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 3, 2020

To Shareholders with Voting Rights:

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

NOTICE OF THE 17TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 17th Ordinary General Meeting of Shareholders of Alfresa Holdings Corporation (the "Company") will be held for the purposes as described below.

Recently, the Japanese government and the Governor of Tokyo have strongly requested that people refrain from going out to prevent the spread of novel coronavirus infection, such as by the government declaring a state of emergency. As a result of carefully considering our response to this situation, we have decided to hold the Ordinary General Meeting of Shareholders upon the implementation of appropriate infection control measures.

In view of the strong requests for the refraining from going out, for this General Meeting of Shareholders, we request that shareholders exercise their voting rights in advance either in writing or via the Internet, etc., from the perspective of preventing the spread of infection. In addition, regardless of your health condition, we strongly ask that you refrain from attending the Ordinary General Meeting of Shareholders. Please review the following Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m. on Wednesday, June 24, 2020 (JST).

1. Date and Time: 10:00 a.m., Thursday, June 25, 2020 (JST)

2. Place: Company Meeting Room, 23rd Floor, Ote Center Building
1-1-3, Otemachi, Chiyoda-ku, Tokyo, Japan
(This year, in consideration of the announcement of the state of emergency, we have placed an importance on the stable use of the venue, etc., and are holding the meeting in the Company's meeting room. Please note that the venue differs from that of previous years, and ensure that you refer to the "General Meeting of Shareholders Venue Map" on the last page. (in Japanese only))
In order to prevent the spread of infection, we will take measures such as changing the venue and increasing the space between seats and, consequently, the number of seats available has decreased significantly from previous years. Accordingly, you may be refused admission even if you visit on the day. Regarding the officers of the Company, from the perspective of reducing the risk of the spread of infection and the business continuity of the Company, there is a possibility that only some of the officers will be present, regardless of their health condition on the day of the meeting. Thank you for your understanding.

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 17th Fiscal Year (April 1, 2019 – March 31, 2020)
2. Non-consolidated Financial Statements for the Company's 17th Fiscal Year (April 1, 2019 – March 31, 2020)

Proposals to be resolved:

Proposal 1: Election of Eleven (11) Directors

Proposal 2: Election of One (1) Audit & Supervisory Board Member

If any revisions have been made to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, the revisions will be posted on the Company's website (https://www.alfresa.com/).

Of the documents required to be provided in this notice, "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" are posted on the Company's website (https://www.alfresa.com/) in accordance with relevant laws and regulations and Article 15 of the Articles of Incorporation of the Company, and are therefore not included in the attached documents of this notice. The "Notes to Consolidated Financial Statements" and "Notes to Non-consolidated Financial Statements" as well as the attached documents of this notice are subject to audits by the Independent Auditor and Audit & Supervisory Board Members.

Announcement on Exercise of Voting Rights:

If attending the meeting in person:

Date and Time: 10:00 a.m., Thursday, June 25, 2020 (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., Wednesday, June 24, 2020 (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., Wednesday, June 24, 2020 (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)

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]	Taizo Kubo	Position: Responsibilities:	Representative Director & President -	8 years	100% (20 of 20 meetings)
2	[To be reelected]	Ryuji Arakawa	Position: Responsibilities:	Director, Senior Vice President & Executive Officer Corporate Communication, Business Development & International Business	4 years	100% (20 of 20 meetings)
3	[To be reelected]	Yasuki Izumi	Position: Responsibilities:	Director, Deputy President Assistant to the President, Group Business & Affiliate Management	6 years	100% (20 of 20 meetings)
4	[To be reelected]	Seiichi Kishida	Position: Responsibilities:	Director, Senior Vice President & Executive Officer General Affairs, Financial Planning, Compliance & Risk Management, Internal Control	1 year	93.3% (14 of 15 meetings)
5	[To be reelected]	Hisashi Katsuki	Position: Responsibilities:	Director -	3 years	95% (19 of 20 meetings)
6	[To be reelected]	Koichi Shimada	Position: Responsibilities:	Director -	2 years	100% (20 of 20 meetings)
7	[To be newly elected]	Yusuke Fukujin	Position: Responsibilities:	- -	-	-
8	[To be reelected] [Outside Director] [Independent Director]	Yoichiro Yatsurugi	Position: Responsibilities:	Director Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	3 years	100% (20 of 20 meetings)
9	[To be newly elected] [Outside Director] [Independent Director]	Takashi Hara	Position: Responsibilities:	- -	-	-

No.		Name	Current position and responsibilities in the Company	Term of office	Attendance of Board of Directors' meetings
10	[To be newly elected] [Outside Director] [Independent Director]	Manabu Kinoshita	Position: - Responsibilities: -	-	-
11	[To be newly elected] [Outside Director] [Independent Director]	Toshie Takeuchi	Position: - Responsibilities: -	-	-

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	 Taizo Kubo [To be reelected] Date of birth: August 11, 1955 (age 64) Term of office at the conclusion of this general meeting: 8 years Attendance of Board of Directors' meetings: 100% (20 out of 20 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.	77,100
	[Reasons for election as candidate for Director] Mr. Taizo Kubo has directed the management of the Company since 2016 as Representative Director & President and has a wealth of experience and knowledge as an executive of the Company and its Group 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">2</td><td>
Ryuji Arakawa

[To be reelected]

Date of birth:
March 5, 1963
(age 57)

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

Attendance of Board of Directors' meetings:
100% (20 out of 20 meetings)</td><td>April 1987 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
April 1999 Joined Chuyaku Co., Ltd. (currently Alfresa Corporation)
June 2000 Director of Chuyaku Co., Ltd.
June 2005 Managing Director of CS YAKUHIN CO., LTD. (currently Alfresa Corporation)
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. (currently Alfresa Corporation)
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
April 2020 Director, Senior 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>62,920</td></tr>
<tr><td colspan="3">[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>

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
3	 Yasuki Izumi [To be reelected] Date of birth: January 28, 1956 (age 64) Term of office at the conclusion of this general meeting: 6 years Attendance of Board of Directors' meetings: 100% (20 out of 20 meetings)	April 1978 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation) October 2006 General Manager of Group Administration and Affiliate Control Department of the Company April 2010 Executive Officer of the Company, General Manager of Group Administration and Affiliate Control Department and General Affairs Department June 2012 Executive Officer of the Company, Group Business & Affiliate Control, General Manager of Business Development Department October 2012 Vice President & Executive Officer of the Company, Group Business & Affiliate Control, General Manager of Business Development Department April 2013 Vice President & Executive Officer of the Company, Business Development, General Manager of Business Development Department April 2014 Vice President & Executive Officer of the Company, Business Development, International Business, General Manager of Business Development Department June 2014 Director, Vice President & Executive Officer of the Company, Business Development, International Business, General Manager of Business Development Department April 2015 Director, Vice President & Executive Officer of the Company, Business Development, International Business April 2016 Director, Vice President & Executive Officer of the Company, Group Business & Affiliate Control & 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 April 2020 Director, Deputy President, Assistant to the President of the Company, Group Business & Affiliate Management (present) [Significant concurrent position] None [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	11,780
	[Reasons for election as candidate for Director] As Director in charge of Group Business & Affiliate Management, 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.		

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
4	 Seiichi Kishida [To be reelected] Date of birth: March 31, 1960 (age 60) Term of office at the conclusion of this general meeting: 1 year Attendance of Board of Directors' meetings: 93.3% (14 of 15 meetings)	April 1982 October 2008 April 2013 April 2017 April 2018 April 2019 June 2019 October 2019 April 2020 [Significant concurrent position] None [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation) General Manager of Accounting Department of Alfresa Corporation General Manager of Human Resources Department of Alfresa Corporation Executive Officer of Alfresa Corporation, General Manager of Human Resources Department Executive Officer of the Company, General Manager of Financial Planning Department Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department Director, Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department Director, Vice President & Executive Officer of the Company, General Affairs, Financial Planning Director, Senior Vice President & Executive Officer of the Company, General Affairs, Financial Planning, Compliance & Risk Management, Internal Control (present)	7,066
	[Reasons for election as candidate for Director] Mr. Seiichi Kishida has experience in the practice of accounting, finance and human resources 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. Utilizing that knowledge, he plays a central role in our capital policy and human resources strategy. 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.			

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
5	 Hisashi Katsuki [To be reelected] Date of birth: August 9, 1956 (age 63) Term of office at the conclusion of this general meeting: 3 years Attendance of Board of Directors' meetings: 95% (19 out of 20 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.	14,792
	[Reasons for election as candidate for Director] Mr. Hisashi Katsuki has served as Representative Director 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">6</td><td>
Koichi Shimada

[To be reelected]

Date of birth:
October 15, 1958
(age 61)

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

Attendance of Board of Directors' meetings:
100% (20 out of 20 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, 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>

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	 Yusuke Fukujin [To be newly elected] Date of birth: June 27, 1976 (age 43) Term of office at the conclusion of this general meeting: – Attendance of Board of Directors' meetings: –	April 2000 Joined Fukujin Co., Ltd. (currently Alfresa Corporation) April 2014 Executive Officer of Alfresa Corporation, General Manager of Sales Planning Department, Sales Division October 2014 Executive Officer of Alfresa Corporation, General Manager of Management Planning Department, Management Strategy Division June 2016 Representative Director & President of Specialty Medical Distribution Corporation April 2019 Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division June 2019 Director, Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division April 2020 Director, Senior Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division (present) [Significant concurrent position] None [Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.	1,778,988
	[Reasons for election as candidate for Director] Mr. Yusuke Fukujin has accumulated experience mainly in the distribution department of the Company's key subsidiary Alfresa Corporation, and plays an important role such as Representative Director of the Specialty Medical Distribution Corporation which plays a central role in the sales and distribution of specialty pharmaceuticals that the Group is most focused on. 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.		

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for outside directors		Number of shares of the Company held
8	 Yoichiro Yatsurugi [To be reelected] [Outside Director] [Independent Director] Date of birth: May 3, 1955 (age 65) Term of office at the conclusion of this general meeting: 3 years Attendance of Board of Directors' meetings: 100% (20 out of 20 meetings)	April 1978 June 1999 May 2001 April 2004 January 2005 April 2007 September 2007 February 2010 December 2011 December 2015 January 2016 June 2017 June 2017 October 2017 October 2018 [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.	Joined IBM Japan, Ltd. President of AT&T Global Network Services Japan LLC Chairman of AT&T Global Network Services Japan LLC and President of AT&T Asia Pacific Executive Vice President of JAPAN TELECOM CO., LTD (currently SoftBank Corp.) President and CEO of WILLCOM, Inc. (currently SoftBank Corp.) Representative Director, Executive Vice President of SAP Japan Co., Ltd. Representative Director and President of SAP Japan Co., Ltd. Executive Counsel of Works Applications Co., Ltd. Representative Director and President of Igreque, Inc. Director, Executive Counsel of Works Applications Co., Ltd. Director of Igreque, Inc. (present) Director of the Company (present) Chairman, Nomination and Remuneration Committee for Directors and Executive Officers of the Company (present) Executive Vice President of Works Applications Co., Ltd. Board Director, Executive Vice President of Works Applications Co., Ltd. (present)	–
	[Reasons for election as candidate for Outside Director] Mr. Yoichiro Yatsurugi has a wealth of experience, a proven track record and a high level of insight through his years of experience as an executive at multiple companies. He also has a high level of IT expertise. Therefore, he has been elected as a candidate for Outside Director because we believe that he will continue to provide opinions from a broad perspective, based on his wealth of experience and professional knowledge, and apply them in the management of the Company.			

[Items regarding independence of Outside Director]

Mr. Yoichiro Yatsurugi meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director, and the Company has designated him as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.

Mr. Yoichiro Yatsurugi serves as Board Director and Executive Vice President of Works Applications Co., Ltd. and Director of Igreque, Inc., however, both companies have no transactions with the Company.

[Other notes]

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.

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for outside directors	Number of shares of the Company held
9	 Takashi Hara [To be newly elected] [Outside Director] [Independent Director] Date of birth: August 24, 1951 (age 68) Term of office at the conclusion of this general meeting: – Attendance of Board of Directors' meetings: –	April 1975 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) January 2002 Executive Officer of UFJ Bank, Ltd. (currently MUFG Bank, Ltd.) May 2005 Managing Executive Officer of UFJ Bank, Ltd. January 2006 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) June 2008 Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2009 Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd. May 2010 Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd. June 2012 Representative Director and Vice Chairman of Sojitz Corporation June 2019 Director, Chairman of the Board of Sojitz Corporation (present) [Significant concurrent positions] Director, Chairman of the Board of Sojitz Corporation [Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.	–
	[Reasons for election as candidate for Outside Director] Mr. Takashi Hara has a wealth of experience in business operation and a proven track record including serving key positions at financial institutions and a general trading company. He has been elected as a candidate for Outside 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.		

[Items regarding independence of Outside Director]

Mr. Takashi Hara meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director. If the appointment of Mr. Takashi Hara is approved, the Company plans to designate him as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submit a notification of the appointment to the same Exchange.

The Company's consolidated subsidiary has transactions with The Bank of Tokyo-Mitsubishi UFJ Ltd. (currently MUFG Bank, Ltd.), at which Mr. Takashi Hara served as Deputy President; however, the transaction value accounts for less than 0.1% of consolidated net sales mutually, and there is no fact that the relevant transaction partner is involved in the business management of the Group companies.

[Other notes]

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. Takashi Hara will enter into the liability limitation agreement with the Company if his appointment is approved. The maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for outside directors	Number of shares of the Company held
10	 Manabu Kinoshita [To be newly elected] [Outside Director] [Independent Director] Date of birth: May 17, 1954 (age 66) Term of office at the conclusion of this general meeting: – Attendance of Board of Directors' meetings: –	April 1978 Joined NEC Corporation April 2008 Senior Vice President of NEC Corporation April 2010 Executive Vice President of NEC Corporation June 2010 Executive Vice President and Member of the Board of NEC Corporation June 2011 Executive Vice President of NEC Corporation April 2016 Senior Executive Vice President of NEC Corporation April 2018 Senior Officer of NEC Corporation (present) [Significant concurrent positions] Senior Officer of NEC Corporation [Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.	–
	[Reasons for election as candidate for Outside Director] Mr. Manabu Kinoshita has a wealth of experience, a proven track record and a high level of insight through his years of experience in the practice of business and as an executive at one of the leading general IT vendor companies in Japan. He has been elected as a candidate for Outside 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.		

[Items regarding independence of Outside Director]

Mr. Manabu Kinoshita meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director. If the appointment of Mr. Manabu Kinoshita is approved, the Company plans to designate him as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submit a notification of the appointment to the same Exchange.

The Company's consolidated subsidiary has transactions with NEC Corporation, at which Mr. Manabu Kinoshita serves as Senior Officer; however, the transaction value accounts for less than 0.1% of consolidated net sales mutually, which is a small percentage, and there is no fact that the relevant transaction partner is involved in the business management of the Group companies.

[Other notes]

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. Manabu Kinoshita will enter into the liability limitation agreement with the Company if his appointment is approved. The maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for outside directors	Number of shares of the Company held
11	 Toshie Takeuchi [To be newly elected] [Outside Director] [Independent Director] Date of birth: January 22, 1955 (age 65) Term of office at the conclusion of this general meeting: – Attendance of Board of Directors' meetings: –	April 1978 Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation) July 2001 Joined Dentsu EYE Inc. April 2002 Visiting Professor, Graduate School of Social Science, Hosei University April 2003 Professor, Faculty of Business Administration, Hosei University (present) April 2012 Dean of the Graduate School of Business Administration, Hosei University April 2014 Dean of the Faculty of Business Administration, Hosei University April 2016 Director of Hosei University Career Center [Significant concurrent positions] Professor, Faculty of Business Administration, Hosei University [Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.	–
	[Reasons for election as candidate for Outside Director] In addition to her high-level insight and wide experiences as a professor of the Faculty of Business Administration, Ms. Toshie Takeuchi has broad knowledge in the area of marketing and branding. She has been elected as a candidate for Outside Director because she can be expected to capitalize on her wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions. 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.		

[Items regarding independence of Outside Director]

Ms. Toshie Takeuchi meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director. If the appointment of Ms. Toshie Takeuchi is approved, the Company plans to designate her as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submit a notification of the appointment to the same Exchange.

Ms. Toshie Takeuchi serves as a professor of the Faculty of Business Administration of Hosei University; however, the Company has no transactions with such University.

[Other notes]

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. Toshie Takeuchi will enter into the liability limitation agreement with the Company if her appointment is approved. The maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act.

<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: Election of One (1) Audit & Supervisory Board Member

To further enhance our audit system, we would like to propose the election of one (1) Audit & Supervisory Board Member.

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

The candidate of Audit & Supervisory Board Member is as follows:

Name	Career summary and position in the Company, significant concurrent positions and note related to candidate for Audit & Supervisory Board Member	Number of shares of the Company held
 Masakazu Ozaki [To be newly elected] Date of birth: May 30, 1961 (age 59) Term of office at the conclusion of this general meeting: – Attendance of Board of Directors' meetings: – Attendance of Audit & Supervisory Board' meetings: –	April 1984 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.) January 2002 Deputy Managing Director of Treasury, Investment & Exchange Division of UFJ Bank Ltd. (currently MUFG Bank, Ltd.) January 2006 Deputy Managing Director of Global Markets Division for East Asia of The Bank of Tokyo-Mitsubishi UFJ Ltd. (currently MUFG Bank, Ltd.) April 2014 Joined the Company, General Manager of International Department April 2015 General Manager of Business Development Department of the Company (present) [Significant concurrent positions] None [Note related to candidate for Audit & Supervisory Board Member] No conflict of special interest exists between the candidate and the Company.	–

[Reasons for election as candidate for Audit & Supervisory Board Member]

In addition to having experience working at a financial institution, Mr. Masakazu Ozaki has served in positions such as General Manager of International Department and Business Development Department of the Company and has broad knowledge and a wealth of experience. Therefore, he has been elected as a candidate for Audit & Supervisory Board Member because we believe that he will provide opinions based on his wealth of experience and insight, and apply them to the audit system of the Company.

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

(Attached document)

Business Report

(From April 1, 2019 to March 31, 2020)

1. The current state of the corporate group

(1) Business conditions

1) Development and performance of business

During the consolidated fiscal year (April 1, 2019–March 31, 2020) under review, despite continued soft exports and further weakening centered on the manufacturing industry, the Japanese economy was on a gradual recovery trend from improvement in the employment and income environment, but the economy is now contracting sharply from the impact of COVID- 19 which emerged in the fourth quarter, and the conditions are severe.

Under these circumstances, the Alfresa Group is responding to the spread of COVID-19 in Japan by conducting measures to prevent the spread of infection at each Group company and striving for the stable supply of pharmaceuticals and other products while ensuring the safety of customers, business partners, Group employees and their family members.

The Alfresa Group formulated "19-21 Mid-term Management Plan The Challenge of Further Growth "Together with Health, Together with Communities" (hereafter, "19-21 Mid-term Management Plan") this fiscal year, and is working to advance the Group management policies "build up a Group collaboration structure," "reform business models," "contribute to the health of community members," "further improve productivity," and "develop talent."

In initiatives to "reform business models," the Company formed a capital and business alliance with Human Life CORD Japan Inc. (Head office: Chiyoda-ku, Tokyo) in November 2019. Human Life CORD Japan specializes in regenerative and cell therapy for patients who require tissue repair to address congenital intractable diseases and aging. The Alfresa Group aims at establishing a stable distribution system for mesenchymal stem cell products derived from domestic umbilical cords, which are being developed by Human Life CORD Japan.

In initiatives to "contribute to the health of community members," the Company formed a capital and business alliance with exMedio Inc. (Head office: Chiyoda-ku, Tokyo) in March 2020. The Alfresa Group aims at introducing the information-sharing platform for medical doctors provided by exMedio to customers, and to jointly develop new services for the integrated community care era together with exMedio.

On November 27, 2019, a consolidated subsidiary, Alfresa Corporation (Head office: Chiyoda-ku, Tokyo; hereafter "Alfresa"), received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Anti-Monopoly Act regarding its bidding to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO). We would like to express our sincere apologies for any concerns this has caused our shareholders.

In the consolidated fiscal year under review, the Alfresa Group posted net sales of ¥2,698,511 million, up 2.2% year on year, operating income of ¥47,645 million, up 6.4% year on year, ordinary profit of ¥57,170 million, up 3.7% year on year, and profit attributable to owners of the parent of ¥40,273 million, down 3.5% year on year.

Business Segment Information

(i) Performance of Ethical Pharmaceuticals Wholesaling Business

The domestic ethical pharmaceuticals market grew by 2.5% in fiscal year 2019 (estimated by CRECON Research & Consulting Inc.) due to increased demand for anticancer drugs, etc.

In the ethical pharmaceuticals wholesaling business segment, the Alfresa Group continues working toward "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 priority issues.

The Group is also working at "further 'evolution' of the MS function," "focus on specialty

products," and "upgrade, raise efficiency, and standardize Group distribution," which are priority measures by segment under the 19-21 Mid-term Management Plan, to continue winning as Japan's top wholesaler of ethical pharmaceuticals*.

As "focus on specialty products," Alfresa Corporation (Head office: Chiyoda-ku, Tokyo), consolidated subsidiary, newly established the Specialty Business Promotion Department in October 2019 to accelerate the specialty products business development, and is actively developing unified distribution together with Group company Specialty Medical Distribution Corporation (Head office: Chiyoda-ku, Tokyo).

In initiatives to "upgrade Group distribution," Alfresa Corporation began construction of the Shizuoka Distribution Center (tentative name) (location: Fujieda, Shizuoka Prefecture) in July 2019. This high-functional distribution center, which is scheduled to begin operations in May 2021, will enable stricter temperature control, etc. as a central base for distribution in Shizuoka Prefecture.

Alfresa Corporation and YAMATO TRANSPORT CO., LTD. (Head office: Chuo-ku, Tokyo) jointly developed a new online service in September 2019 for dispensing pharmacies' customers which assists their home healthcare services.

Additionally, Alfresa Corporation decided to invest in Lily MedTech Inc. (Head office: Bunkyo-ku, Tokyo) in September 2019. Lily MedTech Inc. is a venture company which develops ultrasound imaging devices for breast cancer diagnosis, which have high expectations as medical equipment to resolve current issues in breast cancer examination.

Alfresa Corporation also made a capital investment in Quantum Operation. Inc. (Head office: Chuo-ku, Tokyo). Alfresa Corporation is providing support for the commercialization of smartwatch-type vital band products being developed by Quantum Operation. Inc. and advancing discussions towards a business alliance regarding its products distribution after launch.

As a result of these developments, in the consolidated fiscal year of this segment, net sales amounted to ¥2,375,539 million, up 2.1% year on year, and operating income came to ¥41,709 million, up 3.6% year on year. Net sales included inter-segment sales of ¥15,199 million, down 4.3% year on year.

[Explanation of Terms]

*Source: Drug Magazine "2020 All Data & Ranking" ethical pharmaceuticals business share by wholesaler group

(ii) Performance of Self-Medication Products Wholesaling Business

In the self-medication products wholesaling business segment, while aiming to become a "Total Healthcare Merchandising Wholesaler" and an "only one" wholesaler with differentiation due to new value added and creativity, the Alfresa Group is working at "establish stable and sustainable business foundations," "product proposals from the consumers' viewpoint," "strengthen efforts for exclusive manufacturers and exclusive products," "investment toward the future," and "strengthen collaboration with each business segment," which are priority measures by segment under the 19-21 Mid-term Management Plan.

In the consolidated fiscal year of this segment, while there were negative factors including the contraction of inbound demand, rising distribution costs, etc., because sales of sanitation supplies and sterilization-related products, etc. increased with the spread of COVID-19 in Japan and the complete implementation of cost management, net sales amounted to ¥268,944 million, up 1.5% year on year, and operating income came to ¥2,886 million, up 6.4% year on year. Net sales included inter-segment sales of ¥751 million, down 52.4% year on year.

(iii) Performance of Manufacturing Business

In the manufacturing business segment, in order to further strengthen Group synergy and expand scale, the Alfresa Group is working toward "advance reliable, safe, and sincere manufacturing," "expand products in line with Group needs," "expand scale of the consigned manufacturing and the active pharmaceutical ingredients business," and "expand overseas operations," which are priority measures by segment under the 19-21 Mid-term Management Plan.

In efforts to "expand products in line with Group needs," Alfresa Pharma Corporation (Head office: Chuo-ku, Osaka), consolidated subsidiary, has launched the absorbable tissue spacer for radiation therapy NESKEEP® since June 27, 2019. Within radiation therapy to treat malignant tumors, treatment using particle beams has attracted attention in recent years, and we believe the use of this product should enable a wider range of treatment opportunities.

Alfresa Pharma Corporation also released the Calprotectin Kit “NESCAUTO® Cp Auto,” which is used for assisting disease monitoring in ulcerative colitis, as an in-vitro diagnostic reagent on October 25, 2019. It obtained an approval for manufacture and marketing on June 5, 2019. This product is expected to reduce the number of colonoscopies to be performed, and to not only reduce the physical burden on patients but reduce their economical burden.

In the consolidated fiscal year of this segment, with the increased sales of long-listed products transferred from DAIICHI SANKYO COMPANY, LIMITED (Head office: Chuo-ku, Tokyo) and its subsidiary DAIICHI SANKYO ESPHA CO., LTD. (Head office: Chuo-ku, Tokyo), net sales amounted to ¥45,949 million, up 12.8% year on year, and operating income came to ¥2,349 million, up 49.4% year on year. Net sales included inter-segment sales of

¥11,610 million, up 17.9% year on year.

(iv) Performance of Medical-related Businesses

In the medical-related business segment, to raise operational efficiency for improving profitability and enhance functions toward future changes, the Alfresa Group is working at “reorganize stores in line with functions required,” “raise efficiency and sophistication of operation aiming at improving profitability,” “contribute to local communities by becoming multifunctional,” and “strengthen collaboration with each business segment,” which are priority measures by segment under the 19-21 Mid-term Management Plan.

In the consolidated fiscal year of this segment, with the increased acquisition of dispensing fee premiums, etc., net sales amounted to ¥35,638 million, up 2.4% year on year, and operating income came to ¥428 million, up 44.8% year on year.

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2020 totaled ¥14,406 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 etc. Expenditures for intangible assets such as goodwill are also included.

3) Fund procurement

There was no matter requiring disclosure.

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

There was no matter requiring disclosure.

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

There was no matter requiring disclosure.

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

A 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 has acquired such rights via absorption-type split (overall succession) in the fiscal year ended March 31, 2019 for 35 products and via business transfer (individual succession) in the fiscal year ended March 31, 2020 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.

(2) Assets and profits and losses

Categories		The 14th fiscal year (FY2016)	The 15th fiscal year (FY2017)	The 16th fiscal year (FY2018)	The 17th fiscal year (FY2019)
Net sales	(Millions of Yen)	2,551,801	2,602,917	2,640,511	2,698,511
Ordinary profit	(Millions of Yen)	43,628	51,861	55,138	57,170
Profit attributable to owners of parent	(Millions of Yen)	30,893	35,589	41,724	40,273
Net income per share	(Yen)	142.58	164.25	195.91	190.26
Total assets	(Millions of Yen)	1,255,922	1,337,450	1,341,964	1,351,619
Net assets	(Millions of Yen)	393,550	435,934	442,081	474,898

(Notes) 1. Net income per share is calculated using the average number of shares outstanding during the fiscal year and rounded off to the nearest whole unit. 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 16th fiscal year, whereby figures for the 15th 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. The provisional accounting treatment for the business combination applied in the 16th fiscal year was settled in the 17th fiscal year, whereby figures for the 16th fiscal year are those reflecting the contents of the settled provisional accounting treatment.

(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	260,385

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

(4) Challenges to be addressed

A consolidated subsidiary, Alfresa Corporation received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Anti-Monopoly Act regarding its bidding to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO). In light of this, the Group will take robust measures to ensure compliance with the Anti-Monopoly Act.

Moreover we received an investigation report from a third-party special investigation committee in December 2019 with respect to the improper acts pertaining to invoicing of dispensing fees at a consolidated subsidiary, Apollo Medical Holdings Inc. (Head office: Toshima-ku, Tokyo) that was discovered in June 2019. We are thoroughly implementing our recurrence prevention measures.

The Group identified priority issues for sustainable growth (material issues) in May 2019. We aim to achieve sustainable growth and contribute to a sustainable society while at the same time achieving a balance between generating profits and giving consideration to the impact of our corporate activities on society through sincere business efforts.

1) Measures to strengthen Group governance at the Company

(i) Strengthening the function of the Nomination and Remuneration Committee for Directors and Executive Officers with an Independent Outside Director serving as the Chairman

The Company has established the Nomination and Remuneration Committee for Directors and Executive Officers as a voluntary advisory body with an Independent Outside Director serving as the Chairman. The Committee regularly deliberates on the appointment and dismissal of the Company's Directors and Executive Officers and their remuneration. The regulations of the Committee were partially amended as of April 1, 2020 to include the appointment and dismissal of Directors and Executive Officers of the Company's specified wholly-owned subsidiary Alfresa Corporation as the subject of discussion.

We will establish a process to ensure greater transparency and objectivity in the appointment and dismissal of Directors and Executive Officers of specified wholly-owned subsidiary Alfresa Corporation, which are of high importance to the Group.

(ii) Establishment of a Compliance and Risk Management Subcommittee

The Company regularly holds the Compliance and Risk Management Committee that is formed of representatives of the Group companies with the aim of effectively promoting compliance and risk management activities within the Group. The regulations of the Committee were partially amended as of April 1, 2020 to allow the establishment of subcommittees as a subordinate organization. By setting up subcommittees that are limited to specific industries and types of business, such as by business segments, we intend to respond more appropriately and systematically to the inherent risks of specific businesses that are highly specialized.

We have already established a subcommittee for the dispensing pharmacy business and this committee is holding subcommittee meetings. Going forward, we will set up a subcommittee for ethical pharmaceuticals wholesaling business.

2) Measures to strengthen governance at the Company's subsidiaries

[Measures to ensure compliance with the Anti-Monopoly Act]

Alfresa Corporation and other subsidiaries of the Company engaged in the ethical pharmaceuticals wholesaling business have implemented the following measures to strengthen governance in order to ensure thorough compliance with laws including the Anti-Monopoly Act.

(i) Declaration by the top management and thoroughly ensuring awareness in the Company

- The top management of the Company's subsidiaries will declare to all employees once more that they will comply with laws including the Anti-Monopoly Act.
- The strong commitment of top management toward compliance with laws including the Anti-Monopoly Act will be repeatedly communicated to all executives and employees through every opportunity, including management policies presentations for the Company's subsidiaries, various meetings, and training.

(ii) Creation of action guidelines for marketing specialists etc.
- In addition to establishing detailed rules for contact with other companies in the same industry and rules for participation in various conferences and meetings, etc., the Company's subsidiaries shall prepare Q&As for real-life situations and ensure that marketing specialists are aware of them.

(iii) Establishment of a department specializing in compliance and a dedicated law consultation office for the Anti-Monopoly Act
- The Company's subsidiaries have established a specialized department to promote and supervise compliance within the company.
- The Company's subsidiaries shall establish a dedicated telephone consultation office for the Anti-Monopoly Act to receive various questions and whistle-blowing.

(iv) Enhancement of internal education or training regarding the Anti-Monopoly Act
- The Company's subsidiaries shall conduct regular training for managers and other executive employees and training, etc. for marketing specialists (MS).

[Recurrence prevention measures for improper acts pertaining to invoicing of dispensing fees]

The following recurrence prevention measures are being implemented at Apollo Medical Holdings Inc. and Nihon Apoch CO., LTD. (Head office: Kawagoe-shi, Saitama Prefecture), which are consolidated subsidiaries in the dispensing pharmacy business. In addition, we have established a subcommittee under the Compliance and Risk Management Committee as a meeting body held by the Company for dispensing pharmacy business companies to implement PDCA (plan, do, check, and action) measures to prevent recurrence.

(i) Securing appropriate personnel
- Appropriate allocation of pharmacists and clerical staff and reallocation of additional staff as necessary.

(ii) Building and introducing new systems
- Introduce a system that can generate or shorten the time it takes to enter a medication history.
- Establish a system that prevents the falsification of medication history.

(iii) Clarification of internal rules
- Develop procedures and manuals for recording medication history.
- Clarification of penalties for inappropriate claims in the award and penalty rules.

(iv) Strengthening of the management system
- Ensure thorough awareness of the internal rules and report to the head office and the Company.
- Ensure thorough audit guidance by the head office.

(v) Enhancement of internal training

(vi) Fostering a corporate culture that does not tolerate compliance violations
- Promote thorough mindset transformation and company-wide reforms through top management.
- Instill awareness of fair and sincere execution of business and compliance in all employees.
- Establish a Compliance Committee.

(vii) Enhancement and strengthening the whistle-blower system
- Ensure full awareness of whistle-blower system and strengthen system to protect whistle blowers.

3) Priority issues (material issues) and Group management policies, etc.

Material issues are priority issues that will have a significant impact on the realization of a sustainable society and the enhancement of the Group's value over the medium to long term. They are both a threat and a risk over the medium to long term as well as a new business opportunity. The Company has identified the following eight material issues for implementing its medium- to long-term strategy. Although material issues need to be addressed on an ongoing basis over the medium- to long term, as a first step, we will address material issues by responding to the items listed in the Group's management policies and important ESG issues during the period of the 19-21 Mid-term Management Plan.

Category	Material issues		Group management policies, etc.
S	Product and service quality improvement	・Product and service quality control improvement	・The Alfresa Group's Principles
	・Development of innovative technologies and growth markets	・High functionality, efficiency improvements, and growth market development through innovation	・Establishment of group collaboration structure ・Business model innovation ・Further improvements in productivity
	Contribution to the local community	・Establishing good relationships with the local community ・Support for creating a future-oriented society in the local community	・Contribution to the health of people in the local community ・Contribution to the local community
	Developing and promoting the participation of our valuable people	・Respect for human rights ・Training and education of employees ・Diversity and equal opportunity, etc.	・Human resource development ・Creation of a rewarding workplace with a respect for human rights
E	Consideration for the environment	・Energy management ・Management of air, wastewater, and waste	・Consideration for the environment
G	Corporate governance	・Effectiveness of the Board of Directors and Audit & Supervisory Board, information disclosure, etc.	・Strengthening the management foundations to support growth
	Compliance	・Improvement of compliance system and strengthening of implementation	・Enhancement and strengthening of the business foundations
	Risk management	・Strengthen Group management administration ・Business continuity plan for disasters and pandemics	

S=Social, E=Environment, G=Governance

(5) Main business (as of March 31, 2020)

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, 2020)

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, Kikutamachi Oroshi, 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, 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, Serada Cho, Ota, 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, Kandanishikicho, 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, 2020)

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	9,130 (1,739)	Decrease of 84 (Decrease of 230)
Self-Medication Products Wholesaling Business	424 (14)	- (Decrease of 4)
Manufacturing Business	1,325 (282)	Increase of 40 (Decrease of 7)
Medical-Related Business	1,088 (425)	Increase of 25 (Increase of 33)
All group companies (common)	107 (12)	Increase of 17 (Increase of 5)
Total	12,074 (2,472)	Decrease of 2 (Decrease of 203)

(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	-	43.1 years old	13.6 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, 2020)

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, 2020)

1) Total number of authorized shares 540,000,000 shares
2) Total number of shares issued 235,017,600 shares
3) Number of shareholders 10,797
4) Major shareholders (top ten shareholders)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,680	5.99
Japan Trustee Services Bank, Ltd. (Trust Account)	8,817	4.17
Alfresa Holdings Employees Shareholders' Association	5,360	2.53
Eisai Co., Ltd.	4,602	2.17
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,455	2.11
Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,985	1.88
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
STATE STREET BANK AND TRUST COMPANY 505001	3,897	1.84
The Nomura Trust and Banking Co., Ltd. (Fukujin-ke Trust Account)	3,800	1.80
DAIICHI SANKYO COMPANY, LIMITED	3,202	1.51

(Notes) 1. The Company holds treasury stocks of 23,344,229 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, 2020)

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	Koichi Masunaga	Wholesaling Business	Representative Director & President of Alfresa Corporation
Director, Deputy President Assistant to the President	Yasuki Izumi	Group Business & Affiliate Control & Group Information System	
Director, Vice President & Executive Officer	Ryuji Arakawa	Corporate Communication, Business Development & International Business	
Director, Vice President & Executive Officer	Seiichi Kishida	General Affairs, Financial Planning	
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 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 Outside Director of Kosaido Co., Ltd.
Audit & Supervisory Board Member	Yoshitaka Kato		Certified Public Accountant, CEO of Crowe ProC.A Inc. Outside Director of Twinbird Corporation Executive Managing Partner of Shinwa Audit & Co.
Audit & Supervisory Board Member	Takashi Ito		Attorney at law Outside Director of JIO Corporation

(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, 2020, other than those described in "Significant concurrent positions held" are as follows:
   (1) Representative Director & Chairman Hiroyuki Kanome serves concurrently as Director at Tohoku Alfresa Corporation and Meisho Co., Ltd.
   (2) Representative Director & President Taizo Kubo serves concurrently as Director at Alfresa Corporation and Alfresa Pharma Corporation.
   (3) Director, Deputy President Yasuki Izumi serves concurrently as Director at Tohoku Alfresa Corporation, Alfresa Healthcare Corporation and Sannova Co., Ltd.
   (4) Director Ryuji Arakawa serves concurrently as Director at TS Alfresa Corporation, Apollo Medical Holdings Inc. and Nihon Apoch CO., LTD.
   (5) Director Seiichi Kishida serves concurrently as Director at Shikoku Alfresa Corporation and RYUYAKU CO., LTD.
   (6) Director Koichi Shimada serves concurrently as Director & Chairman at Alfresa Fine Chemical Corporation and Director at Sannova Co., Ltd.
   (7) Audit & Supervisory Board Member (Standing) Kenji Kuwayama serves concurrently as Audit & Supervisory Board Member at Tohoku Alfresa Corporation, Alfresa Pharma Corporation and Sannova Co., Ltd.
6. Director Shunichi Miyake retired upon expiration of his term of office at the conclusion of the 16th Ordinary General Meeting of Shareholders held on June 26, 2019.

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)	12 (3)	343 (30)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	4 (3)	56 (30)
Total	16	400

(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. In addition, as a separate framework, introduction of a performance-linked stock-based remuneration plan for Directors (excluding Outside Directors) was resolved at the Ordinary General Meeting of Shareholders held on June 26, 2019.
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 person who retired at the conclusion of the 16th Ordinary General Meeting of Shareholders held on June 26, 2019.
5. The amount of remuneration includes provision for directors' bonuses for the fiscal year ended March 31, 2020 of ¥54 million (for six Directors) and provision for bonuses for stock-based remuneration of ¥19 million (for five Directors). The stock-based remuneration plan is a substitute plan until the introduction of the performance-linked stock-based remuneration plan (officer remuneration BIP trust), and it is a plan under which cash is paid in place of shares based on the same calculation method as the performance-linked stock-based remuneration plan. Although the Company has not yet been unable to establish an officer remuneration BIP trust due to its continued holding of important matters since the previous year, the plan will be promptly adopted after these important matters are announced publicly.

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 1% 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.

(Note) There is no relationship to be disclosed between the significant concurrent positions of Directors Yoichiro Yatsurugi and 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, 2020

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: 75% (15 out of 20 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: 100% (20 out of 20 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% (20 out of 20 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:	95% (19 out of 20 meetings) 95% (19 out of 20 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 and an observer of the Nomination and Remuneration Committee for Directors and Executive Officers, which are voluntary committees.
Audit & Supervisory Board Member	Yoshitaka Kato	Board of Directors' meetings: Audit & Supervisory Board's meetings:	100% (20 out of 20 meetings) 100% (20 out of 20 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% (20 out of 20 meetings) 100% (20 out of 20 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, 2020	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, 2020 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.
(D) As described in "(1) Business conditions and (4) Challenges to be addressed under 1. The current state of the corporate group," the Company is thoroughly implementing its measures to ensure compliance with the Anti-Monopoly Act and recurrence prevention measures for improper acts pertaining to invoicing of dispensing fees.

(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. To respond to the state of emergency declaration by the government in April 2020 regarding the spread of novel coronavirus infection, the Group has established a countermeasures headquarters in accordance with the BCP assuming the spread of novel influenza, and working through cooperation among the Company and the Group companies.

(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.

(C) The Company is working to reinforce the framework of information sharing and reporting system between Group companies, thoroughly enforce compliance education, and enhance and strengthen whistle-blower system through revision of the Group company's operating bylaws and compliance regulations.

(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 20 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 19 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 meetings of the Group-wide Audit & Supervisory Board Committee are held.

(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, 2020, as formulated in the 19-21 Mid-term Management Plan—*The*

Challenge of Further Growth "Together with Health, Together with Communities," the Company's basic policy calls for a consolidated dividend on equity (DOE) ratio of 2.3% or more, comprehensively considering factors such as strengthening of financial position, stability of management bases and future business development, based on its consolidated financial results.

Based on this, the Company decided to pay a year-end dividend of ¥25 per share, for a full-year dividend of ¥50 per share including an interim dividend paid of ¥25 per share.

(Note) Amounts presented in this business report are rounded down to the nearest whole unit, unless otherwise stated.

Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥1,034,411**	**Current liabilities**	**¥836,978**
Cash and deposits	210,547	Trade notes and accounts payable	798,748
Trade notes and accounts receivable	595,353	Short-term debt	570
Marketable securities	10	Lease obligations	1,725
Merchandise and finished goods	142,896	Income taxes payable	10,543
Work in process	1,618	Reserve for bonuses	7,513
Raw materials and supplies	4,426	Reserve for bonuses to directors and corporate auditors	350
Purchase rebates receivable	77,806	Allowance for sales rebates	85
Others	2,418	Allowance for sales returns	634
Allowance for doubtful accounts	(665)	Others	16,807
Non-current assets	**317,207**	**Non-current liabilities**	**39,742**
Property, plant and equipment	**152,178**	Long-term debt	630
Buildings and structures	53,662	Lease obligations	4,243
Machinery, equipment and vehicles	12,692	Deferred tax liabilities	20,541
Tools and fixtures	3,344	Deferred tax liabilities for land revaluation	446
Land	67,178	Reserve for bonuses	44
Leased assets	4,341	Reserve for bonuses to directors and corporate auditors	60
Construction in progress	10,959	Net defined benefit liabilities	11,764
Intangible assets	**17,621**	Asset retirement obligations	937
Goodwill	4,103	Others	1,072
Leased assets	467	**Total liabilities**	**876,720**
Others	13,050	**(Net assets)**	
Investments and other assets	**147,407**	**Shareholders' equity**	**408,797**
Investment securities	128,559	Paid-in capital	18,454
Long-term loans	1,841	Capital surplus	101,958
Deferred tax assets	1,075	Retained earnings	317,752
Net defined benefit assets	5,307	Treasury stock, at cost	(29,368)
Others	15,862	**Accumulated other comprehensive income**	**64,905**
Allowance for doubtful accounts	(5,238)	Unrealized gains on available-for-sale securities, net of taxes	66,901
		Unrealized gains on deferred hedge	(0)
		Revaluation reserve for land	(3,658)
		Foreign currency translation adjustments	65
		Remeasurements of defined benefit plans, net of taxes	1,597
		Non-controlling interests	**1,196**
		Total net assets	**474,898**
Total assets	**¥1,351,619**	**Total liabilities and net assets**	**¥1,351,619**

Consolidated Statements of Income

(From April 1, 2019 to March 31, 2020)

(Millions of Yen)

Account title	Amount	
Net sales		**¥2,698,511**
Cost of sales		**2,491,433**
Reversal of allowance for returned unsold goods	678	
Allowance for returned unsold goods	634	44
Total deduction		**207,122**
Selling, general and administrative expenses		**159,476**
Operating income		**47,645**
Other income		
Interest income	104	
Dividend income	2,363	
Information fees received	6,200	
Others	2,562	11,231
Other expenses		
Interest expenses	98	
Equity in net loss of affiliates	1,037	
Expense for rental property	219	
Others	350	1,706
Ordinary profit		**57,170**
Extraordinary profit		
Gain on sales of non-current assets	1,111	
Gain on sales of investment securities	2,503	3,615
Extraordinary loss		
Loss on sale of non-current assets	233	
Loss on disposal of property, plant and equipment	169	
Loss on impairment of non-current assets	779	
Loss on devaluation of investment securities	299	
Other	69	1,551
Income before income taxes and non-controlling interests		**59,233**
Current	19,664	
Deferred	(751)	18,913
Profit		**40,320**
Attributable to non-controlling interests :		47
Attributable to owners of parent		**¥40,273**

Consolidated Statements of Changes in Net Assets

(From April 1, 2019 to March 31, 2020)

(Millions of Yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance - previously stated	¥18,454	¥101,958	¥288,129	¥(29,365)	¥379,176
Effect of finalization of provisional accounting treatment			25		25
Restated balance	18,454	101,958	288,154	(29,365)	379,201
Changes during the fiscal year					
Cash dividends from retained earnings			(10,372)		(10,372)
Profit attributable to owners of parent			40,273		40,273
Treasury stock acquired				(2)	(2)
Disposal of treasury stock		0		0	0
Reversal of revaluation reserve for land			(18)		(18)
Other			(284)		(284)
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	—	0	29,598	(2)	29,595
Ending balance	¥18,454	¥101,958	¥317,752	¥(29,368)	¥408,797

	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	¥63,167	¥(0)	¥(3,676)	¥89	¥2,142	¥61,722	¥1,157	¥442,056
Effect of finalization of provisional accounting treatment								25
Restated balance	63,167	(0)	(3,676)	89	2,142	61,722	1,157	442,081
Changes during the fiscal year								
Cash dividends from retained earnings								(10,372)
Profit attributable to owners of parent								40,273
Treasury stock acquired								(2)
Disposal of treasury stock								0
Reversal of revaluation reserve for land								(18)
Other								(284)
Changes in items other than shareholders' equity during the fiscal year (net)	3,734	0	18	(24)	(545)	3,182	38	3,221
Total changes during the fiscal year	3,734	0	18	(24)	(545)	3,182	38	32,817
Ending balance	¥66,901	¥(0)	¥(3,658)	¥65	¥1,597	¥64,905	¥1,196	¥474,898

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:
Not applicable
In the fiscal year ended March 31, 2020, HANSHIN Dispensing Holding Co., Ltd. ceased to exit following its organizational restructuring (absorption-type merger). However, owing in large part to the merger ratio, the Company's proportion of ownership in the surviving (merging) company decreased, therefore the surviving company was excluded from the scope of consolidation.
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) Matters related to accounting standards
1) Valuation standards and method of significant assets
(A) Valuation standards and method of securities
Available-for-sale securities
(a) Securities with fair values: Stated at fair values based on market prices, etc., at the end of the fiscal year (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)
(b) Securities without fair values: Stated at cost as determined by using moving-average method
(B) Valuation standards and method of inventories
(a) Consolidated domestic subsidiaries
Merchandise and finished goods, work in process, raw materials and supplies: Stated at cost as determined principally by using gross average method (Balance sheet amounts are calculated by writing down the book value of assets based on a decline in profitability)
(b) Consolidated overseas subsidiaries
Finished goods, work in process, raw materials: Stated at cost as determined by using moving-average method (Balance sheet amounts are calculated by writing down the book value of assets based on a decline in profitability)
(C) Valuation standards and method of derivatives
- Derivatives: Stated at fair values

2) Depreciation method for significant depreciable assets
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.

5) 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	93
Buildings and structures	1,152
Land	1,233
Investment in securities	14,654
Other (Investments and other assets)	49
Total	¥17,370

2) Secured liabilities

	(Millions of Yen)
Trade notes and accounts payable	¥13,402
Short-term debt	110
Long-term debt	435
Total	¥13,948

(2) Accumulated depreciation of property, plant and equipment ¥85,033 million

(3) Guarantee obligations

The Company has provided guarantees principally for purchase obligations incurred by companies other than its consolidated subsidiaries.

	(Millions of Yen)
Specialty Medical Distribution Corporation	¥6,279
Other	2
Total	¥6,281

(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 vehicles	180
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 ¥(1,915) million

(6) Contingent liabilities

On November 27, 2019, a consolidated subsidiary, Alfresa Corporation received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Anti-Monopoly Act regarding its bidding to supply ethical pharmaceuticals to Japan Community Health care Organization (JCHO).

This event may result in a negative impact on the Group’s consolidated performance. However, as an investigation is still in progress, it is difficult at present to reasonably estimate the financial impact of it.

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, 2019	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2020
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, 2019	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2020
Common stock	23,343 thousand shares	1 thousand shares	0 thousand shares	23,344 thousand shares

(Note) An increase of 1 thousand shares in treasury stock is 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 15, 2019	Common stock	¥5,080 million	¥24	March 31, 2019	June 5, 2019
Board of Directors' meeting held on November 6, 2019	Common stock	¥5,291 million	¥25	September 30, 2019	December 4, 2019

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 12, 2020	Common stock	Retained earnings	¥5,291 million	¥25	March 31, 2020	June 4, 2020

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 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 (CMS) as a genuine holding company, and optimizes Company-wide financing and operating of funds.

The departments in charge at consolidated subsidiaries 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, 2020 are as follows:

(Millions of Yen)

	Book value	Fair value	Difference
1) Cash and deposits	¥210,547	¥210,547	¥–
2) Trade notes and accounts receivable	595,353	595,353	–
3) Purchase rebates receivable	77,806	77,806	–
4) Marketable securities and investment securities	122,835	122,835	–
5) Trade notes and accounts payable (*)	[798,748]	[798,748]	–

(*) 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.	¥5,733

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, 2020

(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	¥210,547	¥–	¥–	¥–
2) Trade notes and accounts receivable	595,353	–	–	–
3) Purchase rebates receivable	77,806	–	–	–
4) Marketable securities and investment securities Available-for-sale securities with maturities				
(A) Bonds (corporate bonds)	10	229	400	–
(B) Other	–	–	20	–
Total	¥883,717	¥229	¥420	¥–

5. Notes on business combination, etc.

Finalization of provisional accounting treatment concerning a business combination

In the consolidated fiscal year ended March 31, 2019, the Company applied an accounting treatment to record provisional amounts related to the business combination, effective from March 1, 2019, between Alfresa Pharma Corporation (the Company's consolidated subsidiary) and DAIICHI SANKYO COMPANY, LIMITED, DAIICHI SANKYO ESPHA CO., LTD, a DAIICHI SANKYO COMPANY, LIMITED's consolidated subsidiary. In the consolidated fiscal year ended March 31, 2020, the provisional amounts were finalized.

Following the finalization of the provisional accounting treatment, the initially allocated acquisition costs on the business combination were restated as described below.

(1) Breakdown of restated allocation amounts

Goodwill (provisional)	¥5,845 million
Manufacturing and marketing rights	(7,482) million
Deferred tax liabilities	2,287 million
Goodwill (finalized)	¥651 million

(2) Method and period of amortization for manufacturing and marketing rights

Amortized over 15 years using the straight-line method

(3) The affected amount by the restatements

As a result of the above restatements, goodwill and deferred tax assets at the end of the consolidated fiscal year ended March 31, 2019 decreased by ¥5,139 million and ¥2,275 million respectively, while manufacturing and marketing rights and retained earnings increased by ¥7,440 million and ¥25 million, respectively.

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 ¥ 2,237.89

(2) Net income per share ¥190.26

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, 2020)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥41,149**	**Current liabilities**	**¥10,903**
Cash and deposits	23,347	Accounts payable - other	85
Prepaid expenses	3	Income taxes payable	137
Short-term loans receivable from subsidiaries and affiliates	12,924	Accrued consumption taxes	32
Income taxes receivable	4,848	Deposits received from subsidiaries and affiliates	10,526
Others	25	Reserve for employees' bonuses	46
Non-current assets	**219,236**	Reserve for bonuses to directors and corporate auditors	54
Property, plant and equipment	**41**	Others	21
Buildings	27	**Non-current liabilities**	**1,146**
Furniture and fixtures	14	Deferred tax liabilities	1,123
Intangible assets	**3**	Reserve for employees' bonuses	1
Software	3	Reserve for bonuses to directors and corporate auditors	19
Investments and other assets	**219,191**	Other	1
Investment in securities	9,279	**Total liabilities**	**12,049**
Shares of subsidiaries and affiliates	194,131	**(Net assets)**	
Investments in capital of subsidiaries and affiliates	234	**Shareholders' equity**	**245,677**
Long-term loans receivable from subsidiaries and affiliates	15,368	**Common stock**	**18,454**
Long-term prepaid expenses	2	**Capital surplus**	**175,428**
Guarantee deposits	175	Legal capital surplus	58,542
		Other capital surplus	116,886
		Retained earnings	**89,989**
		Other retained earnings	89,989
		Retained earnings brought forward	89,989
		Treasury stock, at cost	**(38,194)**
		Valuation and translation adjustments	**2,658**
		Unrealized gain on available-for-sale securities, net of taxes	**2,658**
		Total net assets	**248,336**
Total assets	**¥260,385**	**Total liabilities and net assets**	**¥260,385**

Non-consolidated Statements of Income

(From April 1, 2019 to March 31, 2020)

(Millions of Yen)

Account title	Amount	
Operating revenue		
Dividend income	¥24,171	
Group management income	1,904	26,075
Operating expenses		
General and administrative expenses		1,813
Operating income		**24,262**
Other income		
Interest income	123	
Interest on securities	7	
Dividend income	146	
Others	12	289
Other expenses		
Interest expenses	3	
Other	8	11
Ordinary profit		**24,540**
Extraordinary loss		
Loss on valuation of shares of subsidiaries and affiliates	2,127	2,127
Income before income taxes and non-controlling interests		**22,412**
Current	156	
Deferred	(11)	144
Profit		**¥ 22,267**

Non-consolidated Statements of Changes in Net Assets

(From April 1, 2019 to March 31, 2020)

(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	¥116,886	¥175,428	¥78,093	¥78,093	¥ (38,191)	¥233,784	¥2,365	¥2,365	¥236,149
Changes during the fiscal year											
Cash dividends from retained earnings					(10,372)	(10,372)		(10,372)			(10,372)
Profit					22,267	22,267		22,267			22,267
Treasury stock acquired							(2)	(2)			(2)
Disposal of treasury stock			0	0			0	0			0
Changes in items other than shareholders' equity during the fiscal year (net)									292	292	292
Total changes during the fiscal year	—	—	0	0	11,895	11,895	(2)	11,893	292	292	12,186
Ending balance	¥18,454	¥58,542	¥116,886	¥175,428	¥89,989	¥89,989	¥(38,194)	¥245,677	¥2,658	¥2,658	¥248,336

Notes to Non-consolidated Financial Statements

1. Notes to matters concerning significant accounting policies

(1) Valuation standards and method of securities

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

2) Available-for-sale securities

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

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

(2) Depreciation method for non-current assets

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

Buildings: 8 to 18 years
Furniture and fixtures: 5 to 15 years

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

(3) Accounting standards for reserves

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

2) Allowance for bonuses to directors and audit & supervisory board members:

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

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

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

2. Notes on non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment ¥94 million

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

1) Short-term monetary claims ¥12,925 million
2) Long-term monetary claims ¥15,368 million
3) Short-term monetary obligations ¥10,543 million

3. Notes on non-consolidated statements of income

Amount of transactions with subsidiaries and affiliates

(1) Operating revenue (Dividend income) ¥24,171 million
(2) Operating revenue (Group management income) ¥1,904 million
(3) Operating expenses ¥28 million
(4) Amount of transactions other than operating transactions ¥126 million

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

Matters concerning the number of treasury stock

Type of shares	Number of shares as of April 1, 2019	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2020
Common stock	23,343 thousand shares	1 thousand shares	0 thousand shares	23,344 thousand shares

(Note) An increase of 1 thousand shares in treasury stock is 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.

5. Notes on tax effect accounting

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

	(Millions of Yen)
1) Deferred tax assets	
Disallowed accrued enterprise tax	¥33
Disallowed allowance for bonuses	14
Disallowed loss on valuation of shares of subsidiaries and affiliates	2,220
Disallowed loss on valuation of investments in capital of subsidiaries and affiliates	152
Disallowed loss on devaluation of investment securities	10
Other	12
Subtotal of deferred tax assets	2,445
Valuation allowance	(2,391)
Total deferred tax assets	53
2) Deferred tax liabilities	
Unrealized gains on securities	(1,158)
Other	(19)
Total deferred tax liabilities	(1,177)
Net deferred tax liabilities	¥(1,123)

(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	(33.1)%
Non-deductible bonuses to directors and audit & supervisory board members	0.1%
Inhabitant tax per capita basis	0.0%
Other	2.9%
Effective tax rate after the application of the tax effect accounting	0.6%

6**. Notes on related party transactions**

Subsidiaries and affiliated companies, etc.

Type	Name of company, etc.	Amount of capital or amount of contribution (Millions of Yen)	Description of business	Ratio of ownership of voting rights, etc. (%)	Relationship with related parties	Description of transactions	Amounts of transactions (Millions of Yen)	Account title	Balance at end of the fiscal year (Millions of Yen)
Subsidiaries	Alfresa Corporation	4,000	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	35,628	–	–
	Alfresa Pharma Corporation	1,000	Pharmaceutical manufacturing	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	17,057	Loans receivable from subsidiaries and affiliates	15,350
	Alfresa Healthcare Corporation	499	Self-medication products wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	6,815	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	3,497	Deposits received from subsidiaries and affiliates	4,654
	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	4,522	Loans receivable from subsidiaries and affiliates	3,942

Terms of transactions and policies etc. for the determination thereof

(Note) Funds received and loaned are related to the cash management system (CMS) that centralizes the funds within the group to be managed, and amounts of transactions are stated at the average balance of deposits and loans during the fiscal year ended March 31, 2020. Payment and receipt of interests are reasonably determined in consideration of market interest rates.

7. Notes on per share information

(1) Net assets per share ¥1,173.20

(2) Net income per share ¥105.20

(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 11, 2020

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC
Tokyo Office

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]

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Alfresa Holdings Corporation (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Alfresa Holdings Corporation, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future

events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

Independent Auditor's Report

May 11, 2020

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC
Tokyo Office

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]

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Alfresa Holdings Corporation (the "Company") for the 17th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the

notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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 17th fiscal year from April 1, 2019 to March 31, 2020, 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, 2020, and set out a priority auditing task, namely the reinforcement of the medium to long-term human resources development. 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, 2020.

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.

Separately, as stated in the Business Report, it was reported that the Dispensing Pharmaceutical Business is identified with inappropriate business conduct over dispensing fees at one of the Company's consolidated subsidiaries. The Audit & Supervisory Board confirms that measures to prevent the recurrence of the inappropriate conduct have been established. Going forward, The Audit & Supervisory Board ensures to continue the close monitoring of the appropriate implementation of the measures to prevent a recurrence of this issue.

In addition, as stated in the Business Report, the Ethical Pharmaceuticals Wholesaling Business reported that, on Nonmember 27, 2019, one of the Company's consolidated subsidiaries underwent an on-site inspection by the Japan Fair Trade Commission. The Audit & Supervisory Board considers the above matter with utmost seriousness and sincerity, ensuring that it will intensify its supervision and verification of the initiatives to formulate a more enhanced Group-wide compliance framework.

(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 12, 2020

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]