Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

(Code number 2784)
June 4, 2018

To Shareholders with Voting Rights:

Taizo Kubo
Representative Director & President
Alfresa Holdings Corporation
1-1-3, Otemachi, Chiyoda-ku, Tokyo, Japan

NOTICE OF
THE 15TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 15th Ordinary General Meeting of Shareholders of Alfresa Holdings Corporation (the "Company"). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights either by indicating your vote for or against the proposal on the enclosed Voting Rights Exercise Form and returning it or by accessing the website for voting rights exercise described on the Voting Rights Exercise Form and exercising via the electromagnetic method such as via the Internet, etc. Please review the following Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m. on Monday, June 25, 2018 (JST).

1. **Date and Time:** 10:00 a.m., Tuesday, June 26, 2018 (JST)

2. **Place:** Fuji room, 4th Floor, Hotel Grand Arc Hanzomon
1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan

3. **Meeting Agenda:**

Matters to be reported:

1. The Business Report, Consolidated Financial Statements, and Audit Reports of the Independent Auditor and the Audit & Supervisory Board of the Consolidated Financial Statements for the Company's 15th Fiscal Year (April 1, 2017 - March 31, 2018)
2. Non-consolidated Financial Statements for the Company's 15th Fiscal Year (April 1, 2017 - March 31, 2018)

Proposals to be resolved:

Proposal 1: Partial Amendment to the Articles of Incorporation
Proposal 2: Election of Eleven (11) Directors
Proposal 3: Election of Two (2) Audit & Supervisory Board Members
Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

~~~
~~~

Announcement on Exercise of Voting Rights:

If attending the meeting in person:

Date and Time: 10:00 a.m., Tuesday, June 26, 2018 (JST) (Reception starts at 9:00 a.m.)

Please submit the Voting Rights Exercise Form at the reception desk. (You do not need to sign or seal.)
If you will be attending the meeting by proxy, please have the proxy submit a power of attorney and the Voting Rights Exercise Form to the venue. (Provision of the Company's Articles of Incorporation limit proxies to other shareholders with voting rights.)
In order to conserve resources, please also bring this notice with you to the meeting venue.

If not attending the meeting in person:

Exercising your rights by mail:

Voting Deadline: 5:00 p.m., Monday, June 25, 2018 (JST)

Please mark your vote for or against the proposals on the Voting Rights Exercise Form and send it by mail without postage stamps.
Please ensure that the mail is received by the voting deadline.
If there is no indication of your vote for or against a proposal, it shall be deemed as an indication of approval.

Exercising your rights via the Internet (please refer below for the details):

Voting Deadline: 5:00 p.m., Monday, June 25, 2018 (JST)

Please access the designated website (https://evote.tr.mufg.jp/), and enter your votes for or against the proposals by the voting deadline.

Multiple voting

* If you exercise your voting rights by two different methods, that is, via the Internet as well as by mailing your Voting Rights Exercise Form, your voting results via the Internet shall be deemed valid.
* If you exercise your voting rights via the Internet more than once, only your final vote shall be deemed valid. Moreover, if you exercise your voting rights more than once, using a computer, a smartphone or a mobile phone, only your final vote shall be deemed valid.

Charges to be incurred in relation to accessing the voting rights exercise site

Charges to be incurred in relation to accessing the voting rights exercise site (Internet connection charge, etc.) shall be borne by the shareholders. Similarly, mobile phone charges such as packet transmission charges, etc. shall be borne by the shareholders.

[Platform for Electronic Exercise of Voting Rights]
If nominee shareholders such as trust & custody services banks, etc. (including standing proxies) make prior application to use Electronic Voting Platform for Foreign and Institutional Investors operated by ICJ, Inc. established by Tokyo Stock Exchange, Inc., etc., such shareholders may use the said platform as an electromagnetic method for exercising voting rights at the General Meetings of Shareholders of the Company in addition to the exercise of voting rights via the Internet pursuant to the above.

Contact for inquiries in relation to systems, etc.
Stock Transfer Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation
Phone: 0120-173-027 (9:00 a.m. to 9:00 p.m. (JST), toll free)

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal 1: Partial Amendment to the Articles of Incorporation

1. Reason for the amendments

In order to prepare future expansion in businesses of companies which are controlled and managed by the Company, we would like to propose partial amendment to Article 2 (Purpose) of the current Articles of Incorporation.

2. Details of the revision

The details of the proposed amendment are as follows:

(Amended part is underlined)

Current Articles of Incorporation	Proposed amendments
(Purpose) Article 2 The purposes of the Company shall be to control and manage the business activities of companies that operate the following businesses, through the holding of their shares: 1 Manufacturing, import and export, and marketing of pharmaceuticals, quasi-drugs, cosmetics, poisonous substances, deleterious substances, industrial chemicals, chemicals, antiepidemic medicines, medicinal materials, Chinese herbal and crude drugs, diagnostic reagents, animal health products, quasi-drugs for animal health, agricultural chemicals, feed, feed additives, fertilizers, food, food additives, alcoholic beverages, high pressure gas, rubber products and chemical products 2 – 51 (Provision omitted)	(Purpose) Article 2 The purposes of the Company shall be to control and manage the business activities of companies that operate the following businesses, through the holding of their shares: 1 Manufacturing, import and export, and marketing of pharmaceuticals, **regenerative medicine products**, quasi-drugs, cosmetics, poisonous substances, deleterious substances, industrial chemicals, chemicals, antiepidemic medicines, medicinal materials, Chinese herbal and crude drugs, diagnostic reagents, animal health products, quasi-drugs for animal health, agricultural chemicals, feed, feed additives, fertilizers, food, food additives, alcoholic beverages, high pressure gas, rubber products and chemical products 2 – 51 (Same as current)

Proposal 2: Election of Eleven (11) Directors

The terms of office of all Directors (ten (10) Directors) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we would like to propose the election of eleven (11) Directors.

The candidates are as follows:

No.		Name	Current position and responsibilities in the Company		Term of office	Attendance of Board of Directors' meetings
1	[To be reelected]	Hiroyuki Kanome	Position: Responsibilities:	Representative Director & Chairman -	9 years	100% (19 of 19 meetings)
2	[To be reelected]	Taizo Kubo	Position: Responsibilities:	Representative Director & President -	6 years	100% (19 of 19 meetings)
3	[To be reelected]	Shunichi Miyake	Position: Responsibilities:	Director, Deputy President Assistant to the President, Internal Control, Financial Planning, Public and Investor Relations, General Affairs	8 years	100% (19 of 19 meetings)
4	[To be reelected]	Koichi Masunaga	Position: Responsibilities:	Director, Deputy President Assistant to the President, Wholesaling Business	2 years	94.7% (18 of 19 meetings)
5	[To be reelected]	Yasuki Izumi	Position: Responsibilities:	Director, Senior Vice President & Executive Officer Group Business & Affiliate Control	4 years	100% (19 of 19 meetings)
6	[To be reelected]	Ryuji Arakawa	Position: Responsibilities:	Director, Vice President & Executive Officer Business Development	2 years	94.7% (18 of 19 meetings)
7	[To be reelected]	Hisashi Katsuki	Position: Responsibilities:	Director -	1 year	100% (13 of 13 meetings)
8	[To be newly elected]	Koichi Shimada	Position: Responsibilities:	- -	-	-
9	[To be reelected] [Outside Director] [Independent Director]	Kimiko Terai	Position: Responsibilities:	Director Chairman, Corporate Governance Committee	3 years	100% (19 of 19 meetings)
10	[To be reelected] [Outside Director] [Independent Director]	Yoichiro Yatsurugi	Position: Responsibilities:	Director Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	1 year	100% (13 of 13 meetings)
11	[To be reelected] [Outside Director] [Independent Director]	Shiho Konno	Position: Responsibilities:	Director	1 year	100% (13 of 13 meetings)

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
1	 Hiroyuki Kanome [To be reelected] Date of birth: January 1, 1951 (age 67) Term of office at the conclusion of this general meeting: 9 years Attendance of Board of Directors' meetings: 100% (19 out of 19 meetings)	April 1972 Joined Fukujin Co., Ltd. (currently Alfresa Corporation) June 1998 Director of Fukujin Co., Ltd. June 2000 Managing Director of Fukujin Co., Ltd. June 2002 Director, Vice President & Executive Officer of Fukujin Co., Ltd. June 2003 Director, Senior Vice President & Executive Officer of Fukujin Co., Ltd. June 2006 Director, Deputy President of Alfresa Corporation June 2008 Representative Director & Deputy President of Alfresa Corporation April 2009 Representative Director & President of Alfresa Corporation June 2009 Director, Deputy President, Assistant to the President of the Company, Group Sales Promotion July 2011 Director, Deputy President, Assistant to the President of the Company, Pharmaceutical Business Promotion June 2012 Representative Director & Deputy President, Assistant to the President of the Company, Pharmaceutical Wholesaling Business April 2016 Representative Director & Chairman of Alfresa Corporation (present) April 2016 Representative Director & Deputy Chairman of the Company December 2017 Representative Director & Chairman of the Company (present) [Significant concurrent position] Representative Director & Chairman of Alfresa Corporation [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	112,600
	[Reasons for election as candidate for Director] Mr. Hiroyuki Kanome, as the Company's Representative Director, has played a leading role as a driving force in the Alfresa Group as a whole in the push to complete the distribution reforms that are the highest-priority challenge for the Ethical Pharmaceuticals Wholesaling Business. Additionally, having served as Representative Director of Alfresa Corporation, he is deeply familiar with the general operations of the Company and its operating companies. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.		

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
2	 Taizo Kubo [To be reelected] Date of birth: August 11, 1955 (age 62) Term of office at the conclusion of this general meeting: 6 years Attendance of Board of Directors' meetings: 100% (19 out of 19 meetings)	March 1979 Joined Fukujin Co., Ltd. (currently Alfresa Corporation) June 2000 Director of Fukujin Co., Ltd., General Manager of Sales Planning Department June 2002 Director, Vice President & Executive Officer of Fukujin Co., Ltd. April 2006 Vice President & Executive Officer of the Company, Group Administration and Affiliate Control, Internal Control June 2006 Director, Vice President & Executive Officer of the Company, Group Administration and Affiliate Control, Internal Control April 2008 Director, Senior Vice President & Executive Officer of the Company, Group Administration and Affiliate Control, Internal Control April 2009 Representative Director & President of Shikoku Alfresa Corporation June 2012 Director of the Company April 2013 Director, Senior Vice President & Executive Officer of the Company, Group Business & Affiliate Control, Group Information System June 2015 Director, Deputy President, Assistant to the President of the Company, Group Business & Affiliate Control, Group Information System, Hospital & Dispensing Pharmacy April 2016 Representative Director & President of the Company (present) [Significant concurrent position] None [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	76,200
	[Reasons for election as candidate for Director] Mr. Taizo Kubo has played a central role as the Representative Director to achieve the "16-18 Mid-term Management Plan—*Break Through to Tomorrow*," based on his wealth of experience in the Company and its operating companies. Additionally, he has shown leadership in the effort to realize the Healthcare Consortium vision in accordance with the Alfresa Group's principle. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.		

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
3	 Shunichi Miyake [To be reelected] Date of birth: February 1, 1954 (age 64) Term of office at the conclusion of this general meeting: 8 years Attendance of Board of Directors' meetings: 100% (19 out of 19 meetings)	April 1976 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation) April 2003 Executive Officer of AZWELL Inc. (currently Alfresa Pharma Corporation) October 2004 Executive Officer of Alfresa Corporation April 2006 Executive Officer of the Company, General Manager of Financial Planning Department, Office Manager of Public and Investor Relations Office April 2008 Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of Financial Planning Department April 2009 Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of Financial Planning Department, Office Manager of Public and Investor Relations Office June 2010 Director, Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of Financial Planning Department, Office Manager of Public and Investor Relations Office April 2012 Director, Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations July 2012 Director, Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of General Affairs Department April 2013 Director, Senior Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of General Affairs Department July 2014 Director, Senior Vice President & Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Affairs April 2016 Director, Senior Vice President & Executive Officer of the Company, Financial Planning and General Affairs June 2016 Director, Deputy President of the Company, Internal Control, Financial Planning, General Affairs April 2017 Director, Deputy President, Assistant to the President of the Company, Internal Control, Financial Planning, General Affairs April 2018 Director, Deputy President, Assistant to the President of the Company, Internal Control, Financial Planning, Public and Investor Relations, General Affairs (present) [Significant concurrent position] None [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	16,420
	[Reasons for election as candidate for Director] Mr. Shunichi Miyake has served in various key positions in departments such as the financial planning and public and investor relations over the years, and has a considerable knowledge in the areas of accounting, public relations and IR. He has played a leading role in the administrative department including internal control and general affairs. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and proven track record at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.		

<table>
<tr><th>No.</th><th>Name</th><th colspan="2">Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">4</td><td>
Koichi Masunaga

[To be reelected]

Date of birth:
May 16, 1955
(age 63)

Term of office at the conclusion of this general meeting:
2 years

Attendance of Board of Directors' meetings:
94.7% (18 out of 19 meetings)</td><td colspan="2">March 1978 Joined Fukujin Co., Ltd. (currently Alfresa Corporation)
June 2002 Executive Officer of Fukujin Co., Ltd.
September 2003 Executive Officer of the Company, General Manager of Management Strategy Department
April 2006 Executive Officer of the Company, General Manager of Group Administration and Affiliate Control Department
July 2006 Executive Officer of Alfresa Corporation
October 2008 Vice President & Executive Officer of Alfresa Corporation
June 2010 Director, Vice President & Executive Officer of Alfresa Corporation
April 2013 Director, Senior Vice President & Executive Officer of Alfresa Corporation
April 2016 Representative Director & President of Alfresa Corporation (present)
June 2016 Director of the Company
April 2017 Director, Deputy President, Assistant to the President of the Company, Wholesaling Business (present)
[Significant concurrent position]
Representative Director & President of Alfresa Corporation
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>37,900</td></tr>
<tr><td colspan="4">[Reasons for election as candidate for Director]
Mr. Koichi Masunaga has played a central role in the Group as Representative Director & President of our key subsidiary Alfresa Corporation, and he has a wealth of experience and a proven track record in the Wholesaling Business. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
</table>

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
5	 Yasuki Izumi [To be reelected] Date of birth: January 28, 1956 (age 62) Term of office at the conclusion of this general meeting: 4 years Attendance of Board of Directors' meetings: 100% (19 out of 19 meetings)	April 1978 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation) October 2006 General Manager of Group Administration and Affiliate Control Department of the Company April 2010 Executive Officer of the Company, General Manager of Group Administration and Affiliate Control Department and General Affairs Department June 2012 Executive Officer of the Company, Group Business & Affiliate Control, General Manager of Business Development Department October 2012 Vice President & Executive Officer of the Company, Group Business & Affiliate Control, General Manager of Business Development Department April 2013 Vice President & Executive Officer of the Company, Business Development, General Manager of Business Development Department April 2014 Vice President & Executive Officer of the Company, Business Development, International Business, General Manager of Business Development Department June 2014 Director, Vice President & Executive Officer of the Company, Business Development, International Business, General Manager of Business Development Department April 2015 Director, Vice President & Executive Officer of the Company, Business Development, International Business April 2016 Director, Vice President & Executive Officer of the Company, Group Business & Affiliate Control, Business Development June 2016 Director, Senior Vice President & Executive Officer of the Company, Group Business & Affiliate Control, Business Development October 2016 Director, Senior Vice President & Executive Officer of the Company, Group Business & Affiliate Control (present) [Significant concurrent position] None [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	11,380
	[Reasons for election as candidate for Director] As Director in charge of Group Business & Affiliate Control, Mr. Yasuki Izumi has played a central role in realizing group synergies such as planning and promoting collaboration among our businesses. He also has a wealth of experience and a proven track record through his careers responsible for Business Development and International Business. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.		

<table>
<tr><th>No.</th><th>Name</th><th>Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">6</td><td>
Ryuji Arakawa

[To be reelected]

Date of birth:
March 5, 1963
(age 55)

Term of office at the conclusion of this general meeting:
2 years

Attendance of Board of Directors' meetings:
94.7% (18 out of 19 meetings)</td><td>April 1987 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
April 1999 Joined CS YAKUHIN CO., LTD.
June 2000 Director of CS YAKUHIN CO., LTD.
June 2005 Managing Director of CS YAKUHIN CO., LTD.
June 2007 Senior Managing Director of CS YAKUHIN CO., LTD.
June 2007 Director of the Company
June 2008 Director, Senior Vice President & Executive Officer of CS YAKUHIN CO., LTD.
April 2009 Representative Director & President of CS YAKUHIN CO., LTD.
June 2016 Director of the Company
October 2016 Director, Vice President & Executive Officer of the Company, Business Development (present)
[Significant concurrent position]
None
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>62,520</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Director]
Mr. Ryuji Arakawa has played a central role in expanding our business domains and developing our international business with a focus on Asia as Director in charge of Business Development. He also has a wealth of experience and a proven track record as Representative Director, etc. of operating companies. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name</th><th>Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td>7</td><td>
Hisashi Katsuki

[To be reelected]

Date of birth:
August 9, 1956
(age 61)

Term of office at the conclusion of this general meeting:
1 year

Attendance of Board of Directors' meetings:
100% (13 out of 13 meetings)</td><td>October 1984 Joined Pigeon Corporation
December 2001 Managing Executive Officer of Pigeon Corporation
April 2004 Director of Pigeon Corporation
June 2009 Representative Director & President of TAMPEI NAKATA CO., LTD. (currently Alfresa Healthcare Corporation)
October 2011 Representative Director & President of Alfresa Healthcare Corporation (present)
October 2014 Representative Director & Chairman of Mogi Pharmaceutical Co., Ltd. (present)
June 2017 Director of the Company (present)
[Significant concurrent position]
Representative Director & President of Alfresa Healthcare Corporation
Representative Director & Chairman of Mogi Pharmaceutical Co., Ltd.
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>13,792</td></tr>
<tr><td></td><td colspan="3">[Reasons for election as candidate for Director]
Mr. Hisashi Katsuki has served as Representative Director & President of Alfresa Healthcare Corporation, which is our subsidiary that plays a core role in Self-Medication Products Wholesaling Business, and he is deeply familiar with the general operations of the said business. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name</th><th>Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">8</td><td>
Koichi Shimada

[To be newly elected]

Date of birth:
October 15, 1958
(age 59)

Term of office at the conclusion of this general meeting:
–

Attendance of Board of Directors' meetings:
–</td><td>April 1982 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)
April 2008 Executive Officer of Alfresa Pharma Corporation, General Manager of Product Strategy Department
June 2010 Director of Alfresa Pharma Corporation
April 2012 Director, Vice President & Executive Officer of Alfresa Pharma Corporation
April 2014 Director, Senior Vice President & Executive Officer of Alfresa Pharma Corporation
April 2016 Director, Deputy President & Executive Officer of Alfresa Pharma Corporation
May 2016 Director of Alfresa Fine Chemical Corporation
April 2017 President & CEO of Alfresa Parma Corporation (present)
May 2017 Director & Chairman of Alfresa Fine Chemical Corporation (present)
[Significant concurrent position]
President & CEO of Alfresa Parma Corporation
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>2,420</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Director]
Mr. Koichi Shimada is serving as President & CEO of Alfresa Parma Corporation, which is our subsidiary that plays a core role in Manufacturing Business of pharmaceuticals, and is well-versed in overall operations of the said business. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name</th><th>Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for outside directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">9</td><td>
Kimiko Terai

[To be reelected]
[Outside Director]
[Independent Director]

Date of birth:
July 31, 1962
(age 55)

Term of office at the conclusion of this general meeting:
3 years

Attendance of Board of Directors' meetings:
100% (19 out of 19 meetings)</td><td>April 2002 Associate Professor, Faculty of Business Administration, Hosei University
April 2007 Visiting Researcher, University of California, Irvine
April 2008 Professor, Faculty of Business Administration, Hosei University
April 2012 Professor, Faculty of Economics, Keio University (present)
April 2012 Adjunct Professor, Faculty of Business Administration, Hosei University
April 2013 Adjunct Professor, Keio Law School
June 2015 Director of the Company (present)
August 2015 Chairman, Corporate Governance Committee of the Company (present)
[Significant concurrent positions]
Professor, Faculty of Economics, Keio University
[Note related to candidate for Outside Director]
No conflict of special interest exists between the candidate and the Company.</td><td>–</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Outside Director]
In addition to her high-level insight and wide experiences as an economist, Dr. Kimiko Terai is an academic expert specialized in the field of public finance including social security system. We therefore consider that she will continue to provide her opinions from a broad perspective to reflect on the management of the Company based on her professional knowledge and experiences. Although she has never assumed positions of business management other than outside officer, because of the above reasons, we believe that she is capable of executing her duties properly as Outside Director.</td></tr>
</table>

Notes: 1. Dr. Kimiko Terai meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director.
2. The Company has designated Dr. Kimiko Terai as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.
3. The term of Dr. Kimiko Terai's office as Outside Director will be three years at the conclusion of this General Meeting of Shareholders.
4. The Company stipulated in Article 30 of its current Articles of Incorporation that the Company may enter into an agreement with non-executive directors to limit their liability for damages arising from negligence in the performance of their duties in order for the non-executive directors to fulfill the roles expected of them. Based on this, Dr. Kimiko Terai has entered into the liability limitation agreement with the Company, and the maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act. If the reappointment of Dr. Kimiko Terai is approved, the liability limitation agreement described above is planned to be continued.

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for outside directors		Number of shares of the Company held
10	 Yoichiro Yatsurugi [To be reelected] [Outside Director] [Independent Director] Date of birth: May 3, 1955 (age 63) Term of office at the conclusion of this general meeting: 1 year Attendance of Board of Directors' meetings: 100% (13 out of 13 meetings)	April 1978 June 1999 May 2001 April 2004 January 2005 April 2007 September 2007 February 2010 December 2011 December 2015 January 2016 June 2017 June 2017 October 2017 [Significant concurrent positions] Executive Vice President of Works Applications Co., Ltd. Director of Igreque, Inc. [Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.	Joined IBM Japan, Ltd. President of AT&T Global Network Services Japan LLC Chairman of AT&T Global Network Services Japan LLC and President of AT&T Asia Pacific Executive Vice President of JAPAN TELECOM CO., LTD (currently SoftBank Corp.) President and CEO of WILLCOM, Inc. (currently SoftBank Corp.) Representative Director, Executive Vice President of SAP Japan Co., Ltd. Representative Director and President of SAP Japan Co., Ltd. Executive Counsel of Works Applications Co., Ltd. Representative Director and President of Igreque, Inc. Director, Executive Counsel of Works Applications Co., Ltd. Director of Igreque, Inc. (present) Director of the Company (present) Chairman, Nomination and Remuneration Committee for Directors and Executive Officers of the Company (present) Executive Vice President of Works Applications Co., Ltd. (present)	–
	[Reasons for election as candidate for Outside Director] Mr. Yoichiro Yatsurugi has a wealth of experience, a proven track record and a high level of insight through his years of experience as an executive at multiple companies. He also has a high level of IT expertise. Therefore, he has been elected as a candidate for Outside Director because we believe that he will continue to provide opinions from a broad perspective, based on his wealth of experience and professional knowledge, and apply them in the management of the Company.			

Notes:
1. Mr. Yoichiro Yatsurugi meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director.
2. The Company has designated Mr. Yoichiro Yatsurugi as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.
3. The term of Mr. Yoichiro Yatsurugi's office as Outside Director will be one year at the conclusion of this General Meeting of Shareholders.
4. The Company stipulated in Article 30 of its current Articles of Incorporation that the Company may enter into an agreement with non-executive directors to limit their liability for damages arising from negligence in the performance of their duties in order for the non-executive directors to fulfill the roles expected of them. Based on this, Mr. Yoichiro Yatsurugi has entered into the liability limitation agreement with the Company, and the maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act. If the reappointment of Mr. Yoichiro Yatsurugi is approved, the liability limitation agreement described above is planned to be continued.

<table>
<tr><th>No.</th><th>Name</th><th>Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for outside directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">11</td><td>
Shiho Konno

[To be reelected]
[Outside Director]
[Independent Director]

Date of birth:
June 28, 1963
(age 54)

Term of office at the conclusion of this general meeting:
1 year

Attendance of Board of Directors' meetings:
100% (13 out of 13 meetings)</td><td>April 1991 Registered as an attorney at law (Daiichi Tokyo Bar Association)
June 2005 Auditor of Yahoo Japan Corporation
March 2008 Auditor of Advanced Softmaterials Inc.
April 2009 Professor of Waseda Law School, Waseda University
April 2014 Member, Committee on Realization of a Gender-Equal Society of Japan Federation of Bar Associations (present)
August 2014 Auditor of Japan Corporate Governance Network (present)
March 2015 Established Shiho Konno Habataki Law Office (present)
June 2015 Outside Director of Watami Co., Ltd.
June 2016 Outside Director of Kakaku.com, Inc. (present)
June 2017 Director of the Company (present)
[Significant concurrent positions]
Attorney at law
Outside Director of Kakaku.com, Inc.
[Note related to candidate for Outside Director]
No conflict of special interest exists between the candidate and the Company.</td><td>–</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Outside Director]
In addition to her high-level of expertise as attorney at law, Ms. Shiho Konno has broad knowledge including in the area of corporate governance. Therefore, she has been elected as a candidate for Outside Director because we believe that she will continue to provide opinions from a broad perspective based on her professional knowledge and experience, and apply them in the management of the Company. Although she has never assumed positions of business management other than as an outside officer, because of the above reasons, we believe that she is capable of executing her duties as Outside Director.</td></tr>
</table>

Notes:
1. Ms. Shiho Konno meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director.
2. The Company has designated Ms. Shiho Konno as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.
3. The term of Ms. Shiho Konno's office as Outside Director will be one year at the conclusion of this General Meeting of Shareholders.
4. The Company stipulated in Article 30 of its current Articles of Incorporation that the Company may enter into an agreement with non-executive directors to limit their liability for damages arising from negligence in the performance of their duties in order for the non-executive directors to fulfill the roles expected of them. Based on this, Ms. Shiho Konno has entered into the liability limitation agreement with the Company, and the maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act. If the reappointment of Ms. Shiho Konno is approved, the liability limitation agreement described above is planned to be continued.

Proposal 3: Election of Two (2) Audit & Supervisory Board Members

Of the four (4) current Audit & Supervisory Board Members, the terms of office of Mr. Kenji Kuwayama and Mr. Yuji Noguchi will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we would like to propose the election of two (2) Audit & Supervisory Board Members.

The Audit & Supervisory Board has previously given its approval to this proposal.

The candidates of Audit & Supervisory Board Members are as follows:

No.	Name	Career summary and position in the Company, significant concurrent positions and note related to candidate for Audit & Supervisory Board Member	Number of shares of the Company held
1	 Kenji Kuwayama [To be reelected] Date of birth: March 27, 1955 (age 63) Term of office at the conclusion of this general meeting: 4 years Attendance of Board of Directors' meetings: 100% (19 out of 19 meetings) Attendance of Audit & Supervisory Board's meetings: 100% (17 out of 17 meetings)	April 1978 Joined The Mitsui Bank Limited (currently Sumitomo Mitsui Banking Corporation) November 2000 Managing Director of Sakura Capital India Limited April 2002 Chief Executive Officer and General Manager of Mumbai Branch of Sumitomo Mitsui Banking Corporation October 2007 Joined the Company April 2009 General Manager of Internal Control & Legal Department of the Company June 2014 Audit & Supervisory Board Member of the Company (present) [Significant concurrent positions] None [Note related to candidate for Audit & Supervisory Board Member] No conflict of special interest exists between the candidate and the Company.	1,600
	[Reasons for election as candidate for Audit & Supervisory Board Member] In addition to having experience in the financial industry and corporate management, Mr. Kenji Kuwayama has served as General Manager of Internal Control & Legal Department of the Company and has broad knowledge and a wealth of experience, based on which he provides the Board of Directors with advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors. Accordingly, he has been elected as a candidate for Audit & Supervisory Board Member because we believe that he will continue to reflect his insights to the audit system of the Company.		

Note: The Company stipulated in Article 40 of its current Articles of Incorporation that the Company may enter into an agreement with Audit & Supervisory Board Members to limit their liability for damages arising from negligence in the performance of their duties in order for the Audit & Supervisory Board Members to fulfill the roles expected of them. Based on this, Mr. Kenji Kuwayama has entered into the liability limitation agreement with the Company, and the maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act. If the reappointment of Mr. Kenji Kuwayama is approved, the liability limitation agreement described above is planned to be continued.

<table>
<tr><th>No.</th><th>Name</th><th>Career summary and position in the Company,
significant concurrent positions and note related to candidate for
outside Audit & Supervisory Board Member</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">2</td><td>
Takashi Ito

[To be newly elected]
[Outside Audit & Supervisory Board Member]
[Independent Auditor]

Date of birth:
April 20, 1960
(age 58)

Term of office at the conclusion of this general meeting:
–

Attendance of Board of Directors' meetings:
–

Attendance of Audit & Supervisory Board's meetings:
–</td><td>April 1988 Registered as an attorney at law (Daini Tokyo Bar Association)
October 2002 Established Shin-yotsuya Law Offices (present)
April 2005 Vice President of Daini Tokyo Bar Association
April 2008 Deputy Secretary General of Japan Federation of Bar Associations
April 2011 Director of Public Relations Office of Daini Tokyo Bar Association
April 2012 Special Staff Attorney, Office of Secretary General of Japan Federation of Bar Associations
April 2016 Executive Governor of Japan Federation of Bar Associations
April 2017 President of Daini Tokyo Bar Association
April 2017 Vice President of Japan Federation of Bar Associations
April 2017 Executive Governor of Kanto Federation of Bar Associations
[Significant concurrent positions]
Attorney at law
[Note related to candidate for Outside Audit & Supervisory Board Member]
No conflict of special interest exists between the candidate and the Company.</td><td>–</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Outside Audit & Supervisory Board Member]
In addition to having a high level of expertise as a lawyer, Mr. Takashi Ito has a broad knowledge including in the areas of civil law, criminal law, labor law and intellectual property law. Accordingly, he has been elected as a candidate for Outside Audit & Supervisory Board Member because we believe that his opinions from an objective and long-term standpoint based on his professional knowledge and extensive experience will be reflected in the audit system of the Company. Although he has never assumed positions of business management, because of above reasons, we believe that he is capable of executing his duties properly as Outside Audit & Supervisory Board Member.</td></tr>
</table>

Notes: 1. Mr. Takashi Ito meets the "Independence Standards for Outside Directors, etc." of the Company as a newly elected candidate for Outside Audit & Supervisory Board Member.

2. If the appointment of Mr. Takashi Ito is approved, the Company plans to designate him as an independent auditor as prescribed by Tokyo Stock Exchange, Inc. and submit a notification of the appointment to the same Exchange.

3. The Company stipulated in Article 40 of its current Articles of Incorporation that the Company may enter into an agreement with Audit & Supervisory Board Members to limit their liability for damages arising from negligence in the performance of their duties in order for the Audit & Supervisory Board Members to fulfill the roles expected of them. Based on this, Mr. Takashi Ito will enter into the liability limitation agreement with the Company if his appointment is approved. The maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

Proposal 4: Election of One (1) Substitute Audit & Supervisory Board Member

The Company requests the election of one (1) Substitute Audit & Supervisory Board Member, in accordance with Article 329, Paragraph 3 of the Companies Act, in order to prepare for the event of an unexpected shortfall in the number of Audit & Supervisory Board Members prescribed in laws and regulations. The Company proposes that Mr. Yuji Ueda be elected in advance as a candidate for substitute Audit & Supervisory Board Member for Mr. Kenji Kuwayama, who will be appointed as Audit & Supervisory Board Member if the Proposal 3 is approved and passed as originally proposed at this General Meeting of Shareholders.

The Audit & Supervisory Board has previously given its approval to this proposal.

The candidate for Substitute Audit & Supervisory Board Member is as follows:

Name	Career summary, position in the Company, significant concurrent positions and note related to candidate for Audit & Supervisory Board Member	Number of shares of the Company held
 Yuji Ueda Date of birth: April 1, 1961 (age 57)	April 1983 Joined DAIWA Pharmaceutical Wholesalers Co., Ltd. (currently Shikoku Alfresa Corporation) April 2003 Executive Officer of DAIWA Pharmaceutical Wholesalers Co., Ltd. October 2005 Executive Officer of Shikoku Alfresa Corporation April 2007 General Manager In Charge of Group Administration and Affiliate Control Department of the Company April 2011 General Manager of Business Administration Department and General Manager In Charge of Group Administration and Affiliate Control Department of the Company July 2012 General Manager of Group Administration and Affiliate Control Department of the Company April 2013 General Manager of Audit Department of the Company July 2014 General Manager of Business Administration Department and General Affairs Department of the Company April 2015 Executive Officer of the Company, General Manager of Business Administration Department and General Affairs Department October 2016 Executive Officer of the Company, General Manager of General Affairs Department April 2017 Executive Officer of the Company, General Manager of Internal Control & Legal Department (present) [Significant concurrent positions] None [Note related to candidate for Audit & Supervisory Board Member] No conflict of special interest exists between the candidate and the Company.	7,200

[Reasons for election as candidate for Substitute Audit & Supervisory Board Member]
Mr. Yuji Ueda has served in positions of the Company and its operating companies including General Manager of Group Administration and Affiliate Control Department, General Affairs Department and Audit Department, and he is deeply familiar with the general operations of the Company and its operating companies. He has been elected as a candidate substitute because we believe that he will provide opinions based on his wealth of experience and insight, and apply them to the audit system of the Company.

Note: When Mr. Yuji Ueda takes his office as an Audit & Supervisory Board Member, the Company plans to enter into a liability limitation agreement to limit his liability for damages arising from negligence in the performance of the duties stipulated in Article 40 of the current Articles of Incorporation, to the maximum amount prescribed in Article 425, Paragraph 1 of the Companies Act.

<Independence Standards for Outside Directors, etc.>

The Company elects candidates for Outside Directors, etc. who have high degree of independence.

1. Outside Directors, etc. must be financially independent from the Group.
   (1) Outside Directors, etc. should not have received compensation (excluding remuneration to Directors, etc. paid by the Company), or monetary consideration/other properties for performed duties, transactions, etc. that exceed a certain amount directly from the Group in the past five years.
   "Exceed a certain amount" is defined to be the amount of ¥10 million or more received in any one of the past five fiscal years.
   (2) Outside Directors, etc. should not have served as Director, Officer, etc. of any one of the following entities in the past five years.
      (i) Major business clients who account for 2% or more of the consolidated net sales of the Group or the corporate groups, to which the candidate belongs.
      (ii) Entities that have substantial conflicts of interest with the Group, such as the Company's independent auditing firm, etc.
      (iii) Entities that are the Company's major shareholders (holding 10% or more of shares issued).
      (iv) Entities of which the Group is the major shareholder (holding 10% or more of shares issued).
2. Outside Directors, etc. shall not be the close relatives of Directors and Audit & Supervisory Board Members of the Group.
   "Close relatives" are defined as spouse, blood relatives within third degree of kinship, and relatives living together.
3. Furthermore, Outside Directors, etc. shall not possess any reason by which they are reasonably deemed ineligible as an independent and neutral officer.
4. Outside Directors, etc. shall ensure to satisfy the independence and neutrality criteria set forth in this Standards on an ongoing basis even after the appointment as Officer.

<Liability Limitation Agreement with Outside Directors, etc.>

In order to invite highly competent personnel as Outside Director, etc., and to enable them to perform their duties as expected to the fullest extent, an agreement between the Company and its Outside Directors, etc. is in effect as of the submission date of this report, in accordance with Article 427, Paragraph 1 of the Companies Act, which limits their liabilities for damages as provided for in Article 423, Paragraph 1 of the Companies Act.

The minimum liability limit due to negligence of his/her duties shall be the amount as provided for in Article 425, Paragraph 1 of the Companies Act.

(Attached document)

Business Report

(From April 1, 2017 to March 31, 2018)

1. The current state of the corporate group

(1) Business conditions

1) Development and performance of the business

During the consolidated fiscal year ended March 2018, the Japanese economy maintained the momentum of a gradual recovery. While there were potential volatility risks in overseas economies and in global capital markets, corporate earnings, the personal income and other major economic indicators continued to show steady improvement, and consumer prices continued rising.

During the same period, the Alfresa Group had been focusing on the continuous growth of enterprise value by advancing the "Challenge 3" Group management policies consisting of "Strengthen Business Foundation with One Alfresa Initiatives", "Expand the Health and Medical-related Fields", and "Reform Business Model Ahead of Changes in the Business Environment", which were announced in its "16-18 Mid-term Management Plan *Break Through to Tomorrow*" in May 2016.

In the consolidated fiscal year, the Alfresa Group posted net sales of ¥2,602,917 million, up 2.0% year on year, operating income of ¥41,756 million, up 25.7% year on year, ordinary profit of ¥51,861 million, up 18.9% year on year, profit attributable to owners of parent of ¥35,589 million, up 15.2% year on year. Accordingly, the Group achieved an operating income margin of 1.6%, a profit margin attributable to owners of parent of 1.4%, and ROE (return on equity) of 8.6%.

During this period, which was the second year of the 16-18 Mid-term Management Plan, the Alfresa Group posted an increase both in net sales and operating income in all business segments. The Group made definite progress toward achieving the mid-term management targets such as "net sales of ¥2.7 trillion", "operating income margin of 1.5% or more", "net profit margin attributable to owners of parent company of 1.2% or more", and "ROE at the 8% level".

Business Segment Information and Management Review

(i) Financial results of the Ethical Pharmaceuticals Wholesaling Business

The domestic ethical pharmaceuticals market remained around the same size as the previous fiscal year, growing slightly by 0.2% overall (estimated by CRECON Research & Consulting Inc.), as sales of anticancer drugs increased despite a decrease in demand for Hepatitis C therapeutic agents and in long-listed drugs associated with the switchover to generic drugs. Under these conditions, in the Ethical Pharmaceuticals Wholesaling Business segment, the Alfresa Group worked to thoroughly promote "distribution reforms", which is the highest priority issue in the industry, and to further reinforce the business foundations ahead of changes in the business environment as Japan's No.1 ethical pharmaceuticals wholesaler.

In the specialty pharmaceuticals distribution business, which is a growth area, our specialty pharmaceuticals distribution network affiliated with TOMITA Pharmaceutical Co., Ltd. (Head office: Chuo-ku, Kumamoto) and Moroo Co., Ltd. (Head office: Chuo-ku, Sapporo) is steadily improving performance in the handling of new pharmaceuticals with Specialty Medical Distribution Corporation (Head office: Chiyoda-ku, Tokyo), which is engaged in the distribution of pharmaceuticals and medical devices for rare diseases, as the starting point.

Regenerative medicine products, which are produced by culturing and processing human and animal cells, are drawing expectations for their potential as a cutting-edge medical treatment for patients for whom there has not been any effective treatment method to date, and the development of many products is being advanced by pharmaceutical companies, etc. In December 2017, the Group's consolidated subsidiary Alfresa Corporation (Head office: Chiyoda-ku, Tokyo) concluded an agreement with Tella Pharma, Inc. (Head office: Shinjuku-ku, Tokyo) to undertake the consigned management of transportation of investigational products used in regenerative medicine developed by Tella Pharma, Inc. This is the first time for the Alfresa Group to get involved with regenerative medicine, and the Group is accumulating experience in transportation and know-how for safe and reliable delivery of products to patients and medical institutions nationwide that need regenerative medicine products.

As part of the "reform of sales functions" which is a priority measure under the 16-18 Mid-term Management Plan, the entire Alfresa Group is working to promote the acquisition of professional credentials for MS (Marketing Specialists). As of the end of April 2018, the number of our MS people who have obtained certification as "Medical Management

Specialists" increased to 1,153, surpassing the 1,000 mark. At the Alfresa Group, MS people with Medical Management Specialist certifications are positioned as important personnel who connect medical care, nursing care and residents, and promote ties within local communities. They will contribute to the development of Japanese healthcare by responding to future integrated community care systems and by being actively involved in resolving the various issues and needs of our customers.

As part of efforts to "pursue optimization for the Alfresa Group", the Company's consolidated subsidiary Kowa Pharmaceuticals Co., Ltd. (Head office: Koriyama, Fukushima Prefecture) will merge with Odashima Limited (Head office: Hanamaki, Iwate Prefecture) in October 2018 and the combined entity will be renamed Tohoku Alfresa Corporation (Head office: Koriyama, Fukushima Prefecture). Also, in July 2018, Kowa Pharmaceuticals Co., Ltd. will transfer its ethical pharmaceuticals wholesaling business in the Hokkaido region to the Company's consolidated subsidiary Alfresa Corporation.

In the consolidated fiscal year, net sales amounted to ¥2,291,780 million, up 1.8% year on year, operating income jumped to ¥35,282 million, up 26.3% year on year, and the operating income margin reached 1.5%. Net sales included inter-segment sales of ¥14,235 million, up 19.2% year on year.

While the ethical pharmaceuticals market remained flat over the previous fiscal year, our net sales increased 1.8% from the same period. Gross profits rose from the increase in net sales and on improved margins from favorable changes in our purchase prices prior to NHI price revisions in April 2018. In addition, the Group kept selling, general and administrative expenses at a low level. As a result, the Group managed to increase operating income margin by 26.3%. The Alfresa Group will make more comprehensive efforts for growth toward achieving "net sales of ¥2,400,000 million" and "operating income margin of 1.5%" which are set as the management targets for the Ethical Pharmaceuticals Wholesaling Business segment in the Mid-term Management Plan ending March 2019.

(ii) Financial results of the Self-Medication Products Wholesaling Business

In the Self-Medication Products Wholesaling Business segment, the Alfresa Group continued striving to "further reinforce business foundations" and "strengthen value-added marketing activities" which are priority measures by segment under the 16-18 Mid-term Management Plan. The Alfresa Group worked to secure stable profits by making cost reduction efforts under the company-wide distribution reforms, holding solutions-proposal business conferences that provide new value added to customers, and expanding lines of high-margin exclusive manufacturers' products and the Group's exclusive products.

In the consolidated fiscal year, net sales amounted to ¥260,932 million, up 3.8% year on year, operating income jumped to ¥2,626 million, up 23.5% year on year, and the operating income margin reached 1.0%. Net sales included inter-segment sales of ¥1,530 million, up 8.8% year on year.

Net sales increased 3.8% from the previous year as sales of mainline OTC pharmaceuticals to drugstores, which are the main customers, were firm. Analytically, an increase in net sales as well as the cost reduction efforts and expansion of the lineup of high-margin exclusive products helped our operating income to increase 23.5%. The Group has already achieved "net sales of ¥245,000 million" and "operating income margin of 0.4%" which are the management targets for Self-medication Products Wholesaling Business segment in the Mid-term Management Plan ending March 2019. We will continue to pursue "high-quality growth" and build up a stable earnings foundation.

(iii) Financial results of the Manufacturing Business

In the Manufacturing Business segment, the Alfresa Group continued striving to "advance consigned manufacturing and the active pharmaceutical ingredients business" and "expand product lineup and reinforce sales capabilities" which are priority measures by segment under the 16-18 Mid-term Management Plan.

Alfresa Pharma Corporation (Head office: Chuo-ku, Osaka), a wholly owned subsidiary, posted sales growth in its primary products such as Modiodal®, a drug for sleep disorder treatment, and Sabril®, an antiepileptic drug, while it posted declined sales in the pharmaceutical products sub-segment due to a decrease in sale of long-listed drugs. In the diagnostic reagent product sub-segment, Alsonic® Flu and Primecheck® Flu, influenza virus diagnostic reagents, contributed to business performance. In the medical device product sub-segment, the company focused on selling licensed products such as Nerbridge® and enjoyed solid sales from surgical sutures products. In addition, new order in the consigned manufacturing business received in this period underpinned its business condition.

Alfresa Pharma Corporation began sales of the smoking-cessation medication Nicotinell® series from December 2017 for which GlaxoSmithKline Consumer Healthcare Japan K.K. (Head Office: Minato-ku, Tokyo) has manufacture and sales approval. In the extracorporeal diagnostic reagent products, the company began joint sales of the compact analysis device "fully automated urine and excrement analysis device AA01", occult blood test reagents, and urine test reagents together with ARKRAY, Inc. (Head Office: Kamigyo-ku, Kyoto) from April 2017, and also began sales of the companion diagnostics "OncoGuide® AmoyDx® ROS1 fusion gene detection kit" in June 2017.

In the consolidated fiscal year, net sales amounted to ¥41,844 million, up 1.0% year on year, and operating income

came to ¥2,832 million, up 9.1% year on year, and the operating income margin reached 6.8%. Net sales included inter-segment sales of ¥987 million, up 5.1% year on year.

Net sales increased 1.0% from the previous year with continued firm sales centered on diagnostic reagents and medical devices. Operating income also rose 9.1% from the effect of the sales increase, etc. Sales of primary products, consigned manufacturing of pharmaceuticals and APIs, and other businesses will be reinforced to achieve “net sales of ¥44,000 million” and “operating income margin of 7.7%” which are the management targets for the Manufacturing Business segment in the Mid-term Management Plan ending March 2019.

(iv) Financial results of Medical-Related Business

In the Medical-Related Business segment, our subsidiaries which run dispensing pharmacy business continued to advance efforts to “address business model transformation” which is a priority measure by segment of the 16-18 Mid-term Management Plan.

In October 2017, the Company’s consolidated subsidiary Nihon Apoch CO., LTD (Head office: Kawagoe, Saitama Prefecture) merged with our non-consolidated subsidiary Youth Care Co., Ltd. (Head office: Chiyoda-ku, Tokyo). This will further reinforce the foundations of our dispensing pharmacy business through effective and efficient use of our management resources.

In the consolidated fiscal year, net sales amounted to ¥33,934 million, up 12.1% year on year, and operating income came to ¥881 million, up 65.2% year on year, and the operating income margin reached 2.6%.

Net sales increased 12.1% from the increase in the number of stores resulting from the merger with Youth Care Co., Ltd. Operating income rose 65.2% owing to higher dispensing fees from advanced measures relating to ‘family pharmacists and family pharmacies’ initiatives. While the business environment is becoming more severe with the April 2018 revisions to medical fees and NHI drug price revision, we will reinforce efforts toward achieving “net sales of ¥36,000 million” and “operating income margin of 2.5%” which are the management targets for the Medical-Related Business segment in the Mid-term Management Plan ending March 2019.

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2018 totaled ¥11,743 million. The main expenditures were for construction expenses for distribution centers at subsidiaries and new establishment and renovation etc. of business sites.

3) Fund procurement

There was no matter requiring disclosure regarding fund procurement for the fiscal year ended March 31, 2018.

4) Business transfers, absorption-type splits or incorporation-type splits

There was no matter requiring disclosure regarding business transfers, absorption-type splits or incorporation-type splits for the fiscal year ended March 31, 2018.

5) Transfers of other companies' businesses to the corporate group

There was no matter requiring disclosure regarding transfers of other companies' businesses to the corporate group for the fiscal year ended March 31, 2018.

6) Succession to rights and obligations regarding businesses of other judicial persons, etc. due to an absorption-type merger or an absorption-type split

Nihon Apoch CO., LTD. and Youth Care Co., Ltd., a non-consolidated subsidiary, executed an absorption-type merger on October 1, 2017, with Nihon Apoch CO., LTD. as the surviving company and Youth Care Co., Ltd. as the absorbed company.

7) Acquisition or disposal of stocks, other equity interests or stock acquisition rights, etc. in other companies

In March 2017, the Company acquired an additional 200 shares of common stock in Nihon Apoch CO., LTD., the Company's consolidated subsidiary, resulting in ownership interest of 100.0%.

(2) Assets and profits and losses

Categories		The 12th fiscal year (FY2014)	The 13th fiscal year (FY2015)	The 14th fiscal year (FY2016)	The 15th fiscal year (FY2017)
Net sales	(Millions of Yen)	2,421,162	2,576,405	2,551,801	2,602,917
Ordinary profit	(Millions of Yen)	38,985	55,489	43,628	51,861
Profit attributable to owners of parent	(Millions of Yen)	22,922	34,975	30,893	35,589
Net income per share	(Yen)	102.48	158.99	142.58	164.25
Total assets	(Millions of Yen)	1,220,781	1,253,494	1,255,922	1,343,284
Net assets	(Millions of Yen)	354,123	368,727	393,550	435,934

(Notes) 1. Net income per share is calculated using the average number of shares outstanding during the fiscal year. The average number of shares outstanding during the fiscal year is calculated by the number of shares after deducting the number of treasury stock.

2. The Company implemented a four-for-one stock split of its common stock on October 1, 2014. Net income per share has been calculated on the assumption that this stock split was implemented at the beginning of the fiscal year ended March 31, 2014 (the 12th fiscal year).

(3) Status of the parent company and principal subsidiaries

1) Status of the parent company

Not applicable

2) Status of principal subsidiaries

Company name	Common stock (Millions of Yen)	Voting rights ratio (%)	Main business
Alfresa Corporation	4,000	100.0	Ethical Pharmaceuticals Wholesaling Business
Shikoku Alfresa Corporation	161	100.0	Ethical Pharmaceuticals Wholesaling Business
TS Alfresa Corporation	1,144	100.0	Ethical Pharmaceuticals Wholesaling Business
Meisho Co., Ltd.	395	100.0	Ethical Pharmaceuticals Wholesaling Business
Odashima Limited	30	100.0	Ethical Pharmaceuticals Wholesaling Business
RYUYAKU CO., LTD.	44	100.0	Ethical Pharmaceuticals Wholesaling Business
Kowa Pharmaceuticals Co., Ltd.	104	100.0	Ethical Pharmaceuticals Wholesaling Business
Alfresa Medical Service Corporation	450	100.0	Medical Materials Wholesaling and Supply Processing and Distribution (SPD) Business
Alfresa Healthcare Corporation	499	100.0	Self-Medication Products Wholesaling Business
Mogi Pharmaceutical Co., Ltd.	10	100.0 (100.0)	Self-Medication Products Wholesaling Business
Alfresa Pharma Corporation	1,000	100.0	Manufacturing Business
QINGDAO NESCO MEDICAL CO., LTD.	300 (Registered capital)	100.0 (100.0)	Manufacturing Business
Alfresa Fine Chemical Corporation	400	100.0 (100.0)	Manufacturing Business
Sannova Co., Ltd.	300	100.0	Manufacturing Business
Apollo Medical Holdings Inc.	403	68.2 (0.6)	Management of Dispensing Pharmacy
Nihon Apoch CO., LTD.	270	100.0	Management of Dispensing Pharmacy
Alfresa System Corporation	150	51.0	Operation, Maintenance and Development of Information System

(Note) Figures in parentheses ( ) in the voting rights ratio column represent the percentage of voting rights held by subsidiaries of the Company.

3) Status of specified wholly-owned subsidiaries as of the end of the fiscal year

Company name	Address	Total carrying amount (Millions of Yen)	Amount of total assets of the Company (Millions of Yen)
Alfresa Corporation	7, Kanda-Mitoshirocho, Chiyoda-ku, Tokyo	91,886	252,833

(Note) The registered address of the head office of Alfresa Corporation is 1-12-1, Uchikanda, Chiyoda-ku, Tokyo.

(4) Challenges to be addressed

The Alfresa Group supports the pharmaceuticals supply chain, Japan's social infrastructure, through each business domain of manufacturing, wholesaling and dispensing pharmacy, and contributes to stably supplying the necessary pharmaceuticals when and where they are needed. The slogan "We create and deliver a fresh life for all," from the Alfresa Group's principle of "Our Philosophy," recognizes the social responsibilities of a company. As a means of making this slogan a reality, we have established "Our Vision," which is that "We aim to become a Healthcare Consortium that provides products and services in every health-related field" in the same principle.

In order to realize the Alfresa Group's principles, we will engage in the 16-18 Mid-term Management Plan with our Group management policies (Challenge 3) of "Unite the Group to strengthen businesses," "Expand the health and medical-related business domains" and "Transform business models ahead of changes in the environment," focusing efforts on the sustainable growth of our corporate value.

In the Ethical Pharmaceuticals Wholesaling Business segment, amid the formulation of the community health-care vision toward the future vision of medical and nursing care services for 2025, the system of provision of medical and nursing care functions by each local government is expected to change as the integrated community care system make progress. In addition, "Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies" (hereinafter "Guidelines for the Improvement of Commercial Transaction Practices") were announced by the Ministry of Health, Labour and Welfare. In accordance with the Guidelines for the Improvement of Commercial Transaction Practices, from April 2018, all parties involved in distribution of ethical pharmaceuticals including pharmaceutical wholesalers, pharmaceutical manufacturers and hospitals/dispensing pharmacies are required to step up initiatives for distribution reforms.

The Alfresa Group, as the number-one wholesaler of ethical pharmaceuticals, will progress to further reinforce the business foundation ahead of such changes in the environment. In particular, we will more thoroughly enforce "Marketing reform & distribution reform," "Pursue optimization for the Alfresa Group" and "Advance distribution reforms" which are stated as priority measures under the 16-18 Mid-term Management Plan.

In the Self-Medication Products Wholesaling Business segment, we will more thoroughly "Further reinforce business foundations" and "Strengthen value-added marketing activities," which are stated as priority measures under the 16-18 Mid-term Management Plan, and continue working to secure stable profit. In addition to previous initiatives, we will respond more accurately to changes in the needs of regular customers such as drugstores and dispensing pharmacies through cooperation with the Alfresa Group's ethical pharmaceuticals wholesaling business subsidiaries, while enhancing our responsiveness to the growth domain of sale over the Internet.

In the Manufacturing Business segment, we will make efforts to "Advance reliable, safe, and sincere manufacturing," "Advance consigned manufacturing and active pharmaceutical ingredients business," "Expand product lineup and reinforce sales capabilities" and "Expand Overseas Business" as priority measures under the 16-18 Mid-term Management Plan for the purpose of further reinforcing wide-ranging business foundations from manufacturing to consigned manufacturing and export of pharmaceuticals, diagnostic reagents, medical devices and active pharmaceutical ingredients to continue pushing forward Alfresa Group's growth strategy.

In the Medical-Related Business segment, as initiatives to reinforce the business foundation of the dispensing pharmacy business, we will more thoroughly "Boost earnings ability" and "Address business model transformation" which are priority measures under the 16-18 Mid-term Management Plan.

(5) Main business (as of March 31, 2018)

The Company, as a holding company, is engaged in management, etc. of its subsidiaries and affiliated companies. Its subsidiaries and affiliated companies operate in wholesaling, manufacturing and marketing as well as import and export, etc. of pharmaceuticals, diagnostic reagents and medical devices and equipment, management of dispensing pharmacy and other incidental business activities.

(6) Principal business sites and plants (as of March 31, 2018)

The Company	Head office	1-1-3, Otemachi, Chiyoda-ku, Tokyo
Alfresa Corporation	Head office	7, Kanda-Mitoshirocho, Chiyoda-ku, Tokyo
Shikoku Alfresa Corporation	Head office	1255-10, Fuke Kou, Kokubunjicho, Takamatsu, Kagawa Prefecture
TS Alfresa Corporation	Head office	1-2-19, Shoko Center, Nishi-ku, Hiroshima, Hiroshima Prefecture
Meisho Co., Ltd.	Head office	Ha 1, Muryoji-machi, Kanazawa, Ishikawa Prefecture
Odashima Limited	Head office	2-18, Kuko-minami, Hanamaki, Iwate Prefecture
RYUYAKU CO., LTD.	Head office	5-6-5, Makiminato, Urasoe-shi, Okinawa Prefecture
Kowa Pharmaceuticals Co., Ltd.	Head office	1-46-1, Kikutamachi Oroshi, Koriyama, Fukushima Prefecture
Alfresa Medical Service Corporation	Head office	1-12-1, Uchikanda, Chiyoda-ku, Tokyo
Alfresa Healthcare Corporation	Head office	3-11-5, Nihonbashi-Honcho, Chuo-ku, Tokyo
Mogi Pharmaceutical Co., Ltd.	Head office	3-9-7, Nihonbashi-Honcho, Chuo-ku, Tokyo
Alfresa Pharma Corporation	Head office	2-2-9, Koku-machi, Chuo-ku, Osaka
	Plant	Shouocho, Katsuta-gun, Okayama Prefecture; Noda, Chiba Prefecture
Alfresa Fine Chemical Corporation	Head office Plant	1-10-1, Mukaihama, Akita, Akita Prefecture
Sannova Co., Ltd.	Head office Plant	3038-2, Seradacho, Ota-shi, Gunma Prefecture
Apollo Medical Holdings Inc.	Head office	2-45-8, Minamiotsuka, Toshima-ku, Tokyo
Nihon Apoch CO., LTD.	Head office	6-20, Wakitahoncho, Kawagoe, Saitama Prefecture
Alfresa System Corporation	Head office	1-1-3, Otemachi, Chiyoda-ku, Tokyo

(Note) The registered address of the head office of Alfresa Corporation is 1-12-1, Uchikanda, Chiyoda-ku, Tokyo.

(7) Status of employees (as of March 31, 2018)

1) Status of employees of the corporate group

Business segment	Number of employees	Changes from the end of the previous fiscal year
Ethical Pharmaceuticals Wholesaling Business	9,188 (2,049)	Decrease of 145 (Decrease of 108)
Self-Medication Products Wholesaling Business	421 (16)	Decrease of 3 (Decrease of 5)
Manufacturing Business	1,197 (279)	Increase of 58 (Decrease of 1)
Medical-Related Business	1,002 (364)	Increase of 169 (Increase of 45)
All group companies (common)	93 (12)	Decrease of 3 (Increase of 5)
Total	11,901 (2,720)	Increase of 76 (Decrease of 64)

(Note) The number of employees represents the number of employed workers, and the number of temporary workers is shown in the parentheses ( ).

2) Status of employees of the Company

Number of employees	Changes from the end of the previous fiscal year	Average age	Average service years
42	Decrease of 3	47.4 years old	9.2 years

(Notes) 1. The number of employees shown above does not include two Executive Officers.
2. For employees of the Company who are seconded from Alfresa Corporation and Alfresa Pharma Corporation, the average service years includes their service years while at respective companies.

(8) Main source of borrowings (as of March 31, 2018)

Not applicable

(9) Other significant matters regarding the current state of the corporate group

Not applicable

2. The current state of the Company

(1) Status of shares (as of March 31, 2018)

1) Total number of authorized shares 540,000,000 shares
2) Total number of shares issued 235,017,600 shares
3) Number of shareholders 9,941
4) Major shareholders (top ten shareholders)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,877	3.63
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,752	3.57
Alfresa Holdings Employees Shareholders' Association	5,627	2.59
Eisai Co., Ltd.	4,602	2.12
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,182	1.93
Trust & Custody Services Bank, Ltd. as trustee for DAIICHI SANKYO COMPANY, LIMITED Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	3,908	1.80
STATE STREET BANK WEST CLIENT-TREATY 505234	3,655	1.68
DAIICHI SANKYO COMPANY, LIMITED	3,202	1.47
Japan Trustee Services Bank, Ltd. (Trust Account 1)	3,122	1.44
Japan Trustee Services Bank, Ltd. (Trust Account 2)	3,116	1.43

(Notes) 1. The Company holds treasury stocks of 18,341,083 shares, but is excluded from the above major shareholders.
2. The percentage of ownership is calculated after deducting treasury stocks.
3. Shares owned by Trust & Custody Services Bank, Ltd. as trustee for DAIICHI SANKYO COMPANY, LIMITED Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. are shares of the Company owned by DAIICHI SANKYO COMPANY, LIMITED, which were entrusted to Mizuho Trust & Banking Co., Ltd. and re-entrusted to Trust & Custody Services Bank, Ltd. The voting rights attached to these shares are to be exercised upon instructions of the DAIICHI SANKYO COMPANY, LIMITED.

(2) Status of corporate officers

1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2018)

Positions at the Company	Name	Responsibilities	Significant concurrent positions held
Representative Director & Chairman	Hiroyuki Kanome		Representative Director & Chairman of Alfresa Corporation
Representative Director & President	Taizo Kubo		
Director, Deputy President Assistant to the President	Shunichi Miyake	Internal Control, Financial Planning, General Affairs	
Director, Deputy President Assistant to the President	Koichi Masunaga	Wholesaling Business	Representative Director & President of Alfresa Corporation
Director, Senior Vice President & Executive Officer	Yasuki Izumi	Group Business & Affiliate Control	
Director, Vice President & Executive Officer	Ryuji Arakawa	Business Development	
Director	Hisashi Katsuki		Representative Director & President of Alfresa Healthcare Corporation Representative Director & Chairman of Mogi Pharmaceutical Co., Ltd.
Director	Kimiko Terai	Chairman, Corporate Governance Committee	Professor, Faculty of Economics, Keio University
Director	Yoichiro Yatsurugi	Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	Executive Vice President of Works Applications Co., Ltd. Director of Igreque, Inc.
Director	Shiho Konno		Attorney at law Outside Director of Kakaku.com, Inc.
Audit & Supervisory Board Member (Standing)	Kenji Kuwayama		
Audit & Supervisory Board Member	Yuji Noguchi		Certified Public Accountant
Audit & Supervisory Board Member	Seisui Kamigaki		Attorney at law Outside Audit & Supervisory Board Member of Mitsubishi Shokuhin Co., Ltd., Outside Director (Audit and Supervisory Committee Member) of YONDOSHI HOLDINGS INC., Outside Director of Universal Entertainment Corporation
Audit & Supervisory Board Member	Yoshitaka Kato		Certified Public Accountant

(Notes) 1. Directors Kimiko Terai, Yoichiro Yatsurugi and Shiho Konno are Outside Directors.

2. Audit & Supervisory Board Members Yuji Noguchi, Seisui Kamigaki and Yoshitaka Kato are Outside Audit & Supervisory Board Members.

3. Audit & Supervisory Board Members Yuji Noguchi and Yoshitaka Kato are certified public accountants and have considerable knowledge in finance and accounting.

4. The Company has registered Directors Kimiko Terai, Yoichiro Yatsurugi and Shiho Konno and Audit & Supervisory Board Members Yuji Noguchi, Seisui Kamigaki and Yoshitaka Kato as independent officers as provided for under the provisions of Tokyo Stock Exchange, Inc.

5. Principal positions held concurrently by Directors and Audit & Supervisory Board Members for the fiscal year

ended March 31, 2018, other than those described in “Significant concurrent positions held” are as follows:

(1) Representative Director & Chairman Hiroyuki Kanome serves concurrently as Director at Meisho Co., Ltd. and Odashima Limited.
(2) Representative Director & President Taizo Kubo serves concurrently as Director at Alfresa Corporation and Alfresa Pharma Corporation.
(3) Director Shunichi Miyake serves concurrently as Director at Apollo Medical Holdings Inc. and Nihon Apoch CO., LTD.
(4) Director Yasuki Izumi serves concurrently as Director at TS Alfresa Corporation, Kowa Pharmaceuticals Co., Ltd. and Alfresa System Corporation.
(5) Director Ryuji Arakawa serves concurrently as Director at Shikoku Alfresa Corporation.
(6) Audit & Supervisory Board Member Kenji Kuwayama serves concurrently as Audit & Supervisory Board Member at Meisho Co., Ltd., Kowa Pharmaceuticals Co., Ltd. and Sannova Co., Ltd.

6. Directors Shozo Hasebe and Tsuneo Shinohara and Outside Director Kazuko Kimura retired upon expiration of their term of office at the conclusion of the 14th Ordinary General Meeting of Shareholders held on June 27, 2017.
7. Representative Director & Chairman Denroku Ishiguro retired by resignation on December 21, 2017.

2) The outline of the liability limitation agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each Outside Director and Outside Audit & Supervisory Board Member to limit their liability for damages as provided for by Article 423, Paragraph 1 of said Act. The amount of limitation of liability for damages under the agreement is the amount provided for by Article 425, Paragraph 1 of said Act.

3) Total amount of remuneration, etc. to Directors and Audit & Supervisory Board Members

Categories	Number of persons paid	Amount of remuneration (Millions of Yen)
Directors (of which, Outside Directors)	14 (4)	404 (27)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	4 (3)	50 (26)
Total	18	454

(Notes)
1. The amount of remuneration to Directors does not include salaries for services rendered as employees by Directors who also serve as employees.
2. The maximum aggregate amount of remuneration to Directors (not including salaries for services rendered as employees by Directors who also serve as employees) was set at ¥600 million per year by a resolution of the 3rd Ordinary General Meeting of Shareholders held on June 29, 2006.
3. The maximum aggregate amount of remuneration to Audit & Supervisory Board Members was set at ¥120 million per year by a resolution of the 3rd Ordinary General Meeting of Shareholders held on June 29, 2006.
4. The amount of remuneration includes provision for directors’ bonuses for the fiscal year ended March 31, 2018 of ¥79 million (for five Directors) and those for four Directors who retired.

4) Matters concerning outside officers

(i)Relationship between the Company and significant organizations where officers concurrently hold positions

Position	Name	Significant concurrent positions held	Relationship between the Company
Director	Kimiko Terai	Professor, Keio University	The Company's consolidated subsidiary conducts transactions as one of the wholesalers that sell ethical pharmaceuticals, etc. to Keio University Hospital of Keio University. In addition, the Company's consolidated subsidiary provides logistics management service within the hospital; however, the transaction value accounts for only a small percentage of consolidated net sales of the Company. Moreover, she has no conflict with the Independence Standards for Outside Directors, etc. established by the Company, and there is no fact that the relevant transaction partner is involved in the business management of the Group companies.
Director	Yoichiro Yatsurugi	Executive Vice President of Works Applications Co., Ltd. Director of Igreque, Inc.	The Company's consolidated subsidiary has transactions with Works Applications Co., Ltd.; however, the transaction value accounts for only a small percentage of consolidated net sales of the Company. Moreover, he has no conflict with the Independence Standards for Outside Directors, etc. established by the Company, and there is no fact that the relevant transaction partner is involved in the business management of the Group companies.
Audit & Supervisory Board Member	Yuji Noguchi	Certified Public Accountant	He has worked for Asahi Shinwa & Co., which is currently KPMG AZSA LLC, the Company's Independent Auditor; however, as it has been more than 20 years since his resignation, there is no influence on the Company on the ground that he belonged to the Independent Auditor in the past. Moreover, there is no property paid to him other than remuneration as Audit & Supervisory Board Member.

(Note) There is no relationship to be disclosed between the significant concurrent positions of Director Shiho Konno and Audit & Supervisory Board Members Seisui Kamigaki and Yoshitaka Kato and the Company.

(ii) Principal activities during the fiscal year ended March 31, 2018

Position	Name	Attendance of Board of Directors' meetings and Audit & Supervisory Board's meetings	Status of principle remarks
Director	Kimiko Terai	Board of Directors' meetings: 100% (19 out of 19 meetings)	She delivered opinions mainly from the perspective of a professional in economics and business administration, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
Director	Yoichiro Yatsurugi	Board of Directors' meetings: 100% (13 out of 13 meetings)	He delivered opinions mainly based on his experience and knowledge as an executive, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
Director	Shiho Konno	Board of Directors' meetings: 100% (13 out of 13 meetings)	She delivered opinions from the perspective of a professional as an attorney at law and based on her experience as an outside officer of a company and her knowledge of corporate governance, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
Audit & Supervisory Board Member	Yuji Noguchi	Board of Directors' meetings: 100% (19 out of 19 meetings) Audit & Supervisory Board's meetings: 100% (17 out of 17 meetings)	He delivered opinions mainly from the perspective of a professional in finance and accounting, etc. as a certified public accountant, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
Audit & Supervisory Board Member	Seisui Kamigaki	Board of Directors' meetings: 94.7% (18 out of 19 meetings) Audit & Supervisory Board's meetings: 100% (17 out of 17 meetings)	He delivered opinions mainly from the perspective of legal compliance as an attorney at law, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
Audit & Supervisory Board Member	Yoshitaka Kato	Board of Directors' meetings: 100% (13 out of 13 meetings) Audit & Supervisory Board's meetings: 100% (13 out of 13 meetings)	He delivered opinions mainly from the perspective of a professional in finance and accounting, etc. as a certified public accountant, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.

(3) Independent Auditor

1) Name KPMG AZSA LLC

2) Amount of remuneration, etc.

	Amount paid (Millions of Yen)
Amount of remuneration, etc. of the Independent Auditor for the fiscal year ended March 31, 2018	114
Total amount of money and other property benefits payable to the Independent Auditor by the Company and its subsidiaries	221

(Notes) 1. The Audit & Supervisory Board of the Company conducted necessary verification of the content of the audit plan of the Independent Auditor, the assessment and analysis of the audit performance in the previous fiscal year, the status of performing duties of accounting audits, and the appropriateness of the basis of calculation for remuneration estimates, and consented to the amount of remuneration of the Independent Auditor.

2. Under the audit agreement between the Company and its Independent Auditor, there is no clear distinction between the fees for audit based on the Companies Act and the fees for audit based on the Financial Instruments and Exchange Act. Accordingly, the amount of remuneration, etc. of the Independent Auditor for the fiscal year ended March 31, 2018 shown above is the total of these audit fees.

3) Details of non-audit services
Not applicable

4) Policy in deciding the dismissal or non-reappointment of the Independent Auditor
In the event that the Independent Auditor falls under any of the items prescribed in Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board of the Company considers dismissal of the Independent Auditor. If dismissal is deemed appropriate, the Independent Auditor is dismissed upon consent of all of the Audit & Supervisory Board Members. The Audit & Supervisory Board of the Company also examines the performance of duties by the Independent Auditor and audit system, etc. of the Company. If a change of the Independent Auditor is deemed necessary, the Audit & Supervisory Board determines the details of the agenda item concerning non-reappointment of the Independent Auditor and notifies to that effect to the Board of Directors of the Company. The Board of Directors of the Company submits said agenda item to the General Meeting of Shareholders.

(4) Framework for ensuring the appropriate conduct of the Group's business and the status of operation

1) Framework for ensuring the appropriate conduct of the Group's business

The Company made the following decisions on the framework for ensuring that Directors' duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation and other framework for ensuring the appropriate conduct of the Group's business.

Based on the Companies Act and the Ordinance for Enforcement of the Companies Act, the Company puts in place the following framework for ensuring the appropriate conduct of its business and businesses of the corporate group consisting of the Company and its subsidiaries.

(i) Framework for ensuring that Directors' duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation

(A) In line with the Alfresa Group's principles, the Company shall establish compliance guidelines and internal regulations, putting in place a structure that complies with relevant laws and regulations and with the Articles of Incorporation.

(B) Important matters pertaining to management of the Group companies shall be reviewed in keeping with the basic policy and procedures by the Executive Committee, and shall be decided upon by the Board of Directors or the Executive Committee.

(C) In accordance with the Financial Instruments and Exchange Act and relevant laws and regulations, the Company shall endeavor to maintain sound and transparent management, and work to ensure the reliability of its financial reporting and the effectiveness of its internal controls, and enhance accuracy.

(D) The Company shall appoint outside Directors, ensuring the objectivity and neutrality of its management supervisory function.

(E) Audit & Supervisory Board Members shall attend important meetings of the Board of Directors, Executive Committee and other Company organs, and shall audit the legality and appropriateness of Directors' performance of duties and decision-making.

(ii) Framework for the storage and management of information concerning Directors' performance of duties

The Company properly stores and manages documents concerning Directors' performance of duties and other information, such as documents concerning general meetings of shareholders, Board of Directors' meetings, the Executive Committee, and requests for managerial approval, based on laws and regulations and the Company's internal regulations.

(iii) Regulations and other frameworks for managing risk of loss

(A) The Company shall formulate internal regulations and put in place a risk management framework to ensure business continuity and stable business development, responding appropriately to the various business risks, including those associated with business investment, compliance and information management.

(B) During emergencies, the risk management framework shall be put in motion, and appropriate action taken in response to the particular nature and type of risk involved.

(iv) Framework for ensuring the Directors' duties are performed in an efficient manner

(A) Based on the Group's medium-term management plan and fiscal year plans, the Company shall track each Group company's progress with their businesses, while implementing initiatives to achieve targets.

(B) The executive officer system ensures a clear separation between Directors' duties and executive officers' business execution functions.

(C) The Board of Directors and the Executive Committee shall meet regularly to rapidly and properly make decisions.

(D) The Company shall update internal regulations, clarify the separation of duties and job authority etc., and put in place a timely and appropriate reporting system.

(v) Framework for ensuring that employees' duties are performed in compliance with relevant laws and regulations and with the Company's Articles of Incorporation

(A) In line with the Group's principles, the Alfresa Group shall formulate Compliance Guidelines and internal regulations, and establish rules for maintaining higher ethical standards and sincerity in all activities.

(B) The Group shall rigorously enforce compliance with and understanding of laws, regulations and guidelines by implementing training and educational programs for its employees, and conduct timely and appropriate reporting and notification within the Group.

(C) The Company shall establish Compliance Consultation Offices, and endeavor to secure information while protecting the rights of informants.

(D) The Audit Department shall conduct internal audits regarding the status of compliance with relevant laws and the Company's internal regulations, etc.

(vi) Framework for ensuring the appropriateness of operations at the corporate group comprising the Company and its subsidiaries

(A) Framework for reporting to the Company concerning performance of duties by Directors, etc. of the Company's subsidiaries

(a) The Company shall manage operations of each Group company based on the Group company's operating bylaws and put in place a reporting system regarding important matters.

(b) The Company shall work to build mutual ties and improve information sharing among Group companies through its various committees and through personnel exchanges within the Group.

(B) Regulations and other frameworks for managing risk of loss at the Company's subsidiaries

The Company shall put in place and work to strengthen the Group's information management and risk management frameworks.

(C) Framework for ensuring the duties of Directors, etc. are performed in an efficient manner at the Company's subsidiaries

(a) Based on the Alfresa Group's medium-term management plan and fiscal year plans, the Company shall manage and verify the progress of Group companies in meeting their targets.

(b) With the objective of streamlining Group management, the Company shall hold meetings of its Group Management Committee, Business Strategy Committee, and other committees by department, role, or function, regularly or as required, to confer or deliberate on matters concerning Group management.

(D) Framework for ensuring that the duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation by Directors, etc. and employees of the Company's subsidiaries

(a) The Company shall endeavor to propagate the Alfresa Group principles, establishing Compliance Guidelines and internal regulations, and putting in place a framework that complies with relevant laws and regulations and with the Articles of Incorporation.

(b) The Group shall put in place a more easily accessible internal reporting system by establishing Compliance Consulting Offices at Group companies, as well as a Group-wide Compliance Consulting Office.

(c) The Audit Department shall work with the internal audit departments at each Group company, and shall work to enhance the Group's audit function.

(vii) Items regarding employees who assist with the duties of the Audit & Supervisory Board Members

The Company shall establish an Audit & Supervisory Board Office in order to assist the Audit & Supervisory Board Members in performing their duties.

(viii) Items regarding independence of Audit & Supervisory Board Member assistants from Directors

Transfers of employees assigned to the Audit & Supervisory Board Office shall take place upon consideration of the opinions of the Audit & Supervisory Board Members.

(ix) Items regarding assurance of the effectiveness of instructions given by Audit & Supervisory Board Members to assistants

Employees assigned to the Audit & Supervisory Board Office will engage full time in assisting with the duties of the Audit & Supervisory Board Members and the Company will not give directions and orders to the employees.

(x) Framework for reporting to Audit & Supervisory Board Members

(A) Framework for enabling Directors and employees to report to the Audit & Supervisory Board Members

(a) The Company shall work to compile documents for Audit & Supervisory Board Members to examine, to ensure a system whereby they can gather information needed for auditing in a timely and appropriate manner.

(b) In addition to matters set forth by relevant laws and regulation, Directors and employees shall promptly report events which could have a critical impact on management to the Audit & Supervisory Board Members.

(c) The Company shall endeavor to ensure that Audit & Supervisory Board Members have the opportunity to attend meetings where their presence has been deemed necessary.

(d) Any request from an Audit & Supervisory Board Member for a hearing shall be responded to promptly.

(e) The details of reports submitted to Compliance Consulting Offices shall be reported to Audit & Supervisory Board Members regularly or when necessary.

(B) Framework for enabling Directors, etc. and employees of subsidiaries of the Company, or persons who received reports from such people to report to Audit & Supervisory Board Members

The details of reports submitted to the Group-wide Compliance Consulting Office shall be reported to Audit & Supervisory Board Members regularly or when necessary.

(xi) Framework for ensuring that a person who made a report stipulated in the preceding paragraph will not be treated unfavorably on the grounds of making such a report

The Company shall establish a strict information management system concerning a person who made a report to Audit & Supervisory Board Members and the details of such report.

(xii) Items regarding the policy on procedures for making an advance payment or reimbursement on expenses incurred by Audit & Supervisory Board Members in association with performance of their duties and processing of other expenses and obligations incurred in association with performance of said duties

A certain amount of budget shall be secured to disburse expenses, etc. incurred by Audit & Supervisory Board Members in performing their duties.

(xiii) Other frameworks for ensuring that audits performed by the Audit & Supervisory Board Members can be conducted effectively

(A) In light of the significance and utility of audits performed by Audit & Supervisory Board Members, Audit & Supervisory Board Members and all officers and employees shall exchange views as needed.

(B) The Audit & Supervisory Board Members and the Audit Department shall meet periodically to exchange opinions, while securing conferences and other opportunities to meet with Audit & Supervisory Board Members of Group companies, and strive to strengthen cooperation among one another.

2) Overview of the status of operation of the framework for ensuring the appropriate conduct of the Group's business

(i) Compliance framework

(A) In line with the Alfresa Group's principles, the Company has established Compliance Guidelines and is working to thoroughly enforce compliance through the Compliance and Risk Management Committee, training, and other means.

(B) The status of operation of the Compliance Consultation Offices established at the Company and each Group company is reported to the Compliance and Risk Management Committee, Directors, and Audit & Supervisory Board Members etc. regularly or when necessary.

(C) As for the internal control for financial reporting, basic plans and policies, progress status as well as the results of the assessment of the effectiveness etc. are reported to the Board of Directors when necessary.

(ii) Risk management framework

(A) In order to deliberate investment projects at the Group, a meeting of the Business Investment Committee is held when necessary, and proposals are submitted to the Board of Directors or the Executive Committee in accordance with the regulations.

(B) The Group has formulated a Business Continuity Plan (BCP) and various disaster manuals, with the aim of putting in place a system to enable prompt and stable supply of pharmaceuticals, etc. in the event of a large-scale disaster. In addition, through the Compliance and Risk Management Committee, the Company is working to reinforce the risk management framework within the Group.

(C) For promoting measures for information security, the information security framework for the whole Group has been established, and the training and monitoring of operation thereof are carried out in accordance with the group-wide standards.

(iii) Management of the Group companies

(A) Based on the Group company's operating bylaws, important matters regarding the Group companies are submitted to the Board of Directors or Executive Committee for deliberation.

(B) Based on the Alfresa Group's medium-term management plan and fiscal year plans, the Company manages the progress and reports regularly to the Executive Committee or the Board of Directors. In addition, the Company holds meetings of its Group Management Committee, Business Strategy Committee, and other committees by role, or function, on a regular basis.

(iv) Performance of duties by Directors

(A) The Company properly manages documents concerning Directors' performance of duties based on laws and regulations and the Company's internal regulations.

(B) With the executive officer system, a separation between Directors' duties and executive officers' business execution functions is clarified to ensure the efficient decision-making.

(C) The Company held 19 meetings of the Board of Directors, determined prescribed important matters, received reports on the performance of duties by Directors and conducted supervision. In addition, the Company held 17 meetings of the Executive Committee to deliberate and make decision on other important matters. At the meetings of the Board of Directors, etc., thorough discussions were held on important decision-making and reporting matters concerning the Company and each Group company, including business trend and investment projects, based on the business analysis materials and materials from professional fields, whereby the management oversight function is exercised.

(v) Performance of duties by Audit & Supervisory Board Members

(A) In accordance with the Audit & Supervisory Board regulations and standards for audits by Audit & Supervisory Board Members etc., Audit & Supervisory Board Members prepare audit plans, divide audit tasks, attend the meetings of the Board of Directors and other important meetings, and state opinions as needed.

(B) Audit & Supervisory Board Members inspect important documents, such as documents of requests for managerial approval, request Directors and employees for explanation as necessary, and provide guidance.

(C) Audit & Supervisory Board meetings are held on a regular basis or when needed, to report and discuss audit activities as well as exchange information, with the aim of enhancing the effectiveness and efficiency of audits.

(D) Audit & Supervisory Board Members have meetings with the Company's management including Representative Director & President, exchange opinions and share information with Audit & Supervisory Board Members etc. of the Group companies as appropriate, and a meeting of the Group-wide Audit & Supervisory Board Committee is held semiannually.

(E) Audit & Supervisory Board Members monitor and confirm the independence and expertise of the Independent Auditor, while ensuring sufficient collaboration through verification of audit plans and receipt of audit and quarterly review results etc.

(F) With the aim of enhancing the effectiveness and efficiency of audits, Audit & Supervisory Board Members work closely with the Audit Department through exchanging information and other ways on a regular basis or as needed.

(5) Policy concerning decision on cash dividends from retained earnings, etc.

The Company considers return of profits to shareholders as one of its priority policies. As for dividend for the fiscal year ended March 31, 2018, as formulated in the "16-18 Mid-term Management Plan—*Break Through to Tomorrow*" the Company's basic policy calls for a consolidated dividend on equity (DOE) ratio of 2% or more, comprehensively considering factors such as strengthening of financial position, stability of management bases and future business development, based on its consolidated financial results.

Based on this, the Company decided to pay a year-end dividend of ¥20 per share, for a full-year dividend of ¥39 per share including an interim dividend paid of ¥19 per share.

(Note) Amounts presented in this business report are rounded down to the nearest million yen.

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥1,027,015**	**Current liabilities**	**¥854,235**
Cash and deposits	191,874	Trade notes and accounts payable	814,589
Trade notes and accounts receivable	612,920	Short-term debt	859
Marketable securities	4,010	Lease obligations	1,410
Merchandise and finished goods	128,726	Income taxes payable	10,460
Work in process	1,321	Reserve for bonuses	7,545
Raw materials and supplies	3,682	Reserve for bonuses to directors and corporate auditors	390
Deferred tax assets	6,467	Allowance for sales rebates	54
Purchase rebates receivable	76,495	Allowance for sales returns	696
Others	1,923	Others	18,227
Allowance for doubtful accounts	(406)	**Non-current liabilities**	**53,114**
Non-current assets	**316,268**	Long-term debt	1,213
Property, plant and equipment	**136,886**	Lease obligations	3,171
Buildings and structures	50,345	Deferred tax liabilities	32,276
Machinery, equipment and vehicles	10,183	Deferred tax liabilities for land revaluation	446
Tools and fixtures	2,598	Provision for loss on guarantee	48
Land	65,248	Net defined benefit liabilities	14,041
Leased assets	3,512	Asset retirement obligations	797
Construction in progress	4,998	Others	1,119
Intangible assets	**12,138**	**Total liabilities**	**907,349**
Goodwill	5,081	**(Net assets)**	
Leased assets	653	**Shareholders' equity**	**361,391**
Others	6,403	Paid-in capital	18,454
Investments and other assets	**167,243**	Capital surplus	101,945
Investment securities	148,260	Retained earnings	257,016
Long-term loans	2,158	Treasury stock, at cost	(16,025)
Deferred tax assets	766	**Accumulated other comprehensive income**	**73,376**
Net defined benefit assets	5,035	Unrealized gains on available-for-sale securities, net of taxes	75,725
Others	15,288	Unrealized gains on deferred hedge	(0)
Allowance for doubtful accounts	(4,266)	Revaluation reserve for land	(3,948)
		Foreign currency translation adjustments	133
		Remeasurements of defined benefit plans, net of taxes	1,467
		Non-controlling interests	**1,165**
		Total net assets	**435,934**
Total assets	**¥1,343,284**	**Total liabilities and net assets**	**¥1,343,284**

Consolidated Statements of Income

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

Account title	Amount	
Net sales		**¥2,602,917**
Cost of sales		**2,409,370**
Reversal of allowance for returned unsold goods	704	
Allowance for returned unsold goods	696	7
Total deduction		**193,554**
Selling, general and administrative expenses		**151,798**
Operating income		**41,756**
Other income		
Interest income	102	
Dividend income	2,624	
Information fees received	6,053	
Others	2,033	10,813
Other expenses		
Interest expenses	94	
Commission fees	10	
Equity in net loss of affiliates	166	
Expense for rental property	138	
Others	299	708
Ordinary profit		**51,861**
Extraordinary profit		
Gain on sales of non-current assets	361	
Gain on sales of investment securities	191	
Compensation income	12	
Subsidy income	194	761
Extraordinary loss		
Loss on product recalls	183	
Loss on sale of non-current assets	152	
Loss on disposal of property, plant and equipment	186	
Loss on impairment of non-current assets	368	
Loss on devaluation of investment securities	103	
Other	60	1,056
Income before income taxes and non-controlling interests		**51,567**
Current	16,085	
Deferred	(226)	15,858
Profit		**35,708**
Attributable to non-controlling interests :		118
Attributable to owners of parent		**¥35,589**

Consolidated Statements of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance - previously stated	¥18,454	¥101,936	¥229,115	¥(16,020)	¥333,486
Changes during the fiscal year					
Cash dividends from retained earnings			(8,233)		(8,233)
Profit attributable to owners of parent			35,589		35,589
Treasury stock acquired				(4)	(4)
Disposal of treasury stock		0		0	0
Increase by merger		163	544		708
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(154)			(154)
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	–	8	27,900	(4)	27,905
Ending balance	¥18,454	¥101,945	¥257,016	¥(16,025)	¥361,391

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Unrealized gains on securities, net of taxes	Deferred gains or losses on hedges, net of taxes	Unrealized gain or loss on revaluation of land	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Beginning balance - previously stated	¥62,479	¥(3)	¥(3,948)	¥114	¥205	¥58,847	¥1,215	¥393,550
Changes during the fiscal year								
Cash dividends from retained earnings								(8,233)
Profit attributable to owners of parent								35,589
Treasury stock acquired								(4)
Disposal of treasury stock								0
Increase by merger								708
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(154)
Changes in items other than shareholders' equity during the fiscal year (net)	13,246	2	–	18	1,261	14,529	(50)	14,478
Total changes during the fiscal year	13,246	2	–	18	1,261	14,529	(50)	42,383
Ending balance	¥75,725	¥(0)	¥(3,948)	¥133	¥1,467	¥73,376	¥1,165	¥435,934

Notes to Consolidated Financial Statements

1. Notes on important matters forming the basis of preparation of consolidated financial statements, etc.

(1) Matters concerning the scope of consolidation

1) Consolidated subsidiaries

(A) The number of consolidated subsidiaries: 17 companies

(B) Names of principal consolidated subsidiaries: Alfresa Corporation
Alfresa Healthcare Corporation
Alfresa Pharma Corporation

2) Non-consolidated subsidiaries

(A) Names of principal non-consolidated subsidiaries:
Alfresa Shinohara Chemicals Corporation

(B) The reason for the exclusion from the scope of consolidation:
The non-consolidated subsidiaries are all small in scale, and none of their total assets, net sales, net income or loss (an amount proportional to the ownership) and retained earnings (an amount proportional to the ownership), etc., have a material effect on the consolidated financial statements.

(2) Matters concerning the application of the equity method

1) Non-consolidated subsidiaries and affiliated companies accounted for by the equity method:

(A) The number of non-consolidated subsidiaries and affiliated companies accounted for by the equity method:
1 company

(B) Name of principal company, etc.: HANSHIN Dispensing Pharmacy Holdings Co., Ltd.

2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

(A) Names of principal companies, etc.: Alfresa Shinohara Chemicals Corporation

(B) The reason for not applying the equity method: The principal non-consolidated subsidiaries and affiliated companies not accounted for by the equity method are all small in scale and immaterial as a whole, and exclusion thereof from the scope of application of the equity method has a minimal effect on the consolidated financial statements, in view of their net income or loss (an amount proportional to the ownership) and retained earnings (an amount proportional to the ownership), etc. Therefore, they are not accounted for by the equity method.

(3) Matters concerning the fiscal year, etc., of consolidated subsidiaries

The fiscal year of consolidated domestic subsidiaries ends on the consolidated closing date of March 31. The fiscal year of consolidated overseas subsidiaries ends on December 31, and their financial statements as of December 31 are used for the purpose of preparation of consolidated financial statements. Significant transactions occurring from January 1 to March 31 are adjusted in the consolidated financial statements.

(4) Matters related to accounting standards

1) Valuation standards and method of significant assets

(A) Valuation standards and method of securities

Available-for-sale securities

(a) Securities with fair values: Stated at fair values based on market prices, etc., at the end of the fiscal year (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)

(b) Securities without fair values: Stated at cost as determined by using moving-average method

(B) Valuation standards and method of inventories

(a) Consolidated domestic subsidiaries

Merchandise and finished goods, work in process, raw materials and supplies: Stated at cost as determined principally by using gross average method (Balance sheet amounts are calculated by writing down the book value of assets based on a decline in profitability)

(b) Consolidated overseas subsidiaries

Finished goods, work in process, raw materials: Stated at cost as determined by using moving-average method (Balance sheet amounts are calculated by writing down the book value of assets based on a decline in profitability)

(C) Valuation standards and method of derivatives

- Derivatives: Stated at fair values

2) Depreciation method for significant depreciable assets

(A) Property, plant and equipment (except for leased assets): Depreciation is computed using the straight-line method. The useful life is mainly as follows:

Buildings and structures: 2 to 60 years
Machinery, equipment and vehicles: 2 to 23 years
Tools and fixtures: 2 to 26 years

(B) Intangible assets (except for leased assets)

(a) Software for internal use: The straight-line method is used on the basis of the internal usable period of five years.

(b) Other intangible assets: The straight-line method

(C) Leased assets

(a) Leased assets concerning finance lease transactions involving transfer of ownership:
The identical depreciation method applied on self-owned non-current assets is used.

(b) Leased assets concerning finance lease transactions without involving transfer of ownership:
Subject to depreciation by the straight-line method over the lease period assuming residual value at nil.
Of finance lease transactions without involving transfer of ownership, lease transactions which commenced on or before March 31, 2008 are subject to the same accounting treatment as applied to normal lease transactions.

(D) Long-term prepaid expenses: Subject to amortization by the straight-line method over the period in which benefits of the expenditure are extended.

3) Accounting standards for major reserves

(A) Allowance for doubtful accounts: The allowance for potential losses of unrecoverable trade receivables, loans receivable and others is provided based on the historical default rate for outstanding receivables in general and the amounts deemed necessary in consideration of the recoverability in individual cases for specific receivables with higher possibility of default.

(B) Allowance for bonuses: The allowance for bonuses is provided for the estimated amounts, which the Company and its consolidated domestic subsidiaries are obligated to pay to employees after the fiscal year-end, based on services provided during the current year.

(C) Allowance for bonuses to directors and audit & supervisory board members: The allowance for bonuses to directors and audit & supervisory board members is provided for the estimated amounts which the Company and its consolidated domestic subsidiaries are obligated to pay to directors and audit & supervisory board members after the fiscal year-end, based on services provided during the current year.

(D) Allowance for sales rebates: The allowance for sales rebates is provided for future payment of sales rebates for accounts receivable at fiscal year-end based upon actual rebates experienced in the past at certain consolidated subsidiaries.

(E) Allowance for returned unsold goods: The allowance for returned unsold goods is provided based upon the estimated loss from future sales returns at certain consolidated subsidiaries.

(F) Allowance for loss on debt guarantee: Allowance for loss on debt guarantee is provided in an estimated amount based on the financial position and solvency of parties guaranteed by certain consolidated subsidiaries.

4) Significant hedge accounting method

(A) Hedge accounting method: Deferred hedge accounting is applied.
Meanwhile, certain transactions for hedging risks of fluctuations of foreign exchange are subject to the appropriation treatment where they meet the requirements for such treatment.

(B) Hedging instruments and hedged items:
Hedging instruments: Foreign currency forward contracts
Hedged items: Accounts receivable and accounts payable denominated in foreign currencies

(C) Hedging policy: Hedging is carried out within the scope of normal transactions for the sole purpose of avoiding prospective risks of fluctuations of foreign exchange in the market.

(D) Evaluation method of the effectiveness of hedging activities: Evaluation of effectiveness is omitted as significant terms related to assets and liabilities of hedging instruments and hedged items or scheduled transactions are identical.

5) Other significant matters for the preparation of consolidated financial statements

(A) Accounting treatment method of retirement benefits

Net defined benefit liabilities are provided for the payment of employees' retirement benefits by recording the amount of retirement benefit obligations less plan assets based on the estimated amount at the end of the fiscal year. Actuarial gains and losses are amortized over a certain period (5 to 10 years) within the average remaining service period of the employees at the time when the actuarial gains and losses are incurred in each fiscal year, commencing from the following fiscal year of the year incurred in equal annual installments calculated by using the straight-line method. Prior service costs are amortized using the straight-line method over a certain period (10 to 13 years) within the average remaining service period of the employees. Unrecognized actuarial gains and losses as well as unrecognized prior service costs are adjusted for tax effects, and recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under net assets.

(B) Standards for translation of assets and liabilities denominated in foreign currencies

Monetary claims and obligations denominated in foreign currencies are translated into Japanese yen at the year-end spot exchange rates, and translation adjustments are recorded as gains or losses. Assets and liabilities of consolidated overseas subsidiaries are translated into Japanese yen at the spot exchange rate on the year-end closing date, while income and expenses are translated into Japanese yen at the average exchange rate for the fiscal year, and translation adjustments are included in foreign currency translation adjustments under net assets.

(C) Amortization of goodwill

Goodwill is amortized regularly using the straight-line method over a period benefited therefrom but not exceeding 20 years.

(D) Accounting treatment of consumption tax, etc.

The tax exclusion method is applied.

2. Notes on consolidated balance sheet

(1) Assets pledged as collateral and secured liabilities

1) Assets pledged as collateral

	(Millions of Yen)
Cash and deposits	¥129
Merchandise and finished goods	82
Buildings and structures	1,250
Land	1,267
Investment in securities	9,209
Other (Investments and other assets)	118
Total	¥12,058

2) Secured liabilities

	(Millions of Yen)
Trade notes and accounts payable	¥9,918
Short-term debt	189
Long-term debt	656
Total	¥10,764

(2) Accumulated depreciation of property, plant and equipment ¥79,568 million

(3) Notes matured at the end of the fiscal year

With respect to accounting for notes matured at the end of the fiscal year, the matured notes were treated as though they were settled on the maturity date, since the last day of the current consolidated fiscal year fell on a bank holiday.

Amounts of notes matured at the end of the fiscal year are as follows:

Trade notes receivable	¥1,506 million
Trade notes payable	¥1,851 million

(4) Guarantee obligations

The Company provides guarantees to the following affiliates with respect to their borrowings, etc., from financial institutions.

	(Millions of Yen)
Specialty Medical Distribution Corporation	¥3,897
Y.K. Kofuku Shoji	334
K.K. Hiroshima Chuo Yakkyoku	156
Other	0
Total	¥4,390

(5) Reduced amount of entry for property, plant and equipment due to the receipt of state subsidy, etc.

	(Millions of Yen)
Buildings and structures	¥379
Machinery, equipment and vehicles	180
Land	270
Other (Intangible assets)	45
Total	¥875

(6) Land revaluation

In accordance with the Law of Land Revaluation (Law No. 34 of March 31, 1998) and amendments thereto of March 31, 2001, certain consolidated subsidiaries conducted a revaluation of their land for business use. Accordingly, the amount of revaluation difference less “revaluation of deferred tax liabilities” was recorded as “unrealized gain or loss on revaluation of land” under net assets.

1) Revaluation method

Land revaluation is conducted by the calculation method based on property tax valuation stipulated under Article 2, Item 3 of Ordinance for Enforcement of the Law of Land Revaluation (Ordinance No. 119 of March 31, 1998).

2) Date of land revaluation March 31, 2002

3) Difference between the fair value of the revaluated land at year end and its book value after the revaluation ¥(2,400) million

3. Notes on consolidated statements of changes in net assets

(1) Matters concerning the number of stock issued

Type of shares	Number of shares as of April 1, 2017	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2018
Common stock	235,017 thousand shares	– thousand shares	– thousand shares	235,017 thousand shares

(2) Matters concerning the number of treasury stock

Type of shares	Number of shares as of April 1, 2017	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2018
Common stock	18,339 thousand shares	2 thousand shares	0 thousand shares	18,341 thousand shares

(3) Matters concerning dividends of surplus

1) Dividends paid, etc.

Resolution	Type of shares	Total dividends	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 12, 2017	Common stock	¥4,116 million	¥19	March 31, 2017	June 6, 2017
Board of Directors' meeting held on November 6, 2017	Common stock	¥4,116 million	¥19	September 30, 2017	December 5, 2017

2) Dividends with the record date in the current year and the effective date in the following year

Resolution	Type of shares	Source of dividends	Total dividends	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 11, 2018	Common stock	Retained earnings	¥4,333 million	¥20	March 31, 2018	June 5, 2018

4. Notes on financial instruments

(1) Matters concerning the current state of financial instruments

1) Policies for financial instruments

The Group finances necessary funds mainly by bank loans according to the capital investment plan. Temporary excess funds are operated by highly stable financial instruments such as short-term bank deposits etc., and the Companies finance short-term operating capital by bank loans. Derivative transactions are only utilized to hedge the following risks and it is our policy not to enter into derivative transactions for speculative purpose.

2) Details of financial instruments and their risks

Operating receivables such as trade notes and accounts receivable, and monetary claims such as purchase rebates receivable are exposed to credit risk of customers. Some of the operating receivables are dominated in foreign currencies and they are exposed to foreign currency fluctuation risk.

Marketable securities mainly consist of highly secure short-term commercial paper.

Investment securities mainly consist of securities of companies in which a business relationship has been established, or securities of companies in which a business and capital tie-up has been formed. These are exposed to market fluctuation risk.

Long-term loans mainly consist of construction assistance fund receivable at each business location and they are exposed to credit risk.

Operating payables such as trade notes and accounts payable are due within one year. Some of the operating payables relating to imports of raw materials etc. are dominated in foreign currencies and are exposed to foreign currency fluctuation risk.

Long-term debt and finance lease obligations are mainly used for the purpose of financing capital investments. A part of these are exposed to interest fluctuation risk.

Regarding derivative transactions, the Group utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk of operating receivables and payables dominated in foreign currencies.

3) Risk management of financial instruments

(A) Credit risk management (risk of default by the counterparties etc.)

Consolidated subsidiaries of the Company follow sales management rules, monitor the customers' credit conditions periodically and manage the due date and balance per customer with respect to operating receivables and long-term loans. They keep track of the adverse financial conditions of our customers in the early stage to mitigate the bad debt.

(B) Market risk management (risk of foreign currency fluctuations and interests etc.)

Regarding the operating receivables and payables dominated in foreign currencies, some of the consolidated subsidiaries principally utilize foreign currency forward contracts to hedge future foreign currency fluctuation risk. Order and management of foreign currency forward contracts is based on the trade operation rules, and it is performed and reported by actual demand basis.

For investment securities, the Company regularly reviews the fair value and issuers' financial condition and readjusts their portfolio on an ongoing basis considering the business relationship with counterparties.

(C) Liquidity risk management associated with financing (risk of default at the due dates)

The Company operates group cash management system (hereinafter "CMS") as a genuine holding company, optimizes Company-wide financing and operating of funds, and prepares for liquidity risk by setting the commitment line.

The departments in charge at consolidated subsidiaries of the Company prepare and update the cash management plan appropriately based on the reports from each department and manage liquidity risk by maintaining liquidity.

4) Supplemental information on fair value of financial instruments

In addition to the values based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist. As the calculation of those values adopts certain assumptions, those values may vary in case different assumptions are applied.

(2) Fair values of financial instruments

Book values and fair values of financial instruments on the consolidated balance sheet at March 31, 2018 are as follows:

(Millions of Yen)

	Book value	Fair value	Difference
1) Cash and deposits	¥191,874	¥191,874	¥–
2) Trade notes and accounts receivable	612,920	612,920	–
3) Purchase rebates receivable	76,495	76,495	–
4) Marketable securities and investment securities	143,283	143,283	–
5) Trade notes and accounts payable (*)	[814,589]	[814,589]	–
6) Derivative transactions	0	0	–

(*) Those posted in liabilities are shown in brackets.

(Note 1) Matters related to the valuation method for financial instruments and securities and derivative transactions

1) Cash and deposits, 2) Trade notes and accounts receivable, 3) Purchase rebates receivable

The book value is deemed as the fair value since they are scheduled to be settled in a short period of time.

4) Marketable securities and investment securities

Fair value of stocks is based on the price on share exchanges and that of bonds is based on the price on bond markets or price presented by the counterparty financial institutions. Regarding commercial paper, the book value is deemed as the fair value since they are scheduled to be redeemed in a short period of time.

5) Trade notes and accounts payable

The book value is deemed as the fair value since they are scheduled to be settled in a short period of time.

6) Derivative transactions

Derivative transactions are foreign currency forward contracts, and the price quoted by the counterparty financial institutions is stated. Foreign currency forward contracts which are subject to the appropriation treatment are accounted for together with the accounts receivable or accounts payable designated as a hedged item. Thus, their fair value is included in the aforementioned fair value of 2) Trade notes and accounts receivable or 5) Trade notes and accounts payable.

(Note 2) Book value of financial instruments that have extreme difficulty in determining fair value

(Millions of Yen)

Category	Book value
Investment securities	
Unlisted securities	¥8,986

The above stocks do not have market value and thus their fair values are not disclosed, as it is extremely difficult to determine the fair value.

(Note 3) Fair values of long-term loans, short-term debt, lease obligations (current liabilities), long-term debt, and lease obligations (non-current liabilities) are immaterial, and thus are not stated herein.

(3) The redemption schedule for monetary claims and securities with maturity after March 31, 2018

(Millions of Yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
1) Cash and deposits	¥191,874	¥–	¥–	¥–
2) Trade notes and accounts receivable	612,920	–	–	–
3) Purchase rebates receivable	76,495	–	–	–
4) Marketable securities and investment securities Available-for-sale securities with maturities				
(A) Bonds (corporate bonds)	10	70	490	100
(B) Commercial paper	4,000	–	–	–
Total	¥885,300	¥70	¥490	¥100

5. Notes on investment and rental properties

The total amount of rental properties is immaterial and thus information on investment and rental properties is not stated herein.

6. Notes on per share information

(1) Net assets per share ¥2,006.53

(2) Net income per share ¥164.25

7. Notes on significant subsequent event

Not applicable

(Note) Amounts presented in consolidated balance sheet, consolidated statements of income, consolidated statements of changes in net assets and notes to consolidated financial statements are rounded down to the nearest million yen.

Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥38,921**	**Current liabilities**	**¥11,933**
Cash and deposits	19,830	Accounts payable - other	90
Marketable securities	4,000	Income taxes payable	117
Prepaid expenses	1	Accrued consumption taxes	25
Deferred tax assets	42	Deposits received from subsidiaries and affiliates	11,572
Short-term loans receivable from subsidiaries and affiliates	11,457	Reserve for employees' bonuses	31
Income taxes receivable	3,584	Reserve for bonuses to directors and corporate auditors	79
Others	6	Others	16
		Non-current liabilities	**1,390**
Non-current assets	**213,912**	Deferred tax liabilities	1,390
Property, plant and equipment	**23**	**Total liabilities**	**13,324**
Buildings	16	**(Net assets)**	
Furniture and fixtures	6	**Shareholders' equity**	**236,361**
Intangible assets	**5**	**Common stock**	**18,454**
Software	5	**Capital surplus**	**175,428**
Investments and other assets	**213,883**	Legal capital surplus	58,542
Investment in securities	8,879	Other capital surplus	116,885
Shares of subsidiaries and affiliates	195,942	**Retained earnings**	**67,329**
Investments in capital of subsidiaries and affiliates	234	Other retained earnings	67,329
Long-term loans receivable from subsidiaries and affiliates	8,617	Retained earnings brought forward	67,329
Long-term prepaid expenses	5	**Treasury stock, at cost**	**(24,851)**
Guarantee deposits	205	**Valuation and translation adjustments**	**3,148**
		Unrealized gain on available-for-sale securities, net of taxes	**3,148**
		Total net assets	**239,509**
Total assets	**¥252,833**	**Total liabilities and net assets**	**¥252,833**

Non-consolidated Statements of Income

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

Account title	Amount	
Operating revenue		
Dividend income	¥17,777	
Group management income	1,785	19,563
Operating expenses		
General and administrative expenses		1,810
Operating income		**17,753**
Other income		
Interest income	81	
Interest on securities	5	
Dividend income	182	
Others	1	271
Other expenses		
Interest expenses	3	
Commission fee	10	
Other	0	13
Ordinary profit		**18,010**
Income before income taxes and non-controlling interests		**18,010**
Current	108	
Deferred	(4)	104
Profit		**¥17,906**

Non-consolidated Statements of Changes in Net Assets

(From April 1, 2017 to March 31, 2018)

(Millions of Yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets
	Paid-in Capital	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity	Unrealized gains on securities, net of taxes	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings					
Beginning balance - previously stated	¥18,454	¥58,542	¥116,885	¥175,428	¥57,656	¥57,656	¥(24,846)	¥226,692	¥2,692	¥2,692	¥229,385
Changes during the fiscal year											
Cash dividends from retained earnings					(8,233)	(8,233)		(8,233)			(8,233)
Profit					17,906	17,906		17,906			17,906
Treasury stock acquired							(4)	(4)			(4)
Disposal of treasury stock			0	0			0	0			0
Changes in items other than shareholders' equity during the fiscal year (net)									455	455	455
Total changes during the fiscal year	–	–	0	0	9,672	9,672	(4)	9,668	455	455	10,123
Ending balance	¥18,454	¥58,542	¥116,885	¥175,428	¥67,329	¥67,329	¥(24,851)	¥236,361	¥3,148	¥3,148	¥239,509

Notes to Non-consolidated Financial Statements

1. Notes to matters concerning significant accounting policies

(1) Valuation standards and method of securities

1) Shares of subsidiaries and affiliates: Stated at cost as determined by using moving-average method

2) Available-for-sale securities

(A) Securities with fair values: Stated at fair values based on market prices, etc., at the end of the fiscal year (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)

(B) Securities without fair values: Stated at cost as determined by using moving-average method

(2) Depreciation method for non-current assets

1) Property, plant and equipment: Depreciation is computed using the straight-line method. The useful life is mainly as follows:

Buildings: 8 to 18 years

Furniture and fixtures: 5 to 15 years

2) Intangible assets: The straight-line method is used on the basis of the usable period of five years.

(3) Accounting standards for reserves

1) Allowance for bonuses: The allowance for bonuses is provided for the estimated amounts, which the Company is obligated to pay to employees after the fiscal year-end, based on services provided during the current year.

2) Allowance for bonuses to directors and audit & supervisory board members: The allowance for bonuses to directors and audit & supervisory board members is provided for the estimated amounts which the Company is obligated to pay to directors and audit & supervisory board members after the fiscal year-end, based on services provided during the current year.

(4) Other matters forming the basis of preparation of non-consolidated financial statements

Accounting treatment of consumption tax, etc.: The tax exclusion method is applied for the accounting treatment of consumption tax and local consumption tax.

2. Notes on non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment ¥103 million

(2) Monetary claims and obligations with respect to subsidiaries and affiliates are as follows.

1) Short-term monetary claims ¥11,459 million

2) Long-term monetary claims ¥8,617 million

3) Short-term monetary obligations ¥11,589 million

3. Notes on non-consolidated statements of income

Amount of transactions with subsidiaries and affiliates

(1) Operating revenue (Dividend income) ¥17,777 million

(2) Operating revenue (Group management income) ¥1,785 million

(3) Operating expenses ¥18 million

(4) Amount of transactions other than operating transactions ¥84 million

4. Notes on non-consolidated statements of changes in net assets

Matters concerning the number of treasury stock

Type of shares	Number of shares as of April 1, 2017	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2018
Common stock	18,339 thousand shares	2 thousand shares	0 thousand shares	18,341 thousand shares

5. Notes on tax effect accounting

(1) Breakdown of deferred tax assets and deferred tax liabilities by major reason

(Millions of Yen)

1) Deferred tax assets	
Disallowed accrued enterprise tax	¥29
Disallowed allowance for bonuses	9
Disallowed loss on valuation of shares of subsidiaries and affiliates	1,569
Disallowed loss on valuation of investments in capital of subsidiaries and affiliates	152
Disallowed loss on devaluation of investment securities	10
Other	10
Subtotal of deferred tax assets	1,782
Valuation allowance	(1,738)
Total deferred tax assets	43
2) Deferred tax liabilities	
Unrealized gains on securities	(1,374)
Other	(18)
Total deferred tax liabilities	(1,392)
Net deferred tax liabilities	¥(1,348)

(2) Breakdown of major items that caused significant differences between the statutory tax rate and the Company's effective tax rate after the application of the tax effect accounting

Statutory tax rate	30.9%
(Adjustments)	
Permanently non-deductible expenses such as entertainment expenses	0.1%
Permanently non-taxable revenues such as dividend income	(30.5)%
Non-deductible bonuses to directors and audit & supervisory board members	0.2%
Inhabitant tax per capita basis	0.0%
Other	(0.0)%
Effective tax rate after the application of the tax effect accounting	0.6%

6. Notes on related party transactions

Subsidiaries and affiliated companies, etc.

Type	Name of company, etc.	Amount of capital or amount of contribution (Millions of Yen)	Description of business	Ratio of ownership of voting rights, etc. (%)	Relationship with related parties	Description of transactions	Amounts of transactions (Millions of Yen)	Account title	Balance at end of the fiscal year (Millions of Yen)
Subsidiaries	Alfresa Corporation	4,000	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	44,183	–	–
	Alfresa Pharma Corporation	1,000	Pharmaceutical manufacturing	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	205	Deposits received from subsidiaries and affiliates	909
						Funds loaned	7,384	Loans receivable from subsidiaries and affiliates	6,587
	Alfresa Healthcare Corporation	499	Self-medication products wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	7,147	Loans receivable from subsidiaries and affiliates	9,000
	Alfresa Medical Service Corporation	450	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	2,650	Deposits received from subsidiaries and affiliates	5,050
	Meisho Co., Ltd.	395	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	2,675	Deposits received from subsidiaries and affiliates	2,211
	Alfresa System Corporation	150	Operation, maintenance and development of information system	51.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	4,751	Loans receivable from subsidiaries and affiliates	4,487

Terms of transactions and policies etc. for the determination thereof

(Note) Funds received and loaned are related to CMS, and amounts of transactions are stated at the average balance of deposits and loans during the fiscal year ended March 31, 2018. Payment and receipt of interests are reasonably determined in consideration of market interest rates.

7. Notes on per share information

(1) Net assets per share ¥1,105.38

(2) Net income per share ¥82.64

(Note) Amounts presented in non-consolidated balance sheet, non-consolidated statements of income, non-consolidated statements of changes in net assets and notes to non-consolidated financial statements are rounded down to the nearest million yen.

Audit Report of the Accounting Audit Concerning Consolidated Financial Statements

Independent Auditor's Report

May 10, 2018

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Hiroshi Tawara	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Hiroaki Hashimoto	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takashi Watanabe	[Seal]

We have audited the consolidated financial statements of Alfresa Holdings Corporation for the consolidated fiscal year from April 1, 2017 to March 31, 2018, which comprise the consolidated balance sheet as at March 31, 2018, the consolidated statements of income and consolidated statements of changes in net assets for the year then ended, and notes to consolidated financial statements in accordance with the provisions of Article 444, Paragraph 4 of the Companies Act of Japan.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits from an independent standpoint. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and applied depend on our judgment based on the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies applied by management, the methods of their application and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.
We have judged that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the corporate group comprises Alfresa Holdings Corporation and its consolidated subsidiaries as at March 31, 2018, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest
There are no interests between Alfresa Holdings Corporation and KPMG AZSA LLC or its engagement partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report of the Accounting Audit Concerning Non-consolidated Financial Statements

Independent Auditor's Report

May 10, 2018

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Hiroshi Tawara	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Hiroaki Hashimoto	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takashi Watanabe	[Seal]

We have audited the non-consolidated financial statements of Alfresa Holdings Corporation for the 15th fiscal year from April 1, 2017 to March 31, 2018, which comprise the non-consolidated balance sheet as at March 31, 2018, the non-consolidated statements of income and non-consolidated statements of changes in net assets for the year then ended, notes to non-consolidated financial statements and supplementary schedules in accordance with the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act of Japan.

Management's Responsibility for the Non-consolidated Financial Statements, etc.
Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and supplementary schedules in accordance with accounting principles generally accepted in Japan, and for the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements and supplementary schedules that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these non-consolidated financial statements and supplementary schedules based on our audits from an independent standpoint. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. The audit procedures selected and applied depend on our judgment based on the assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies applied by management, the methods of their application and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the non-consolidated financial statements and supplementary schedules.
We have judged that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion
In our opinion, the non-consolidated financial statements and supplementary schedules present fairly, in all material respects, the financial position as at March 31, 2018 and the financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest
There are no interests between Alfresa Holdings Corporation and KPMG AZSA LLC or its engagement partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Audit Report of the Audit & Supervisory Board

Audit Report

The Audit & Supervisory Board prepared the audit report as stated hereunder, as a unanimous opinion of all Audit & Supervisory Board Members, with respect to the Directors' performance of duties during the 15th fiscal year from April 1, 2017 to March 31, 2018, following deliberations based on audit reports prepared by respective Audit & Supervisory Board Members.

1. The Method and Content of Audits by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board established audit policies, assignment of duties, audit plans, etc., for the fiscal year ended March 31, 2018, and set out priority auditing task, namely the efforts toward "work-style reform." The Audit & Supervisory Board received reports from each Audit & Supervisory Board Member on the implementation status of audits and their results, and also received reports and requested explanations as appropriate from Directors, etc., and the Independent Auditor on the execution status of respective duties.

(2) Each Audit & Supervisory Board Member, based on the standards of audits by Audit & Supervisory Board Members, which were established by the Audit & Supervisory Board, communicated with Directors, Executive Officers, the Audit Department and other employees, etc., in an effort to collect information and develop an appropriate audit environment in accordance with the audit policies, assignment of duties and plans of audits, etc., and conducted the audit in the following manner.

1) The Audit & Supervisory Board Members attended meetings of the Board of Directors and other important meetings, received reports from Directors and employees, etc., concerning the execution of their duties, and requested explanations as necessary. The Audit & Supervisory Board Members reviewed important documents concerning decision-making, etc., and investigated the condition of businesses and the financial standing at the Company. As for subsidiaries, we made efforts to ensure communication as well as exchange of information with Directors and Audit & Supervisory Board Members, etc., of the subsidiaries, and received business reports as appropriate therefrom.

2) In addition, with respect to the content of resolutions of the Board of Directors regarding the development of the framework for ensuring that Directors' duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation stated in the business report and other systems stipulated under Article 100, Paragraph 1 and 3 of the Ordinance for Enforcement of the Companies Act, which are necessary to ensure the adequacy of businesses of the corporate group consisting of a stock corporation and its subsidiaries, as well as the systems actually in place based on such resolutions (internal control systems), we received regular reports and requested explanations as appropriate from Directors and employees, etc., on the status of development and operation of such systems, and expressed opinions on respective matters. Furthermore, as for the internal control for financial reporting, we received reports and requested explanations as appropriate from Directors, etc., and KPMG AZSA LLC, on the assessment of such internal control as well as the status of audits thereon.

3) We monitored and verified whether the Independent Auditor maintained an independent position and executed appropriate audits. In addition, we received reports from the Independent Auditor on the execution of its duties and requested explanations as necessary. Furthermore, we were informed by the Independent Auditor that "systems to ensure the appropriate execution of duties" (matters set out under each item of Article 131 of the Ordinance on Accounting of Companies) are in place in compliance with the "Quality Control Standards for Audit" (Business Accounting Council, October 28, 2005), etc., and requested explanations as appropriate therefrom.

Based on the methods described above, we reviewed the business report and its supplementary schedules, non-consolidated financial statements (the non-consolidated balance sheet, non-consolidated statements of income, non-consolidated statements of changes in net assets and notes to non-consolidated financial statements) and supplementary schedules, as well as consolidated financial statements (the consolidated balance sheet, consolidated statements of income, consolidated statements of changes in net assets and notes to consolidated financial statements) for the fiscal year ended March 31, 2018.

2. The Result of Audits

(1) The Result of Audits of the Business Report and Other Documents

1) In our opinion, the business report and its supplementary schedules fairly represent the condition of the Company in compliance with laws and regulations as well as the Articles of Incorporation.

2) We have determined that there were neither any misconducts with respect to the Directors' performance of duties, nor any material facts concerning violations of laws and regulations or the Articles of Incorporation.

3) We have determined that the content of resolutions of the Board of Directors regarding the internal control systems is appropriate. In addition, we have determined that there are no matters that should be highlighted either in the contents of the business report regarding the internal control systems, or on the Directors' performance of duties, including the matters related to the internal control for financial reporting.

(2) The Result of Audits of the Non-consolidated Financial Statements and Supplementary Schedules

In our opinion, the method and result of audits performed by the Independent Auditor, KPMG AZSA LLC, are appropriate.

(3) The Result of Audits of the Consolidated Financial Statements

In our opinion, the method and result of audits performed by the Independent Auditor, KPMG AZSA LLC, are appropriate.

May 11, 2018

Alfresa Holdings Corporation

Audit & Supervisory Board

Audit & Supervisory Board Member (Standing)	Kenji Kuwayama	[Seal]
Audit & Supervisory Board Member (Outside)	Yuji Noguchi	[Seal]
Audit & Supervisory Board Member (Outside)	Seisui Kamigaki	[Seal]
Audit & Supervisory Board Member (Outside)	Yoshitaka Kato	[Seal]