative	Atsushi Udoh, Representative Director, CEO (Prime Market of Tokyo Stock Exchange Securities Code: 8129)
Contact:	Makoto Kawamura, Corporate Officer and General Manager, Corporate Communications and Investor Relations Division (TEL: 81-3-6838-2803)

Our view on proxy voting recommendations made by ISS

With respect to the proposal “Election of Six (6) Directors (excluding those who are members of the Audit and Supervisory Committee)” at the 75th Ordinary General Meeting of Shareholders of the Company, Institutional Shareholder Services Inc. (hereinafter, “ISS”), a voting advisory company, issued a report recommending against some of the candidates. We would like to explain our position on this report as follows. We sincerely ask our shareholders to read the contents hereof and to understand the relevant proposals.

1. Details of opposing recommendation made by ISS

- ISS pointed out that the Company’s consolidated subsidiary, Kyushu Toho Co., Ltd. (hereinafter, “Kyushu Toho”), was ordered to pay a surcharge of 127 million yen in March 2023 for violation of the Antimonopoly Act in connection with bidding for ethical pharmaceuticals to the Headquarters of the National Hospital Organization (hereinafter, “NHO”) that were to be purchased by hospitals located in the Kyushu area. In addition, ISS notes that Toho Holdings Co., Ltd. (hereinafter, “TOHO HOLDINGS”) was ordered to pay a surcharge of 161 million yen in March 2022 in connection with bidding on the supply of ethical pharmaceuticals to the Japan Community Health care Organization (hereinafter, “JCHO”). In ISS’s view, the “recurrence” is due to the lack of compliance and proper governance practices at the Company. Accordingly, ISS recommending a vote against the election of Director Candidate #1, Atsushi Udoh (Representative Director and CEO of the Company), and Director Candidate #4, Takeo Matsutani (Director of the Company and Chairman of the Board and Director of Kyushu Toho), who was the President and Representative Director of Kyushu Toho, on the grounds that the candidates are ultimately responsible for this matter as the president.

- ISS has established a quantitative criterion that, in principle, recommends against the appointment of top management as directors if the company allocates a significant portion (20 percent or more) of its net assets to cross-shareholdings, and since the ratio of our cross-shareholdings are 23.2% to consolidated net assets (as of March 31, 2022), ISS recommends against director candidate #1, Atsushi Udoh (Representative Director and CEO of the Company).

2. The Company’s View

(1) Regarding the Violation of the Antimonopoly Act

i. Background of Violation of the Antimonopoly Act

Regarding the case of JCHO

Toho Pharmaceutical Co., Ltd. (hereinafter, “Toho Pharmaceutical”), a consolidated subsidiary of the Company, underwent an on-site inspection by the Japan Fair Trade Commission on November 27, 2019, for violations of the Antimonopoly Act in connection with its 2016 and 2018 bids for pharmaceutical products, and on March 30, 2022, the Fair Trade Commission issued a cease and desist order under the Antimonopoly Act and a surcharge payment order of ¥161.89 million.

Regarding the case of NHO

Kyushu Toho received an on-site inspection by the Fair Trade Commission on November 9, 2021 and a cease and desist order based on the Antimonopoly Act and a surcharge payment order of 127.59 million yen by the Fair Trade Commission on March 24, 2023 for violations of the Antimonopoly Act in connection with bidding for pharmaceutical products in the Kyushu area during 2016 to 2019.

The ISS report states that surcharge payment was imposed on Toho Holdings in March 2022, but the subject of this case is Toho Pharmaceutical, a consolidated subsidiary. In addition, although the bid-rigging for the Kyushu Toho case is described as having taken place between 2016 and 2020, in fact, the pharmaceuticals bids conducted between 2016 and 2019 are the subject of this disciplinary action.

ii. Measures to Prevent Recurrence in Our Group

Since Toho Pharmaceutical underwent an on-site inspection by the Fair-Trade Commission on November 27, 2019 for the JCHO matter, the Group has fully cooperated with the inspection and, as announced externally on July 3, 2020 and December 16, 2020, the Group as a whole is working on measures to prevent recurrence and ensure compliance.

Specific details are as follows.

- Reduction of bonuses and monthly compensation for directors of Toho Holdings and Toho Pharmaceutical
- Strengthen the functions and effectiveness of the Group Compliance Risk and Management Committee
 - Representative Director Atsushi Udoh has been appointed as Chairman of the Group Compliance and Risk Management Committee, strengthening the function and effectiveness of the Committee through holding its regular meetings.
 - The Committee collects and evaluates information on the Group's management risks, and identifies major risks. It then considers how to avoid or minimize them.
- Review internal rules and establish new rules to further promote compliance
 - In order to enhance our Group's compliance system, the Group has newly established the Compliance Promotion Regulations, the Anti-Bribery and Corrupt Practices Regulations, and the Anti-Social Force Elimination Regulations, and reviewed the existing regulations.
 - The Compliance Promotion Regulations clearly define the roles of the responsible person in charge, the department in charge, and executives of compliance promotion, and ensure that all officers and employees of our Group are fully informed of such.
- Enhancement of compliance training, etc.
 - We implement monthly compliance training for all employees of our Group.
 - All employees involved in sales are required to take an "Antimonopoly Law training" and acquire legal knowledge of antimonopoly law and related regulations.

Both the JCHO and NHO antitrust violations covered the bidding period from 2016 to 2019. There have been no incidents of violation of the Antimonopoly Act at the Group since the announcement of the 2020 preventive measures. Atsushi Udoh assumed the position of Representative Director of the Company in June 2019 and has taken the lead in strengthening compliance as Chairman of the Group Compliance and Risk Management Committee since July 2020.

(2) Regarding the Cross-shareholdings

In our medium-term management plan announced externally on May 12, we stated that we would continuously reduce our cross-shareholdings after sufficient dialogue with our business partners, and with the immediate goal of reducing our holdings to less than 20% of consolidated net assets, we are proceeding to sale shares as described below.

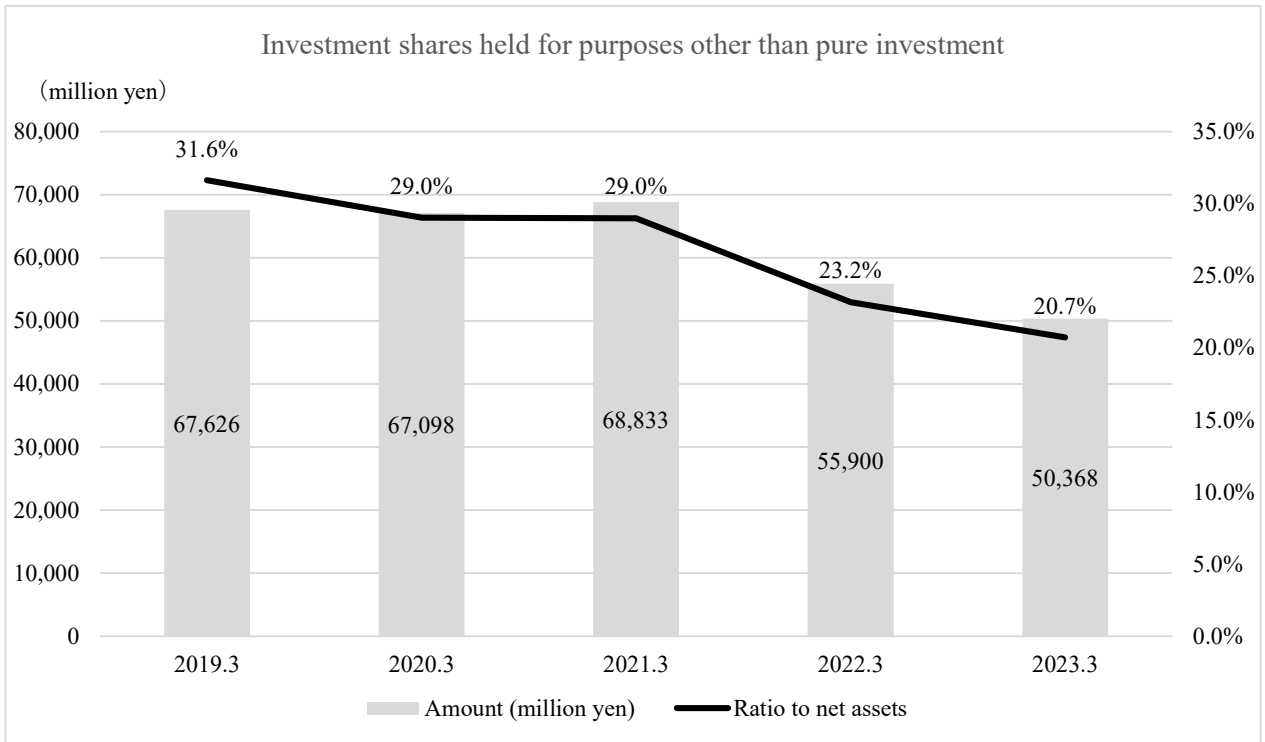
FY2020 : Sold 52 stock brands for 2,298 million yen

FY2021 : Sold 16 stock brands for 7,391 million yen

FY2022 : Sold 15 stock brands for 5,195 million yen

FY2023 : Sold 12 stock brands for 5,808 million yen

※The above includes a partial sale of the stock.



*The above amounts include unlisted shares.

*The Company does not have any shares deemed to be held.

We would like to ask our shareholders to consider the above-mentioned views of the Company in making their decision to exercise their voting rights.