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, 2019

To Shareholders with Voting Rights:

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

NOTICE OF
THE 16TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 16th 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 Tuesday, June 25, 2019 (JST).

1. **Date and Time:** 10:00 a.m., Wednesday, June 26, 2019 (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 16th Fiscal Year (April 1, 2018 - March 31, 2019)
2. Non-consolidated Financial Statements for the Company's 16th Fiscal Year (April 1, 2018 - March 31, 2019)

Proposals to be resolved:

Proposal 1: Election of Eleven (11) Directors

Proposal 2: Determination of the Amount and Other Details of the Stock-based Performance-linked Remuneration, etc. of the Directors, etc.

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Announcement on Exercise of Voting Rights:

If attending the meeting in person:

Date and Time: 10:00 a.m., Wednesday, June 26, 2019 (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 reception desk at the venue. (Provisions 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., Tuesday, June 25, 2019 (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., Tuesday, June 25, 2019 (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.

Shareholders using a smartphone

You can now exercise your voting rights using a smartphone without entering the "login ID" and "temporary password" for the first access only.

[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: Election of Eleven (11) Directors

The terms of office of all Directors (eleven (11) 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 -	10 years	100% (19 of 19 meetings)
2	[To be reelected]	Taizo Kubo	Position: Responsibilities:	Representative Director & President -	7 years	100% (19 of 19 meetings)
3	[To be reelected]	Koichi Masunaga	Position: Responsibilities:	Director, Deputy President Assistant to the President, Wholesaling Business	3 years	94.7% (18 of 19 meetings)
4	[To be reelected]	Yasuki Izumi	Position: Responsibilities:	Director, Deputy President Assistant to the President, Group Business & Affiliate Control & Group Information System	5 years	100% (19 of 19 meetings)
5	[To be reelected]	Ryuji Arakawa	Position: Responsibilities:	Director, Vice President & Executive Officer Corporate Communication, Business Development & International Business	3 years	100% (19 of 19 meetings)
6	[To be newly elected]	Seiichi Kishida	Position: Responsibilities:	Vice President & Executive Officer General Affairs, Financial Planning, General Manager of Financial Planning Department	-	-
7	[To be reelected]	Hisashi Katsuki	Position: Responsibilities:	Director -	2 years	94.7% (18 of 19 meetings)
8	[To be reelected]	Koichi Shimada	Position: Responsibilities:	Director -	1 year	100% (13 of 13 meetings)
9	[To be reelected] [Outside Director] [Independent Director]	Kimiko Terai	Position: Responsibilities:	Director Chairman, Corporate Governance Committee	4 years	94.7% (18 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	2 years	94.7% (18 of 19 meetings)
11	[To be reelected] [Outside Director] [Independent Director]	Shiho Konno	Position: Responsibilities:	Director -	2 years	100% (19 of 19 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 68) Term of office at the conclusion of this general meeting: 10 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.	113,000
	[Reasons for election as candidate for Director] Mr. Hiroyuki Kanome 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 63) Term of office at the conclusion of this general meeting: 7 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.	76,600
	[Reasons for election as candidate for Director] Mr. Taizo Kubo has achieved a steady track record and results as the Representative Director & President in the effort to realize the "Healthcare Consortium vision" through the "16-18 Mid-term Management Plan" based on his wealth of experience in the Company and its operating companies. Additionally, he has played a leading role in formulating the "19-21 Mid-term Management Plan" and has demonstrated strong leadership to achieve its targets. 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 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">3</td><td>
Koichi Masunaga

[To be reelected]

Date of birth:
May 16, 1955
(age 64)

Term of office at the conclusion of this general meeting:
3 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>38,100</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 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 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>4</td><td>
Yasuki Izumi

[To be reelected]

Date of birth:
January 28, 1956
(age 63)

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

Attendance of Board of Directors' meetings:
100% (19 out of 19 meetings)</td><td colspan="2">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 & Group Information System, Business Development & International Business
June 2016 Director, Senior Vice President & Executive Officer of the Company, Group Business & Affiliate Control & Group Information System, Business Development & International Business
October 2016 Director, Senior Vice President & Executive Officer of the Company, Group Business & Affiliate Control & Group Information System
April 2019 Director, Deputy President, Assistant to the President of the Company, Group Business & Affiliate Control & Group Information System (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>11,580</td></tr>
<tr><td></td><td colspan="4">[Reasons for election as candidate for Director]
As Director in charge of Group Business & Affiliate Control & Group Information System, Mr. Yasuki Izumi has played a central role in realizing group synergies such as planning and designing 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.</td></tr>
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<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>5</td><td>
Ryuji Arakawa

[To be reelected]

Date of birth:
March 5, 1963
(age 56)

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 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 & International Business
April 2019 Director, Vice President & Executive Officer of the Company, Corporate Communication, Business Development & International Business (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>62,720</td></tr>
<tr><td colspan="4">[Reasons for election as candidate for Director]
Mr. Ryuji Arakawa has served as Representative Director, etc. of operating companies, and he is deeply familiar with the general operations of the Company and its operating companies. Additionally, he has a wealth of experience and a proven track record including playing a central role in expanding our business domains and developing our international business with a focus on Asia. 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 rowspan="2">6</td><td>
Seiichi Kishida

[To be newly elected]

Date of birth:
March 31, 1960
(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)
October 2008 General Manager of Accounting Department of Alfresa Corporation
April 2013 General Manager of Human Resources Department of Alfresa Corporation
April 2017 Executive Officer of Alfresa Corporation, General Manager of Human Resources Department
April 2018 Executive Officer of the Company, General Manager of Financial Planning Department
April 2019 Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department (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>6,766</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Director]
Mr. Seiichi Kishida has experience in the practice of accounting, human resources and finance at the Company and its key subsidiary Alfresa Corporation, and also has a wealth of experience and a proven track record including serving as the person in charge of such functions. 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
7	 Hisashi Katsuki [To be reelected] Date of birth: August 9, 1956 (age 62) 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)	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.	14,292
	[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 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.		

<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 reelected]

Date of birth:
October 15, 1958
(age 60)

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 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 Pharma Corporation (present)
May 2017 Director & Chairman of Alfresa Fine Chemical Corporation (present)
June 2018 Director of the Company (present)
[Significant concurrent position]
President & CEO of Alfresa Pharma Corporation
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>2,520</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Director]
Mr. Koichi Shimada is serving as President & CEO of Alfresa Pharma 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 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 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 56)

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

Attendance of Board of Directors' meetings:
94.7% (18 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 four 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.

<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 outside directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">10</td><td>
Yoichiro Yatsurugi

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

Date of birth:
May 3, 1955
(age 64)

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">April 1978 Joined IBM Japan, Ltd.
June 1999 President of AT&T Global Network Services Japan LLC
May 2001 Chairman of AT&T Global Network Services Japan LLC and President of AT&T Asia Pacific
April 2004 Executive Vice President of JAPAN TELECOM CO., LTD (currently SoftBank Corp.)
January 2005 President and CEO of WILLCOM, Inc. (currently SoftBank Corp.)
April 2007 Representative Director, Executive Vice President of SAP Japan Co., Ltd.
September 2007 Representative Director and President of SAP Japan Co., Ltd.
February 2010 Executive Counsel of Works Applications Co., Ltd.
December 2011 Representative Director and President of Igreque, Inc.
December 2015 Director, Executive Counsel of Works Applications Co., Ltd.
January 2016 Director of Igreque, Inc. (present)
June 2017 Director of the Company (present)
June 2017 Chairman, Nomination and Remuneration Committee for Directors and Executive Officers of the Company (present)
October 2017 Executive Vice President of Works Applications Co., Ltd.
October 2018 Board Director, Executive Vice President of Works Applications Co., Ltd. (present)
[Significant concurrent positions]
Board Director, 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.</td><td>–</td></tr>
<tr><td colspan="4">[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.</td></tr>
</table>

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 two 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, 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 55)

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

Attendance of Board of Directors' meetings:
100% (19 out of 19 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
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. (scheduled to retire in June 2019)
June 2017 Director of the Company (present)
June 2018 Outside Audit & Supervisory Board Member of Shinsei Bank, Limited (present)
June 2018 Outside Director of Monex Group, Inc. (present)
[Significant concurrent positions]
Attorney at law
Outside Audit & Supervisory Board Member of Shinsei Bank, Limited
Outside Director of Monex Group, 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 two 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, 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.

<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.

Proposal 2: Determination of the Amount and Other Details of the Stock-based Performance-linked Remuneration, etc. of the Directors, etc.

1. Reason for the proposal and justification for this form of remuneration

While remuneration of Directors (excluding Directors whose primary duty is to concurrently serve as directors of the Company's subsidiaries, Outside Directors, and Directors who are non-residents of Japan) and Executive Officers (excluding non-residents of Japan) of the Company (hereinafter collectively the "Directors, etc.") currently comprises "basic remuneration" and "bonuses," the Company proposes on this occasion to newly introduce a stock-based performance-linked remuneration plan (hereinafter the "Plan"), which delivers shares of the Company to the Directors, etc. commensurate with the level of achievement of the performance targets under the medium-term management plan, etc.

As aforementioned, the Plan covers Executive Officers (excluding non-residents of Japan) as well, and thus remuneration thereunder includes remuneration of Executive Officers. Specifically, this proposal proposes the amount and other details of remuneration, etc. of Executive Officers as part of the remuneration, etc. of the Directors, etc. under the Plan, in view of the likelihood of those Executive Officers being newly appointed as Directors during the Applicable Period (as defined in 2. (2) below; hereinafter the same).

The Plan is designed to have enhanced linkage between the remuneration of the Directors, etc. and the consolidated financial results of the Group, as well as the price of shares of the Company. The Plan is also intended to contribute to the long-term growth of the Group's corporate value, by incentivizing the Directors, etc. to achieve performance targets under the 19-21 Mid-term Management Plan *The Challenge of Further Growth* "*Together with Health, Together with Communities*" while establishing common value shared between shareholders and the Directors, etc. As such, the introduction of the Plan is believed to be reasonably justifiable.

This proposal asks for approval of shareholders on the aforementioned stock-based remuneration of the Directors, etc., outside the maximum aggregate amount of remuneration of Directors (Within ¥600 million limit per year, not including salaries for services rendered as employees by Directors who also serve as employees), as approved at the 3rd Ordinary General Meeting of Shareholders held on June 29, 2006.

Five Directors shall be covered by the Plan, subject to the resolution for the approval of Proposal 1 "Election of Eleven (11) Directors" as originally proposed. Also, one Executive Officer shall be covered by the Plan.

2. The amount and other detail, etc. of the remuneration, etc. under the Plan

(1) Outline of the Plan

The Plan is a stock-based remuneration plan whereby shares of the Company shall be acquired through a trust which is funded by the remuneration of the Directors, etc., for carrying out delivery and payment (hereinafter the "delivery, etc.") of shares of the Company, as well as money in the amount equivalent to the proceeds from the conversion of shares of the Company into cash (hereinafter the "the shares of the Company, etc.") (For details, please refer to (2) and subsequent sections thereto.).

1) Recipients of the delivery, etc. of the shares of the Company, etc. under the Plan	● Directors (excluding Directors whose primary duty is to serve as directors of the Company's subsidiaries, Outside Directors, and non-residents of Japan) ● Executive Officers (excluding non-residents of Japan)

2) Impact of the shares of the Company delivered under the Plan on the total number of shares issued	
Upper limit of the funding by the Company (as described in (2) below)	● ¥300 million in total for a period of three fiscal years
Method for acquiring shares of the Company (as described in (2) below) and the upper limit of the number of the shares of the Company, etc. to be acquired by the Directors, etc. (as described in (3) below)	● As shares of the Company are to be acquired from the stock market, no resultant dilution is expected. ● 120,000 shares in total for a period of three fiscal years ● Average number of shares per fiscal year shall be 40,000, which is equivalent to 0.02% of the total number of shares issued by the Company (as of March 31, 2019, after deducting the number of treasury stock).

3) Performance achievement conditions (as described in (3) below)	● Variable in a range between 0% and 200%, commensurate with the level of achievement of the performance targets under the medium-term management plan, etc ● Criteria for evaluating achievement of the performance targets etc. shall be consolidated operating income margin and profit margin attributable to owners of parent etc.

4) Timing of the delivery, etc. of the shares of the Company, etc. to the Directors, etc. (as described in (4) below)	● After the termination of the Applicable Period (three fiscal years)

(2) Upper limit of the funding by the Company

A period applicable under the Plan shall be three fiscal years covered by the medium-term management plan of the Company (hereinafter the "Applicable Period"). The initial Applicable Period shall be the three fiscal years from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022.

The Company shall, as part of the remuneration of the Directors, etc., contribute an amount of trust fund (*1) not exceeding ¥300 million in total for each Applicable Period, thereby creating a trust with approximately three years trust period for the benefit of the Directors, etc. who meet the beneficiary requirements (hereinafter the "Trust"). The Trust shall, subject to the instruction of the trust administrator, acquire shares of the Company from the stock market, using the aforementioned trust fund. The Company shall assign points to the Directors, etc. (as described in (3) below) during the Applicable Period, and carry out the delivery, etc. of the shares of the Company, etc. equivalent to the number of such points from the Trust.

The Trust may be renewed at the expiry of the trust period of the Trust, by the amendment to the trust agreement or by contributing additional trust fund, in lieu of newly creating the Trust. In such case, the trust period shall be extended for another three years, and the Company shall contribute additional trust fund not exceeding ¥300 million in total, thereby continuing to assign the points and to carry out the delivery, etc. of the shares of the Company, etc. to the Directors, etc. during the extended trust period. In the event of such additional trust funding, however, if there remain in the trust asset, shares of the Company (i.e. shares of the Company equivalent to the number of points assigned to the Directors, etc., excluding those yet to be used for the delivery, etc.), as well as cash (hereinafter collectively the "residual shares, etc.") as of the final day of the trust period before extension, combined amount of the residual shares, etc. and the amount of additional trust funding shall not exceed ¥300 million.

(*1) The trust fund includes the fund for share acquisition by the Trust as well as the trust fees and trust expenses during the trust period.

(3) Method for calculating the number of shares of the Company used for the delivery, etc. to the Directors, etc. (including the shares to be converted into cash) and the upper limit of such number of shares

The number of shares of the Company used for the delivery, etc. to the Directors, etc. (including the shares to be converted into cash) shall be determined by "the number of share delivery points," where one share in the Company shall be delivered for each share delivery point, with any fraction less than one point being rounded down.

Share delivery points shall be calculated as follows based on the basic points assigned commensurate with the rank of the individual Directors, etc. for each fiscal year during the Applicable Period, along with the level of achievement of the performance targets under the medium-term management plan, etc.

Share delivery points = Cumulative basic points assigned during the Applicable Period x performance-linked indexation factor (*2)

(*2) Performance-linked indexation factor is variable within a range between 0% and 200% commensurate with the level of achievement of the performance targets under the medium-term management plan, etc. Criteria for evaluating achievement of the performance targets, etc. shall be the main indicators under the medium-term management plan such as consolidated operating income margin and profit margin attributable to owners of parent.

The upper limit of the number of shares of the Company used for the delivery, etc. to the Directors, etc. (including the shares to be converted into cash) shall be 120,000 in total for each Applicable Period. (*3)

(*3) However, in the event of a stock split or stock consolidation, etc. of the shares of the Company during the trust period, the number of share delivery points, the number of basic points, and the aforementioned upper limit of the number of shares used for the delivery, etc. shall be adjusted commensurate with the ratio of the stock split or consolidation, etc.

(4) Timing of the delivery, etc. of the shares of the Company, etc. to the Directors, etc.

The Directors, etc. who meet the beneficiary requirements shall, after the termination of the Applicable Period, receive the delivery of the shares of the Company (with fractional shares rounded down) equivalent to 50% of the number of the share delivery points assigned. For the shares of the Company equivalent to the number of the rest of the points, the Directors, etc. shall receive a monetary payment in the amount equivalent to the proceeds from the conversion into cash, after being converted within the Trust.

However, in the event of death of the Directors, etc. prior to the termination of the Applicable Period, (including the cases of death after retirement due to expiration of term of office, etc., but prior to the termination of the Applicable Period), there shall be a monetary payment in the amount equivalent to the proceeds from the conversion into cash, after being converted within the Trust, for the shares of the Company equivalent to the cumulative number of basic points assigned from the beginning of the Applicable Period up to the death.

(5) Voting rights of the shares of the Company

As for the shares of the Company held in the Trust, no voting rights shall be exercised during the trust period, to ensure neutrality on the management.

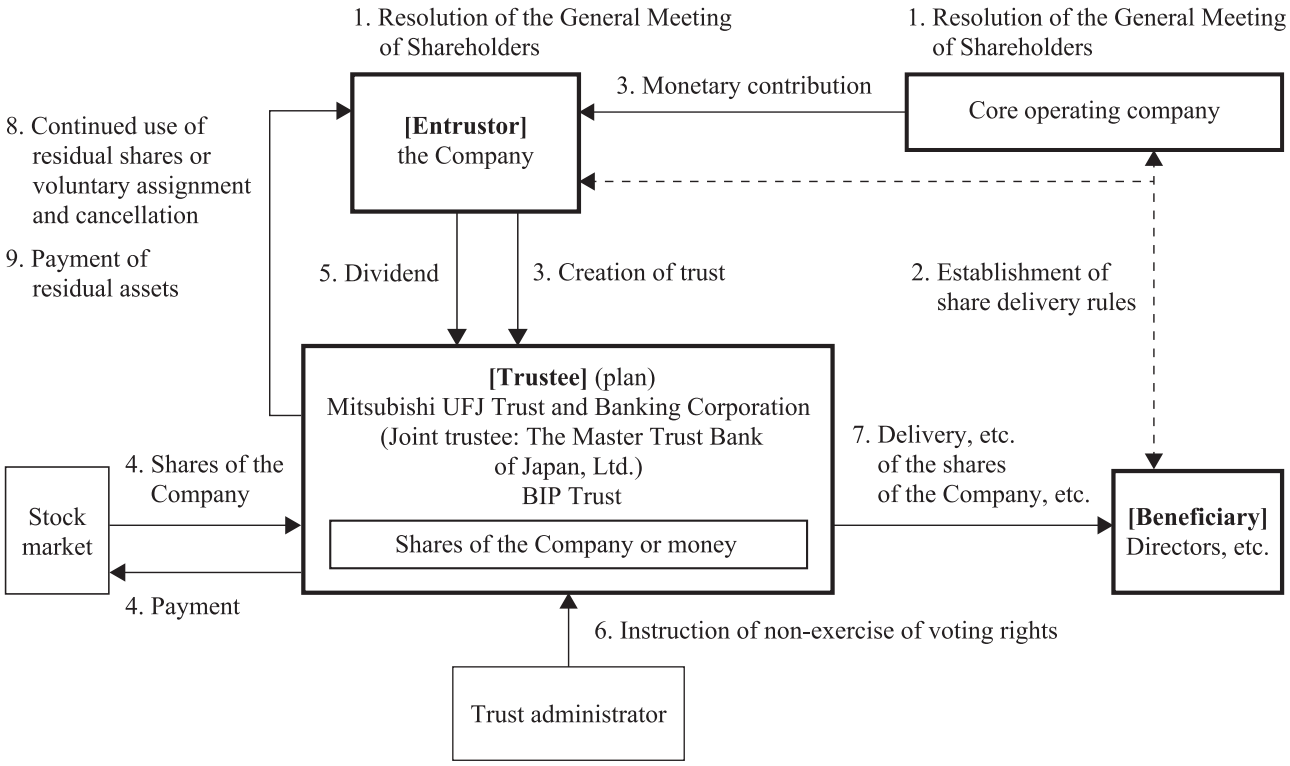
(6) Other matters regarding the Plan

Other matters regarding the Plan shall be decided at the Board of Directors, on each occasion of the creation of the Trust, amendment to the trust agreement and additional funding to the Trust.

(Reference)

For the details of the Plan, please refer to "Notice Regarding the Introduction of a New Performance-linked Stock-based Remuneration" dated May 15, 2019.

How the Plan Works



(Attached document)

Business Report

(From April 1, 2018 to March 31, 2019)

1. The current state of the corporate group

(1) Business conditions

1) Development and performance of business

During the consolidated fiscal year (April 1, 2018–March 31, 2019) under review, despite a degree of weakness in exports and certain sectors of production after the start of the fourth quarter, the Japanese economy was on a gradual recovery trend along with a rebound in personal consumption and an increase in capital expenditure on a full year basis.

The Alfresa Group has focused on achieving the Group management policies (Challenge 3) "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" put forth in the three-year Mid-term Management Plan "16-18 Mid-term Management Plan *Break Through to Tomorrow*" (hereafter, "16-18 Mid-term Management Plan") for which this is the final fiscal year.

Various goals set under the 16-18 Mid-term Management Plan included "net sales of ¥2,700,000 million," "operating income margin of 1.5% or more," "profit margin attributable to owners of the parent of 1.2% or more" and "ROE 8% level." In consolidated fiscal year under review being the final year, the Alfresa Group posted net sales of ¥2,640,511 million, up 1.4% year on year, operating income of ¥44,770 million, up 7.2% year on year, operating profit margin of 1.7%, ordinary profit of ¥55,125 million, up 6.3% year on year, profit attributable to owners of the parent of ¥41,699 million, up 17.2% year on year, profit margin attributable to owners of the parent of 1.%, and ROE (return of equity) of 9.5%..

Also, between May 14, 2018 and August 14, 2018, the Company implemented a share buyback in order to implement shareholder return and improve capital efficiency, and acquired five million shares of its own stock at a cost of ¥13,334 million.

Business Segment Information

(i) Performance of Ethical Pharmaceuticals Wholesaling Business

In the ethical pharmaceuticals wholesaling business segment, the Alfresa Group worked to reinforce efforts towards "promotion of economically rational transactions," "promotion of individual price agreements for each product," and "promotion of early conclusion of price agreements," considering the "Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies" published by the Ministry of Health, Labour and Welfare, which began from April 2018, as the top priority.

The Group has also reinforced its business foundations by advancing "reform of sales functions & distribution" and pursuing "optimization for the Alfresa Group," which are priority measures by segment under the 16-18 Mid-term Management Plan for Alfresa as Japan's top wholesaler of ethical pharmaceuticals.

In the "reform of sales functions," the Group has worked to promote the acquisition of "Medical Management Specialist" professional credentials by MS (Marketing Specialists), so they can practice proposal-type marketing to respond to the integrated community care system and resolve the various issues and needs of our customers. 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.

Moreover, the Group has actively developed centralized distribution of specialty pharmaceuticals by leveraging our Group company Specialty Medical Distribution Corporation (Head office: Chiyoda-ku, Tokyo) to expand sales and distribution of these products.

As part of the "reform of distribution," our consolidated subsidiary Alfresa Corporation (Head office: Chiyoda-ku, Tokyo; hereafter "Alfresa") completed construction of the Fukuoka Distribution Center in Kurume, Fukuoka Prefecture in October 2018 as a high-performance distribution center with equipment compatible with PIC/S GDP*1 standard and utilizing RFID*2 in order to ensure

stable supply of pharmaceutical products to each area of Kyushu region. Alfresa also developed specialized cooling boxes and specialized containers compatible with PIC/S GDP standard, which require strict temperature control, as transportation and delivery tools for refrigerated products.

In efforts toward the regenerative medicine products area, in August 2018 Alfresa established the "Tonomachi Regenerative Medicine Distribution Station" as a storage and transportation base for these products. It is located on the premises of Mitsubishi Logistics Corporation (Head office: Chuo-ku, Tokyo) at the Life Innovation Center in Tonomachi, Kawasaki-ku, Kawasaki, Kanagawa Prefecture, which is part of Japan's strategic special zones for a collaborative effort among industry, government and academia. The two companies have launched a research group to examine next-generation distribution including sharing and improving the efficiency of manufacturer distribution and other distribution infrastructure, the distribution of regenerative medicine products, for which future market expansion is expected.

In March 2019, Alfresa concluded with PHC Corporation (Head office: Minato-ku Tokyo) and Fujitsu FIP Corporation (Head office: Minato-ku, Tokyo) a basic contract to start a joint research project for the purpose of construction of new specialty pharmaceuticals distribution management platform using IoT technology, including RFID and cloud technology, etc.

Furthermore, Alfresa jointly developed the "saios" system to boost the productivity of pharmaceutical products delivery together with NAVITIME JAPAN Co., Ltd. (Head office: Minato-ku, Tokyo) and began full-scale rollout. Smartphones carried by its delivery specialists are used as sensor terminals, facilitating the arrangement of optimal delivery routes and efficient driving management.

In addition, Alfresa and Yamato Transport Co., Ltd. (Head office: Chuo-ku, Tokyo; hereafter "Yamato Transport") have launched a "Pharmaceuticals Distribution Research Group" to jointly examine responses to the future medical care provision systems and other social issues such as labor shortage issues. The joint research aims not only at combining Alfresa's pharmaceuticals distribution network with Yamato Transport's TA-Q-BIN delivery network, but also to thoroughly utilize the management resources and know-how of both companies toward establishing a new reliable, safe, and secure distribution network as soon as possible.

As part of efforts to "pursue optimization for the Alfresa Group," the Company has advanced business integration and realignment among consolidated subsidiaries. In July 2018, Kowa Pharmaceuticals Co., Ltd. (Head office: Koriyama, Fukushima Prefecture) transferred its ethical pharmaceuticals wholesaling business in the Hokkaido region to Alfresa. Subsequently, as of October 1, 2018, Kowa Pharmaceuticals Co., Ltd. merged with Odashima Limited (Head office: Hanamaki, Iwate Prefecture) and integrate their businesses, and the combined new entity launched operations as Tohoku Alfresa Corporation (Head office: Koriyama, Fukushima Prefecture).

In addition, from the current fiscal year, our subsidiary Alfresa Shinohara Chemicals Corporation (Head office: Kochi, Kochi Prefecture), which has Shikoku region as its primary marketing base, became a consolidated subsidiary.

During the consolidated fiscal year under review, the domestic ethical pharmaceuticals market marked zero growth year on year (estimated by CRECON Research & Consulting Inc.), due to growing demand for hepatitis C therapeutic agents and anticancer drugs, etc. despite the impact from an average 7.5% reduction in the NHI drug price revision in April 2018.

As a result of these developments, in the consolidated fiscal year of this segment, net sales amounted to ¥2,327,199 million, up 1.5% year on year, with operating income of ¥40,268 million, up 14.1% year on year. Net sales included inter-segment sales of ¥15,886 million, up 11.6% year on year.

[Explanation of Terms]

*1. PIC/S GDP (The Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme Good Distribution Practice) refers to the international standard for temperature control, hygiene management, and the preparation of all types of manuals in the process of distributing pharmaceutical products.

*2. RFID (Radio Frequency Identification) is an automatic recognition technology that reads and writes electronic tag data in a wireless and contactless mode.

(ii) Performance of Self-Medication Products Wholesaling Business

In the self-medication 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.

In November 2018, the Group's consolidated subsidiary Alfresa Healthcare Corporation (Head

office: Chuo-ku, Tokyo) established a representative office in Taipei to support the sales promotion activities of customers developing retail outlets in the Republic of China (Taiwan) and to promote sales of Alfresa exclusive products and exclusive manufacturers' products.

As a result of strengthened sales of Alfresa exclusive products and exclusive manufacturers' products and increased sales of supplements & health foods, OTC drugs and other products, in the current fiscal year of this segment, net sales amounted to ¥265,072 million, up 1.6% year on year, with operating income of ¥2,712 million, up 3.3% year on year. Net sales included inter-segment sales of ¥1,578 million, up 3.1% year on year.

(iii) Performance of Manufacturing Business

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

As part of efforts to "expand product lineup and reinforce sales capabilities," an agreement was concluded in July 2018 that the manufacturing and sales approvals of 41 long-listed products manufactured and sold in Japan will be transferred from DAIICHI SANKYO COMPANY, LIMITED (Head office: Chuo-ku, Tokyo) and its subsidiary DAIICHI SANKYO ESPHA CO., LTD. (Head office: Chuo-ku, Tokyo) to the Company's consolidated subsidiary Alfresa Pharma Corporation (Head office: Chuo-ku, Osaka), which has begun the manufacture and sales of some of these products since March 2019.

Efforts to "expand overseas business" included the conclusion of the contract by Alfresa Pharma Corporation in March 2019 with Fosun Long March Medical Science Co., Ltd. (Head Office: Shanghai, China) for the supply of fecal testing devices and diagnostic reagents in China.

As a result of the NHI drug price revision in April 2018, reduced API (active pharmaceutical ingredients) sales and decreased sales in diagnostic reagents related to seasonal diseases, the manufacturing business segment recorded net sales of ¥40,744 million, down 2.6% year on year, operating income of ¥1,559 million, down 44.9% year on year. Net sales included inter-segment sales of ¥9,850 million, up 0.4% year on year.

(iv) Performance of Medical-related Businesses

In the medical-related business segment, the Alfresa Group continued striving to "boost earnings ability" and "address business model transformation," which are priority measures by segment under the 16-18 Mid-term Management Plan.

Although revenues increased from active efforts to secure dispensing fee premiums and from the merger of the Company's consolidated subsidiary Nihon Apoch CO., LTD (Head office: Kawagoe, Saitama Prefecture) with Youth Care Co., Ltd. (Head office: Chiyoda-ku, Tokyo) in October 2017, as a result of the reduced revenues from the revision of medical fees in April 2018, in the consolidated fiscal year of this segment, net sales amounted to ¥34,811 million, up 2.6% year on year, with an operating income of ¥295 million, down 66.4% year on year.

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2019 totaled ¥23,967 million. The main expenditures were for construction of buildings such as distribution centers at subsidiaries and acquisition of manufacturing equipment as well as renewal of existing equipment. Expenditures for intangible assets such as goodwill are also included.

3) Fund procurement

There was no matter requiring disclosure regarding fund procurement for the fiscal year ended March 31, 2019.

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

On July 1, 2018, the Company's consolidated subsidiary Kowa Pharmaceuticals Co., Ltd. (currently Tohoku Alfresa Corporation) wholly transferred its ethical pharmaceuticals wholesaling business in the Hokkaido region to the Company's consolidated subsidiary Alfresa Corporation.

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

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

The Company's consolidated subsidiary Kowa Pharmaceuticals Co., Ltd. and Odashima Limited executed an absorption-type merger on October 1, 2018, with Kowa Pharmaceuticals Co., Ltd. as the surviving company and Odashima Limited as the absorbed company. The surviving company changed its name to Tohoku Alfresa Corporation.

The Company's consolidated subsidiary Alfresa Pharma Corporation concluded an agreement under which DAIICHI SANKYO COMPANY, LIMITED and its consolidated subsidiary DAIICHI SANKYO ESPHA CO., LTD. will transfer manufacturing and marketing rights, etc. for 41 long-listed drugs to Alfresa Pharma Corporation on July 31, 2018. Alfresa Pharma Corporation is scheduled to acquire such rights via absorption-type split (overall succession) on March 1, 2019 for 35 products and via business transfer (individual succession) in and after FY2019 for six products.

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

There was no matter requiring disclosure regarding acquisition or disposal of stocks, other equity interests or stock acquisition rights, etc. in other companies.

(2) Assets and profits and losses

Categories		The 13th fiscal year (FY2015)	The 14th fiscal year (FY2016)	The 15th fiscal year (FY2017)	The 16th fiscal year (FY2018)
Net sales	(Millions of Yen)	2,576,405	2,551,801	2,602,917	2,640,511
Ordinary profit	(Millions of Yen)	55,489	43,628	51,861	55,125
Profit attributable to owners of parent	(Millions of Yen)	34,975	30,893	35,589	41,699
Net income per share	(Yen)	158.99	142.58	164.25	195.79
Total assets	(Millions of Yen)	1,253,494	1,255,922	1,337,450	1,341,939
Net assets	(Millions of Yen)	368,727	393,550	435,934	442,056

(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 adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018), etc., from the beginning of the fiscal year ended March 31, 2019, whereby figures for the previous fiscal year are those based on the retroactive adoption of the Accounting Standard, etc. Details are

described in the “Disclosure via the Internet Regarding the Matters Related to Notice of the 16th Ordinary General Meeting of Shareholders.”

(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
RYUYAKU CO., LTD.	44	100.0	Ethical Pharmaceuticals Wholesaling Business
Tohoku Alfresa Corporation	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 Shinohara Chemicals Corporation	38	100.0	Ethical Pharmaceuticals Wholesaling 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	68.7 (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	248,287

(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 has formulated the 19-21 Mid-term Management Plan *The Challenge for Further Growth "Together with Health, Together with Communities"* with the fiscal year ending March 31, 2022 as the final year. In order to expand business in the health field and step up initiatives for the integrated community care system in response to changes in the business environment surrounding the Alfresa Group including the pharmaceuticals market, medical care system and social environment of the future, we will pursue the Group management policies of "Build a Group cooperation framework," "Transform the business model," "Contribute to the health of local people," "Further improve productivity" and "Develop human resources."

Initiatives by segment are as follows.

In the Ethical Pharmaceuticals Wholesaling Business segment, the Alfresa Group will further push ahead with reforms to remain as the number-one wholesaler of ethical pharmaceuticals.

We will work to "Further advance the MS function," "Focused efforts on specialty products" and "Upgrade, improve efficiency of and standardize Group distribution" as priority measures.

In the Self-Medication Products Wholesaling Business segment, we will pursue as a "Total healthcare merchandising wholesaler."

We will work to "Establish a stable and sustainable business foundation," "Propose products from the consumers' viewpoint," "Step up initiatives in exclusive manufacturers' products and the Group's exclusive products," "Make forward-looking investments" and "Strengthen cooperation with each business segment" as priority measures.

In the Manufacturing Business segment, we will aim to strengthen Group synergies and expand scale.

We will make efforts to "Advance reliable, safe, and sincere manufacturing," "Expand products in line with Group needs," "Expand consigned manufacturing and active pharmaceutical ingredients business" and "Expand Overseas Business" as priority measures.

In the Medical-Related Business segment, we will pursue streamlining towards improvement in profitability, along with functional reinforcement for adapting to changes in the environment.

We will make efforts to "Restructure stores by function," "Streamline and upgrade aimed at improving profitability," "Contribute to the local community through enhanced functionality" and "Strengthen cooperation with each business segment" as priority measures.

(5) Main business (as of March 31, 2019)

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, 2019)

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
RYUYAKU CO., LTD.	Head office	5-6-5, Makiminato, Urasoe-shi, Okinawa Prefecture
Tohoku Alfresa Corporation	Head office	1-46-1, Kikutamachioroshi, Koriyama-shi, Fukushima Prefecture
Alfresa Medical Service Corporation	Head office	1-12-1, Uchikanda, Chiyoda-ku, Tokyo
Alfresa Shinohara Chemicals Corporation	Head office	9-41, Minamigoza, Kochi-chi, Kochi Prefecture
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, 2019)

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	9,214 (1,969)	Increase of 26 (Decrease of 80)
Self-Medication Products Wholesaling Business	424 (18)	Increase of 3 (Increase of 2)
Manufacturing Business	1,285 (289)	Increase of 88 (Increase of 10)
Medical-Related Business	1,063 (392)	Increase of 61 (Increase of 28)
All group companies (common)	90 (7)	Decrease of 3 (Decrease of 5)
Total	12,076 (2,675)	Increase of 175 (Decrease of 45)

(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
38	Decrease of 4	42.8 years old	12.5 years

(Note) The number of employees shown above include those seconded from affiliates, but does not include Executive Officers nor employees seconded to affiliates.

(8) Main source of borrowings (as of March 31, 2019)

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, 2019)

1) Total number of authorized shares 540,000,000 shares
2) Total number of shares issued 235,017,600 shares
3) Number of shareholders 9,478
4) Major shareholders (top ten shareholders)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	9,609	4.54
Japan Trustee Services Bank, Ltd. (Trust Account)	7,787	3.68
Alfresa Holdings Employees Shareholders' Association	5,358	2.53
Eisai Co., Ltd.	4,602	2.17
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,293	2.03
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	1.85
The Nomura Trust and Banking Co., Ltd. (Fukujin-ke Trust Account)	3,800	1.80
STATE STREET BANK AND TRUST COMPANY 505001	3,380	1.60
DAIICHI SANKYO COMPANY, LIMITED	3,202	1.51
STATE STREET BANK WEST CLIENT-TREATY 505234	3,123	1.48

(Notes) 1. The Company holds treasury stocks of 23,343,237 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, 2019)

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, General Affairs, Financial Planning, Corporate Communication	
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 & Group Information System	
Director, Vice President & Executive Officer	Ryuji Arakawa	Business Development & International Business	
Director	Hisashi Katsuki		Representative Director & President of Alfresa Healthcare Corporation, Representative Director & Chairman of Mogi Pharmaceutical Co., Ltd.
Director	Koichi Shimada		President & CEO of Alfresa Pharma Corporation
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	Board Director, Executive Vice President of Works Applications Co., Ltd., Director of Igreque, Inc.
Director	Shiho Konno		Attorney at law, Outside Director of Kakaku.com, Inc., Outside Director of Monex Group, Inc., Outside Audit & Supervisory Board Member of Shinsei Bank, Limited
Audit & Supervisory Board Member (Standing)	Kenji Kuwayama		
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, CEO of Crowe ProC.A Inc.
Audit & Supervisory Board Member	Takashi Ito		Attorney at law

(Notes) 1. Directors Kimiko Terai, Yoichiro Yatsurugi and Shiho Konno are Outside Directors.
2. Audit & Supervisory Board Members Seisui Kamigaki, Yoshitaka Kato and Takashi Ito are Outside Audit & Supervisory Board Members.
3. Audit & Supervisory Board Member Yoshitaka Kato is a certified public accountant and has considerable knowledge in finance and accounting.
4. The Company has registered Directors Kimiko Terai, Yoichiro Yatsurugi and Shiho Konno and Audit & Supervisory Board Members Seisui Kamigaki, Yoshitaka Kato and Takashi Ito 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, 2019, 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 Tohoku Alfresa Corporation.
   (2) Representative Director & President Taizo Kubo serves concurrently as Director at Alfresa Corporation, Tohoku 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, Alfresa System Corporation and Sannova Co., Ltd.
   (5) Director Ryuji Arakawa serves concurrently as Director at Shikoku Alfresa Corporation and Alfresa Fine Chemical Corporation.
   (6) Director Koichi Shimada serves concurrently as Director & Chairman at Alfresa Fine Chemical Corporation.
   (7) Audit & Supervisory Board Member Kenji Kuwayama serves concurrently as Audit & Supervisory Board Member at Tohoku Alfresa Corporation, Alfresa Pharma Corporation and Sannova Co., Ltd.
6. Outside Audit & Supervisory Board Member Yuji Noguchi retired upon expiration of his term of office at the conclusion of the 15th Ordinary General Meeting of Shareholders held on June 26, 2018.

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)	11 (3)	367 (28)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	5 (4)	52 (28)
Total	16	419

(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 number of persons paid includes one Audit & Supervisory Board Member who retired at the conclusion of the 15th Ordinary General Meeting of Shareholders held on June 26, 2018.
5. The amount of remuneration includes provision for directors' bonuses for the fiscal year ended March 31, 2019 of ¥98 million (for six Directors).

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 less than 0.3% of consolidated net sales of the Company, which is a small percentage. 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	Board Director, 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 less than 0.01% of consolidated net sales of the Company, which is a small percentage. 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.

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

(ii) Principal activities during the fiscal year ended March 31, 2019

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: 94.7% (18 out of 19 meetings)	She delivered opinions mainly from the perspective of a professional in public economics and finance, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, she has served as Chairman of the Corporate Governance Committee and a member of the Nomination and Remuneration Committee for Directors and Executive Officers, which are voluntary committees.
Director	Yoichiro Yatsurugi	Board of Directors' meetings: 94.7% (18 out of 19 meetings)	He delivered opinions mainly based on his management experience and abundant IT knowledge, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as Chairman of the Nomination and Remuneration Committee for Directors and Executive Officers and a member of the Corporate Governance Committee, which are voluntary committees.
Director	Shiho Konno	Board of Directors' meetings: 100% (19 out of 19 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. In addition, she has served as a member of the Corporate Governance Committee and the Nomination and Remuneration Committee for Directors and Executive Officers, which are voluntary committees.

Audit & Supervisory Board Member	Seisui Kamigaki	Board of Directors' meetings: Audit & Supervisory Board's meetings:	100% (19 out of 19 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. In addition, he has served as a member of the Corporate Governance Committee, a voluntary committee.
Audit & Supervisory Board Member	Yoshitaka Kato	Board of Directors' meetings: Audit & Supervisory Board's meetings:	100% (19 out of 19 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. In addition, he has served as a member of the Corporate Governance Committee, a voluntary committee.
Audit & Supervisory Board Member	Takashi Ito	Board of Directors' meetings: Audit & Supervisory Board's meetings:	100% (13 out of 13 meetings) 100% (12 out of 12 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. In addition, he has served as a member of the Corporate Governance Committee, a voluntary committee.

(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, 2019	114
Total amount of money and other property benefits payable to the Independent Auditor by the Company and its subsidiaries	219

(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, 2019 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 16 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, 2019, 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.

In addition, the Company decided to pay the 15th anniversary commemorative dividend consisting of an interim dividend of ¥3 and a year-end dividend of ¥3 for the fiscal year ended March 31, 2019.

Based on this, the Company decided to pay a year-end dividend of ¥24 per share, for a full-year dividend of ¥48 per share including an interim dividend paid of ¥24 per share.

As for dividend for the fiscal year ending March 31, 2020, the Company's basic policy calls for a consolidated dividend on equity (DOE) ratio of 2.3% or more in the newly formulated the 19-21 Mid-term Management Plan *The Challenge for Further Growth "Together with Health, Together with Communities."* The Company will enhance profitability and capital efficiency mainly by proactively strengthening business and expanding investment with an eye to sustainable growth, and increase dividends stably and sustainably to enhance return of profits, which is an important issue.

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

Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥1,036,784**	**Current liabilities**	**¥859,911**
Cash and deposits	206,300	Trade notes and accounts payable	817,446
Trade notes and accounts receivable	614,084	Short-term debt	760
Marketable securities	10	Lease obligations	1,549
Merchandise and finished goods	128,016	Income taxes payable	12,645
Work in process	1,723	Reserve for bonuses	8,387
Raw materials and supplies	3,971	Reserve for bonuses to directors and corporate auditors	425
Purchase rebates receivable	80,317	Allowance for sales rebates	69
Others	2,803	Allowance for sales returns	678
Allowance for doubtful accounts	(442)	Others	17,947
Non-current assets	**305,154**	**Non-current liabilities**	**39,971**
Property, plant and equipment	**141,528**	Long-term debt	951
Buildings and structures	53,361	Lease obligations	3,493
Machinery, equipment and vehicles	13,117	Deferred tax liabilities	20,080
Tools and fixtures	2,874	Deferred tax liabilities for land revaluation	446
Land	65,765	Provision for loss on guarantee	106
Leased assets	4,041	Net defined benefit liabilities	12,889
Construction in progress	2,367	Asset retirement obligations	935
Intangible assets	**17,427**	Others	1,068
Goodwill	10,110	**Total liabilities**	**899,883**
Leased assets	562	**(Net assets)**	
Others	6,754	**Shareholders' equity**	**379,176**
Investments and other assets	**146,199**	Paid-in capital	18,454
Investment securities	123,643	Capital surplus	101,958
Long-term loans	1,807	Retained earnings	288,129
Deferred tax assets	3,594	Treasury stock, at cost	(29,365)
Net defined benefit assets	6,268	**Accumulated other comprehensive income**	**61,722**
Others	15,130	Unrealized gains on available-for-sale securities, net of taxes	63,167
Allowance for doubtful accounts	(4,246)	Unrealized gains on deferred hedge	(0)
		Revaluation reserve for land	(3,676)
		Foreign currency translation adjustments	89
		Remeasurements of defined benefit plans, net of taxes	2,142
		Non-controlling interests	1,157
		Total net assets	**442,056**
Total assets	**¥1,341,939**	**Total liabilities and net assets**	**¥1,341,939**

Consolidated Statements of Income

From April 1, 2018
(to March 31, 2019)

(Millions of Yen)

Account title	Amount	
Net sales		**¥2,640,511**
Cost of sales		**2,439,219**
Reversal of allowance for returned unsold goods	696	
Allowance for returned unsold goods	678	17
Total deduction		**201,310**
Selling, general and administrative expenses		**156,539**
Operating income		**44,770**
Other income		
Interest income	104	
Dividend income	2,463	
Information fees received	6,076	
Equity in net gain of affiliates	108	
Others	2,335	11,088
Other expenses		
Interest expenses	93	
Commission fees	66	
Expense for rental property	232	
Others	341	734
Ordinary profit		**55,125**
Extraordinary profit		
Gain on sales of non-current assets	1,726	
Gain on sales of investment securities	5,947	7,674
Extraordinary loss		
Loss on sale of non-current assets	49	
Loss on disposal of property, plant and equipment	310	
Loss on impairment of non-current assets	1,018	
Loss on devaluation of investment securities	31	
Merger expenses	144	
Other	18	1,573
Income before income taxes and non-controlling interests		**61,226**
Current	19,707	
Deferred	(220)	19,486
Profit		**41,739**
Attributable to non-controlling interests :		40
Attributable to owners of parent		**¥41,699**

Consolidated Statements of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance - previously stated	¥18,454	¥101,945	¥257,016	¥(16,025)	¥361,391
Changes during the fiscal year					
Cash dividends from retained earnings			(9,413)		(9,413)
Profit attributable to owners of parent			41,699		41,699
Treasury stock acquired				(13,340)	(13,340)
Disposal of treasury stock		0		0	0
Change in scope of consolidation			(901)		(901)
Reversal of revaluation reserve for land			(272)		(272)
Other		12			12
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	—	12	31,112	(13,340)	17,784
Ending balance	¥18,454	¥101,958	¥288,129	¥(29,365)	¥379,176

	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	¥75,725	¥(0)	¥(3,948)	¥133	¥1,467	¥73,376	¥1,165	¥435,934
Changes during the fiscal year								
Cash dividends from retained earnings								(9,413)
Profit attributable to owners of parent								41,699
Treasury stock acquired								(13,340)
Disposal of treasury stock								0
Change in scope of consolidation								(901)
Reversal of revaluation reserve for land								(272)
Other								12
Changes in items other than shareholders' equity during the fiscal year (net)	(12,557)	0	272	(44)	675	(11,654)	(8)	(11,662)
Total changes during the fiscal year	(12,557)	0	272	(44)	675	(11,654)	(8)	6,122
Ending balance	¥63,167	¥(0)	¥(3,676)	¥89	¥2,142	¥61,722	¥1,157	¥442,056

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:
Specialty Medical Distribution 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.: Specialty Medical Distribution 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) Changes in presentation

Consolidated Balance Sheet

Following the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), the Company adopts the "Ministerial Order of Partially Revising the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ministry of Justice Order No. 5, March 26, 2018) from the fiscal year ended March 31, 2019 and therefore Deferred tax assets and Deferred tax liabilities are stated under Investments and other assets and Non-current liabilities, respectively.

Accordingly, "Deferred tax assets" (¥6,467 million for the previous fiscal year) which was stated under "Current assets" for the previous fiscal year are included in "Deferred tax assets" (¥766 million for the previous fiscal year) under "Investments and other assets" and "Deferred tax liabilities" (¥32,276 million for the previous fiscal year) under "Non-current liabilities" for the fiscal year ended March 31, 2019. As a result of this change, total assets for the previous fiscal year is decreased by ¥5,833 million.

Deferred tax assets and deferred tax liabilities under the same taxation authority are offset and presented accordingly.

(5) 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, Stated at cost as determined principally by using gross average method

work in process, raw materials and supplies: (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

Depreciation is computed using the straight-line method. The useful life is mainly as follows:

(A) Property, plant and equipment (except for leased assets)
(a) Buildings and structures: 2 to 60 years
(b) Machinery, equipment and vehicles: 2 to 23 years
(c) Tools and fixtures: 2 to 20 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.

(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 are 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	¥187
Merchandise and finished goods	100
Buildings and structures	1,202
Land	1,233
Investment in securities	10,981
Other (Investments and other assets)	118
Total	¥13,823

2) Secured liabilities

	(Millions of Yen)
Trade notes and accounts payable	¥11,758
Short-term debt	110
Long-term debt	545
Total	¥12,415

(2) Accumulated depreciation of property, plant and equipment ¥81,368 million

(3) 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	¥5,368
Y.K. Kofuku Shoji	276
Other	2
Total	¥5,648

(4) 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	180

vehicles	
Land	270
Other (Intangible assets)	45
Total	¥875

(5) 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 ¥(1,929) million

(6) 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	¥1,138 million
Trade notes payable	¥2,223 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, 2018	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2019
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, 2018	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2019
Common stock	18,341 thousand shares	5,002 thousand shares	0 thousand shares	23,343 thousand shares

(Note) An increase of 5,002 thousand shares in treasury stock consists of 5,000 thousand shares acquired based on the resolution of the Board of Directors and 2 thousand shares due to the purchase of fractional shares upon the request thereof. A decrease of 0 thousand shares in treasury stock is due to stock transfers arising from the sale of fractional shares upon the request thereof.

(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 11, 2018	Common stock	¥4,333 million	¥20	March 31, 2018	June 5, 2018
Board of Directors' meeting held on November 5, 2018	Common stock	¥5,080 million	¥24	September 30, 2018	December 5, 2018

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 10, 2019	Common stock	Retained earnings	¥5,080 million	¥24	March 31, 2019	June 5, 2019

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.

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, and optimizes Company-wide financing and operating of funds.

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, 2019 are as follows:

(Millions of Yen)

	Book value	Fair value	Difference
1) Cash and deposits	¥206,300	¥206,300	¥–
2) Trade notes and accounts receivable	614,084	614,084	–
3) Purchase rebates receivable	80,317	80,317	–
4) Marketable securities and investment securities	118,350	118,350	–
5) Trade notes and accounts payable (*)	[817,446]	[817,446]	–

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

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

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.

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.

(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, etc.	¥5,302

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.

(3) The redemption schedule for monetary claims and securities with maturity after March 31, 2019

(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	¥206,300	¥–	¥–	¥–
2) Trade notes and accounts receivable	614,084	–	–	–
3) Purchase rebates receivable	80,317	–	–	–
4) Marketable securities and investment securities Available-for-sale securities with maturities				
(A) Bonds (corporate bonds)	10	139	500	–
(B) Other	–	–	20	–
Total	¥900,712	¥139	¥520	¥–

5. Notes on business combination, etc.

Business combination through acquisition

(1) Overview of business combination

1) Name of companies acquired: DAIICHI SANKYO COMPANY, LIMITED and DAIICHI SANKYO ESPHA CO., LTD

2) Description of business acquired: Manufacturing and sales approval, etc. of certain part of long-listed drugs in the pharmaceutical business

3) Major reasons for business combination

The Alfresa Group has stipulated "expand product lineup and reinforce sales capabilities" and "reinforcement of production system and strategic investment for business expansion" in the Manufacturing Business of pharmaceuticals in the "16-18 Mid-term Management Plan *Break Through to Tomorrow*," as important principles to realize the Healthcare Consortium vision. This acquisition will serve to expand the scale of the Manufacturing Business of pharmaceuticals, as well as reinforce the Manufacturing Business of pharmaceuticals by striving to maintain product quality, ensure stable supply, and collect safety information as before, and by demonstrating synergy with existing products and other segments such as Ethical Pharmaceuticals Wholesaling Business by expanding the product lineup.

4) Date of business combination: March 1, 2019

5) Legal form of business combination: Company split with DAIICHI SANKYO COMPANY, LIMITED and DAIICHI SANKYO ESPHA CO., LTD as the split companies and Alfresa Pharma Corporation (a consolidated subsidiary of the Company) as the succeeding company

6) Name of company after business combination: Alfresa Pharma Corporation

7) Major reason for decision of acquiring companies: Alfresa Pharma Corporation took over the business for cash as consideration.

(2) Period of financial results of the acquired business included in consolidated financial statements

From March 1, 2019 to March 31, 2019

(3) Acquisition cost and components by type of consideration of the acquired business

Consideration of acquisition: Cash	¥10,401 million
Acquisition cost	¥10,401 million

(4) Detail and amount of major acquisition-related cost

Advisory fees, etc.; amount is not finalized (as the allocation of acquisition cost is not completed).

(5) Amount, reason, amortization method and amortization period of goodwill derived

1) Amount of goodwill derived: ¥5,845 million

The above amount is provisional, as the time frame to settlement date after the business combination date is short, and identification of identifiable assets as of the business combination date and estimation of the market value have not been completed, and allocation of acquisition costs has not been completed.

2) Reason: Derived from additional future superior earning power

3) Amortization method and amortization period: Amortized in equal amounts over 8 years

(6) Assets and liabilities assumed as of the business combination date and major components

Current assets	¥1,981 million
Non-current assets	¥2,574 million

Total	¥4,555 million

Note: Non-current assets are deferred tax assets related to goodwill.

(7) Estimated amount of impact on consolidated statements of income for the fiscal year ended March 31, 2019, on the assumption that business combination was completed on the initial date of consolidated fiscal year and its calculation method

Description is omitted as their reasonable calculation is difficult.

(8) Other matter related to transaction

Agreement on taking over manufacturing and sales approval, etc. of 41 long-listed drugs was concluded on July 2018. The 35 of them were transferred through the company split (comprehensive succession) on March 1, 2019, and the remaining 6 will be transferred though business transfer (individual succession) after fiscal 2019. However, they are deemed and treated as one business combination, as separate acquisition costs, etc. are not material, and calculation is difficult.

6. 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.

7. Notes on per share information

(1) Net assets per share	¥2,082.91
(2) Net income per share	¥195.79

8. 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, 2019)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥25,553**	**Current liabilities**	**¥11,131**
Cash and deposits	8,396	Accounts payable - other	132
Prepaid expenses	3	Income taxes payable	76
Short-term loans receivable from subsidiaries and affiliates	13,008	Accrued consumption taxes	22
Income taxes receivable	4,117	Deposits received from subsidiaries and affiliates	10,729
Others	26	Reserve for employees' bonuses	56
		Reserve for bonuses to directors and corporate auditors	98
Non-current assets	**222,733**	Others	15
Property, plant and equipment	**37**	**Non-current liabilities**	**1,005**
Buildings	29	Deferred tax liabilities	1,005
Furniture and fixtures	8	**Total liabilities**	**12,137**
Intangible assets	**3**	**(Net assets)**	
Software	3	**Shareholders' equity**	**233,784**
Investments and other assets	**222,692**	**Common stock**	**18,454**
Investment in securities	7,746	**Capital surplus**	**175,428**
Shares of subsidiaries and affiliates	195,942	Legal capital surplus	58,542
Investments in capital of subsidiaries and affiliates	234	Other capital surplus	116,886
Long-term loans receivable from subsidiaries and affiliates	18,562	**Retained earnings**	**78,093**
Long-term prepaid expenses	4	Other retained earnings	78,093
Guarantee deposits	203	Retained earnings brought forward	78,093
		Treasury stock, at cost	**(38,191)**
		Valuation and translation adjustments	**2,365**
		Unrealized gain on available-for-sale securities, net of taxes	**2,365**
		Total net assets	**236,149**
Total assets	**¥248,287**	**Total liabilities and net assets**	**¥248,287**

Non-consolidated Statements of Income

From April 1, 2018
(to March 31, 2019)

(Millions of Yen)

Account title	Amount	
Operating revenue		
Dividend income	¥20,193	
Group management income	1,768	21,962
Operating expenses		
General and administrative expenses		1,906
Operating income		**20,056**
Other income		
Interest income	81	
Interest on securities	6	
Dividend income	151	
Others	2	242
Other expenses		
Interest expenses	3	
Commission fee	66	
Other	0	69
Ordinary profit		**20,229**
Extraordinary loss		
Loss on disposal of property, plant and equipment	**5**	**5**
Income before income taxes and non-controlling interests		**20,224**
Current	45	
Deferred	1	47
Profit		**¥20,177**

Non-consolidated Statements of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(Millions of Yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets
	Paid-in Capital	Capital Surplus			Retained earning		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	¥67,329	¥67,329	¥(24,851)	¥236,361	¥3,148	¥3,148	¥239,509
Changes during the fiscal year											
Cash dividends from retained earnings					(9,413)	(9,413)		(9,413)			(9,413)
Profit					20,177	20,177		20,177			20,177
Treasury stock acquired							(13,340)	(13,340)			(13,340)
Disposal of treasury stock			0	0			0	0			0
Changes in items other than shareholders' equity during the fiscal year (net)									(782)	(782)	(782)
Total changes during the fiscal year	—	—	0	0	10,763	10,763	(13,340)	(2,576)	(782)	(782)	(3,359)
Ending balance	¥18,454	¥58,542	¥116,886	¥175,428	¥78,093	¥78,093	¥ (38,191)	¥233,784	¥2,365	¥2,365	¥236,149

Notes to Non-consolidated Financial Statements

1. Changes in presentation

Non-consolidated Balance Sheet

Following the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), the Company adopts the "Ministerial Order of Partially Revising the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting" (Ministry of Justice Order No. 5, March 26, 2018) from the fiscal year ended March 31, 2019 and therefore Deferred tax assets and Deferred tax liabilities are stated under Investments and other assets and Non-current liabilities respectively.

Accordingly, "Deferred tax assets" (¥42 million for the previous fiscal year) which was stated under "Current assets" for the previous fiscal year is included in "Deferred tax liabilities" (¥1,390 million for the previous fiscal year) under "Non-current liabilities" in the fiscal year ended March 31, 2019.

2. 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.

3. Notes on non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment ¥89 million

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

1) Short-term monetary claims ¥13,010 million

2) Long-term monetary claims ¥18,562 million

3) Short-term monetary obligations ¥10,745 million

4. Notes on non-consolidated statements of income

Amount of transactions with subsidiaries and affiliates

(1) Operating revenue (Dividend income) ¥20,193 million

(2) Operating revenue (Group management income) ¥1,768 million

(3) Operating expenses ¥23 million

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

5. 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, 2018	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2019
Common stock	18,341 thousand shares	5,002 thousand shares	0 thousand shares	23,343 thousand shares

(Note) An increase of 5,002 thousand shares in treasury stock consists of 5,000 thousand shares acquired based on the

resolution of the Board of Directors and 2 thousand shares due to the purchase of fractional shares upon the request thereof. A decrease of 0 thousand shares in treasury stock is due to stock transfers arising from the sale of fractional shares upon the request thereof.

6. 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	¥20
Disallowed allowance for bonuses	17
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	11
Subtotal of deferred tax assets	1,781
Valuation allowance	(1,739)
Total deferred tax assets	42
2) Deferred tax liabilities	
Unrealized gains on securities	(1,028)
Other	(18)
Total deferred tax liabilities	(1,047)
Net deferred tax liabilities	¥(1,005)

(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	30.6%
(Adjustments)	
Permanently non-deductible expenses such as entertainment expenses	0.0%
Permanently non-taxable revenues such as dividend income	(30.6)%
Non-deductible bonuses to directors and audit & supervisory board members	0.2%
Inhabitant tax per capita basis	0.0%
Effective tax rate after the application of the tax effect accounting	0.2%

7. 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	33,178	–	–
	Alfresa Pharma Corporation	1,000	Pharmaceutical manufacturing	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	395	Deposits received from subsidiaries and affiliates	130
						Funds loaned	8,828	Loans receivable from subsidiaries and affiliates	17,550
	Alfresa Healthcare Corporation	499	Self-medication products wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	7,167	Loans receivable from subsidiaries and affiliates	9,000
	Alfresa Medical Service Corporation	450	Medical materials wholesaling and supply processing and distribution (SPD)	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	3,287	Deposits received from subsidiaries and affiliates	5,735
	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	4,262	Loans receivable from subsidiaries and affiliates	5,020

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, 2019. Payment and receipt of interests are reasonably determined in consideration of market interest rates.

8. Notes on per share information

(1) Net assets per share ¥1,115.63

(2) Net income per share ¥94.74

(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 14, 2019

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, 2018 to March 31, 2019, which comprise the consolidated balance sheet as at March 31, 2019, 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, 2019, 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 14, 2019

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 16th fiscal year from April 1, 2018 to March 31, 2018, which comprise the non-consolidated balance sheet as at March 31, 2019, 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, 2019 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 16th fiscal year from April 1, 2018 to March 31, 2019, 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, 2019, and set out priority auditing task, namely the reinforcement of compliance and risk management. 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, 2019.

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 15, 2019

Alfresa Holdings Corporation

Audit & Supervisory Board

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