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, 2021

To Shareholders with Voting Rights:

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

NOTICE OF
THE 18TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

The 18th Ordinary General Meeting of Shareholders of Alfresa Holdings Corporation (the "Company") will be held for the purposes as described below.

From the perspective of preventing the spread of novel coronavirus infection, we request that shareholders exercise their voting rights in advance either in writing or via the Internet, etc. In addition, regardless of your health condition, we also 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 Thursday, June 24, 2021 (JST).

You may also view the live streaming of the proceedings of the General Meeting of Shareholders via the Internet on the day of the meeting.

1. Date and Time: 10:00 a.m., Friday, June 25, 2021 (JST)

2. Place: Fuji room, 4th Floor, Hotel Grand Arc Hanzomon
1-1, Hayabusacho, Chiyoda-ku, Tokyo, Japan
(This year, we are holding the meeting at Hotel Grand Arc Hanzomon although the meeting was held in the Company's meeting room last year. Please note that the venue differs from that of previous year, 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 increasing the space between seats and, consequently, the number of seats available has decreased significantly from the maximum number of seats of the venue. Accordingly, you may be refused admission even if you visit on the day.
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 18th Fiscal Year (April 1, 2020 – March 31, 2021)
2. Non-consolidated Financial Statements for the Company's 18th Fiscal Year (April 1, 2020 – March 31, 2021)

Proposals to be resolved:

Proposal 1: Election of Eleven (11) Directors

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

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/eng/ir/meeting/).

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., Friday, June 25, 2021 (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., Thursday, June 24, 2021 (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., Thursday, June 24, 2021 (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)

Information on Internet Live Streaming:

In order to enable shareholders to view the Company's General Meeting of Shareholders from their homes or other locations, the Company will offer live Internet streaming of the meeting as follows.

1. Date and time of streaming

10:00 a.m., Friday, June 25, 2021 (JST)

to the end of the General Meeting of Shareholders

* The live streaming website is scheduled to open at around 9:30 a.m., 30 minutes before the start time.

2. How to watch the live stream

(1) Please access the viewing website by entering the following URL directly on your computer or smartphone, or by reading the QR code.

Viewing website URL	https://2784.v-virtual-mtg.jp

(QR code)

(2) After accessing the website, please follow the instructions on the screen and enter your ID and password as shown below.

1) ID: "Shareholder number" (8-digit half-width number) stated on the Voting Rights Exercise Form
* Please be sure to take a note of the "shareholder number" before sending the Voting Rights Exercise Form by mail.

2) Password: "Postal code" (7 single-byte characters excluding a hyphen) of the address registered in the shareholders' register as of March 31, 2021 (record date)

3. Notes on viewing

(1) It may not be possible to conduct live streaming due to unavoidable circumstances. In such cases, we will notify you via our website (https://www.alfresa.com/eng/ir/meeting/).
(2) Viewing the live stream is not considered to be attending the General Meeting of Shareholders under the Companies Act, and therefore you will not be able to exercise your voting rights or make any comments, including questions. Please exercise your voting rights in advance in the manner indicated on page 3.
(3) The live stream of the meeting will be limited to the shareholders only.
(4) It is strictly prohibited to film, record, or save the live stream, or to make it available to the public through social media.
(5) Please note that due to factors such as the Internet communication environment, video and audio may be distorted, transmission may be interrupted, and other problems may occur.
(6) You may not be able to view the live stream depending on your device or network environment.
(7) Any costs incurred in accessing the website for streaming (Internet connection fees, communication fees, etc.) shall be borne by the shareholder.

4. Information for Shareholders Attending the General Meeting of Shareholders

In consideration of the privacy of the shareholders and other matters, we will only film the screen image and the area around the seats of officers for the live stream. However, there may be cases where shareholders in attendance are unavoidably filmed. Thank you for your understanding.

[Contact points for inquiries regarding live streaming]

1) Inquiries regarding ID and password

Mitsubishi UFJ Trust and Banking Corporation 0120-191-060 (toll free)

2) Inquiries regarding the network environment and other technical matters

V-cube, Inc. (03) 4556-9219

Reception time:	From 9:00 a.m., Friday, June 25, 2021 (JST) to the end of the General Meeting of Shareholders

* The password may differ from the postal code indicated on the Voting Rights Exercise Form.
(Please enter your registered postal code as of March 31, 2021 (record date) as information is not reflected if a change of address is noticed after the record date, or if the mailing address for the Voting Rights Exercise Form is separately designated. If you are a non-resident of Japan and have designated a standing proxy, please enter the postal code of the proxy.)

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:	Director & Chairman -	9 years	100% (18 of 18 meetings)
2	[To be reelected]	Ryuji Arakawa	Position: Responsibilities:	Representative Director & President -	5 years	100% (18 of 18 meetings)
3	[To be reelected]	Yasuki Izumi	Position: Responsibilities:	Director, Deputy President Assistant to the President, Group Business & Affiliate Management, Digital Transformation (DX)	7 years	100% (18 of 18 meetings)
4	[To be reelected]	Seiichi Kishida	Position: Responsibilities:	Director, Senior Vice President & Executive Officer General Affairs, Financial Planning, Corporate Communication, Compliance & Risk Management	2 years	100% (18 of 18 meetings)
5	[To be reelected]	Hisashi Katsuki	Position: Responsibilities:	Director -	4 years	100% (18 of 18 meetings)
6	[To be reelected]	Koichi Shimada	Position: Responsibilities:	Director -	3 years	94.4% (17 of 18 meetings)
7	[To be reelected]	Yusuke Fukujin	Position: Responsibilities:	Director -	1 year	100% (13 of 13 meetings)
8	[To be reelected] [Outside Director] [Independent Director]	Yoichiro Yatsurugi	Position: Responsibilities:	Director Chairman, Corporate Governance Committee	4 years	100% (18 of 18 meetings)
9	[To be reelected] [Outside Director] [Independent Director]	Takashi Hara	Position: Responsibilities:	Director -	1 year	100% (13 of 13 meetings)

No.		Name	Current position and responsibilities in the Company		Term of office	Attendance of Board of Directors' meetings
10	[To be reelected] [Outside Director] [Independent Director]	Manabu Kinoshita	Position: Responsibilities:	Director Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	1 year	100% (13 of 13 meetings)
11	[To be reelected] [Outside Director] [Independent Director]	Toshie Takeuchi	Position: Responsibilities:	Director -	1 year	100% (13 of 13 meetings)

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
1	 Taizo Kubo [To be reelected] Date of birth: August 11, 1955 (age 65) Term of office at the conclusion of this general meeting: 9 years Attendance of Board of Directors' meetings: 100% (18 out of 18 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 June 2020 Director & Chairman 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.	77,700
	[Reasons for election as candidate for Director] Mr. Taizo Kubo has served as Representative Director, etc., and he is deeply familiar with the general operations of the Company and its operating companies. Additionally, in a rapidly changing social environment, his remarks from a high and broad perspective based on his abundant experience have contributed to rapid and resolute decision-making in management. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.		

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

[To be reelected]

Date of birth:
March 5, 1963
(age 58)

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

Attendance of Board of Directors' meetings:
100% (18 out of 18 meetings)</td><td colspan="2">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
June 2020 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.</td><td>63,220</td></tr>
<tr><td colspan="4">[Reasons for election as candidate for Director]
As Representative Director, Mr. Ryuji Arakawa is leading the Company and its Group companies so that they can respond accurately and flexibly to changes in the business environment. He has also served as Representative Director, etc. of operating companies, and has a wealth of experience and a proven track record including playing a central role as the person in charge of Business Development & International Business and Corporate Communication at the Company. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
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<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">3</td><td>
Yasuki Izumi

[To be reelected]

Date of birth:
January 28, 1956
(age 65)

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

Attendance of Board of Directors' meetings:
100% (18 out of 18 meetings)</td><td>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
April 2021 Director, Deputy President, Assistant to the President of the Company, Group Business & Affiliate Management, Digital Transformation (DX) (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>12,080</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Director]
Based on his experience of being in charge of Group Business & Affiliate Management, Mr. Yasuki Izumi is expected to be in charge of Digital Transformation (DX), which is one of the management issues. He also has a wealth of experience and a proven track record through his careers responsible for Group Business, Business Development and International Business. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
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<tr><th>No.</th><th>Name</th><th colspan="2">Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">4</td><td>
Seiichi Kishida

[To be reelected]

Date of birth:
March 31, 1960
(age 61)

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

Attendance of Board of Directors' meetings:
100% (18 of 18 meetings)</td><td colspan="2">April 1982 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)
October 2008 General Manager of Accounting Department of Alfresa Corporation
April 2013 General Manager of Human Resources Department of Alfresa Corporation
April 2017 Executive Officer of Alfresa Corporation, General Manager of Human Resources Department
April 2018 Executive Officer of the Company, General Manager of Financial Planning Department
April 2019 Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department
June 2019 Director, Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department
April 2020 Director, Senior Vice President & Executive Officer of the Company, General Affairs, Financial Planning, Compliance & Risk Management, Internal Control
June 2020 Director, Senior Vice President & Executive Officer of the Company, General Affairs, Finance, Corporate Communication, Compliance & Risk Management
April 2021 Director, Senior Vice President & Executive Officer of the Company, General Affairs, Financial Planning, Corporate Communication, Compliance & Risk Management (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>7,266</td></tr>
<tr><td colspan="4">[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. In addition, as the person in charge of Compliance & Risk Management, he has focused on preventing the recurrence of misconducts and fostering a corporate culture that eliminates the violation of compliance. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
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<table>
<tr><th>No.</th><th>Name</th><th>Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">5</td><td>
Hisashi Katsuki

[To be reelected]

Date of birth:
August 9, 1956
(age 64)

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

Attendance of Board of Directors' meetings:
100% (18 out of 18 meetings)</td><td>October 1984 Joined Pigeon Corporation
December 2001 Managing Executive Officer of Pigeon Corporation
April 2004 Director of Pigeon Corporation
June 2009 Representative Director & President of TAMPEI NAKATA CO., LTD. (currently Alfresa Healthcare Corporation)
October 2011 Representative Director & President of Alfresa Healthcare Corporation (present)
October 2014 Representative Director & Chairman of Mogi Pharmaceutical Co., Ltd.
June 2017 Director of the Company (present)
[Significant concurrent position]
Representative Director & President of Alfresa Healthcare Corporation
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>15,392</td></tr>
<tr><td colspan="3">[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.</td></tr>
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<tr><th>No.</th><th>Name</th><th colspan="2">Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">6</td><td>
Koichi Shimada

[To be reelected]

Date of birth:
October 15, 1958
(age 62)

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

Attendance of Board of Directors' meetings:
94.4% (17 out of 18 meetings)</td><td colspan="2">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>2,620</td></tr>
<tr><td colspan="4">[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>
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<tr><th>No.</th><th>Name</th><th colspan="2">Career summary, position and responsibilities in the Company,
significant concurrent positions and note related to candidate for directors</th><th>Number of shares of the Company held</th></tr>
<tr><td rowspan="2">7</td><td>
Yusuke Fukujin

[To be reelected]

Date of birth:
June 27, 1976
(age 44)

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

Attendance of Board of Directors' meetings:
100% (13 out of 13 meetings)</td><td colspan="2">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
June 2020 Representative Director & President of Alfresa Corporation (present)
June 2020 Director of the Company (present)
[Significant concurrent position]
Representative Director & President of Alfresa Corporation
[Note related to candidate for Director]
No conflict of special interest exists between the candidate and the Company.</td><td>1,779,188</td></tr>
<tr><td colspan="4">[Reasons for election as candidate for Director]
As Representative Director of the Company's key subsidiary Alfresa Corporation, Mr. Yusuke Fukujin plays a core role in the Ethical Pharmaceuticals Wholesaling Business, while actively working to transform the business model with a view to enhancing corporate value over the medium to long term. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</td></tr>
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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 66) Term of office at the conclusion of this general meeting: 4 years Attendance of Board of Directors' meetings: 100% (18 out of 18 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 June 2020 July 2021 [Significant concurrent positions] Director of Igreque, Inc. Senior Managing Director, Executive Officer of Densan System Co., Ltd. (scheduled to assume the post in July 2021) [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 Executive Vice President of Works Applications Co., Ltd. Board Director, Executive Vice President of Works Applications Co., Ltd Chairman, Corporate Governance Committee of the Company (present) Senior Managing Director, Executive Officer of Densan System Co., Ltd. (scheduled to assume the post)	–
	[Reasons for election as candidate for Outside Director and outline of expected role] 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. Additionally, he has a high level of expertise through his careers including serving as an expert member of the Digital Government Working Group of the Council for Promotion of Regulatory Reform of the Cabinet Office. He has been elected as a candidate for Outside Director because he can be expected to continue 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. 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 Director of Igreque, Inc. and is scheduled to assume the post of Senior Managing Director, Executive Officer of Densan System Co., Ltd. in July 2021; however, both companies have no transactions with the Company.

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 reelected] [Outside Director] [Independent Director] Date of birth: August 24, 1951 (age 69) Term of office at the conclusion of this general meeting: 1 year Attendance of Board of Directors' meetings: 100% (13 out of 13 meetings)	April 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 June 2020 Senior Advisor of Sojitz Corporation (present) June 2020 Outside Director of UNIRITA Inc. (present) June 2020 Director of the Company (present) [Significant concurrent positions] Senior Advisor of Sojitz Corporation Outside Director of UNIRITA Inc. [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 and outline of expected role] 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 continue 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, 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.

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, 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. He also serves as Senior Advisor of Sojitz Corporation and Outside Director of UNIRITA Inc.; however, both companies have no transactions with the Company.

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 reelected] [Outside Director] [Independent Director] Date of birth: May 17, 1954 (age 67) Term of office at the conclusion of this general meeting: 1 year Attendance of Board of Directors' meetings: 100% (13 out of 13 meetings)	April 1978 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) June 2020 Director of the Company (present) June 2020 Chairman, Nomination and Remuneration Committee for Directors and Executive Officers of the Company (present) June 2020 Outside Director of Sumitomo Metal Mining Co., Ltd. (present) [Significant concurrent positions] Senior Officer of NEC Corporation Outside Director of Sumitomo Metal Mining Co., Ltd. [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 and outline of expected role] 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 continue 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, 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.

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. He also serves as Outside Director of Sumitomo Metal Mining Co., Ltd.; however, the Company has no transactions with such company.

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 reelected] [Outside Director] [Independent Director] Date of birth: January 22, 1955 (age 66) Term of office at the conclusion of this general meeting: 1 year Attendance of Board of Directors' meetings: 100% (13 out of 13 meetings)	April 1978 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 June 2020 Director of the Company (present) [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 and outline of expected role] 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 continue 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, and the Company has designated her as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted 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.

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

Of the five (5) current Audit & Supervisory Board Members, the terms of office of Mr. Seisui Kamigaki and Mr. Yoshitaka Kato will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we would like to propose the election of two (2) Audit & Supervisory Board Members.

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

The candidates are as follows:

<table>
<tr><th>No.</th><th>Name</th><th>Career summary and position in the Company,
significant concurrent positions and note related to candidate for
Outside Audit & Supervisory Board Member</th><th>Number of shares of the Company held</th></tr>
<tr><td>1</td><td>
Seisui Kamigaki

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

Date of birth:
July 1, 1945
(age 75)

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

Attendance of Board of Directors' meetings:
100% (18 out of 18 meetings)

Attendance of Audit & Supervisory Board' meetings:
100% (22 out of 22 meetings)</td><td>April 1973 Prosecutor of Tokyo District Public Prosecutors Office
October 2000 Chief Prosecutor of Naha District Public Prosecutors Office
September 2003 Director-General, General Affairs Department, Supreme Public Prosecutors Office
December 2004 Chief Prosecutor of Chiba District Public Prosecutors Office
August 2005 Chief Prosecutor of Yokohama District Public Prosecutors Office
July 2007 Commissioner of Japan Fair Trade Commission
July 2012 Attorney at Law of Hibiya Sogo Law Offices (present)
June 2013 Audit & Supervisory Board Member of the Company (present)
June 2013 Outside Audit & Supervisory Board Member of Mitsubishi Shokuhin Co., Ltd. (present)
May 2015 Outside Director (Audit and Supervisory Committee Member) of YONDOSHI HOLDINGS INC.
June 2015 Outside Director of Universal Entertainment Corporation
June 2019 Outside Director of KOSAIDO Co., Ltd.
[Significant concurrent positions]
Attorney at law
Outside Audit & Supervisory Board Member of Mitsubishi Shokuhin Co., Ltd.
[Note related to candidate for Outside Audit & Supervisory Board Member]
No conflict of special interest exists between the candidate and the Company.</td><td>1,600</td></tr>
<tr><td colspan="4">[Reasons for election as candidate for Outside Audit & Supervisory Board Member]
Mr. Seisui Kamigaki has been elected as a candidate for Outside Audit & Supervisory Board Member because we believe that he will continue to apply his high level of expertise in and broad insight into general legal affairs and corporate compliance, which he gained through positions including prosecutor and commissioner of Japan Fair Trade Commission, to the audit system of the Company. Although he has never assumed positions of business management other than outside officer, because of the above reason, we believe that he is capable of executing his duties as Outside Audit & Supervisory Board Member.</td></tr>
</table>

[Items regarding independence of Outside Audit & Supervisory Board Member]

Mr. Seisui Kamigaki meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Audit & Supervisory Board Member, and the Company has designated him as an independent auditor as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.

He is an attorney at law and serves as Outside Audit & Supervisory Board Member of Mitsubishi Shokuhin Co., Ltd.; however, the Company has no transactions with such company.

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

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

Date of birth:
August 17, 1959
(age 61)

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

Attendance of Board of Directors' meetings:
100% (18 out of 18 meetings)

Attendance of Audit & Supervisory Board' meetings:
100% (22 out of 22 meetings)</td><td>October 1983 Joined Pricewaterhouse (currently PricewaterhouseCoopers Arata LLC)
October 1990 Joined Fidelity Investments Management (Japan) Limited (currently FIL Investments (Japan) Limited)
May 1994 Joined Yamada Accounting Office (currently Grant Thornton Yamada & Partners)
November 1999 Partner of YUSEI Audit & Co.
March 2002 Managing Partner of YUSEI Audit & Co.
January 2010 CEO of YUSEI Advisory Co., Ltd.
January 2017 Chairman, Partner of YUSEI Audit & Co.
June 2017 Audit & Supervisory Board Member of the Company (present)
July 2018 CEO of Crowe ProC.A Inc. (present)
May 2019 Outside Director of TWINBIRD CORPORATION (present)
August 2019 Executive Managing Partner of Shinwa Audit & Co.
[Significant concurrent positions]
Certified public accountant
CEO of Crowe ProC.A Inc.
Outside Director of TWINBIRD CORPORATION
[Note related to candidate for Outside Audit & Supervisory Board Member]
No conflict of special interest exists between the candidate and the Company.</td><td>400</td></tr>
<tr><td colspan="3">[Reasons for election as candidate for Outside Audit & Supervisory Board Member]
Mr. Yoshitaka Kato has a high level of expertise in the areas of finance and accounting as a certified public accountant, through his careers including serving as the executive managing partner of an auditing firm. He has been elected as a candidate for Outside Audit & Supervisory Board Member, because we believe that he will continue to provide opinions from an objective and neutral perspective as an accounting expert, and apply them to the audit system of the Company.</td></tr>
</table>

[Items regarding independence of Outside Audit & Supervisory Board Member]

Mr. Yoshitaka Kato meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Audit & Supervisory Board Member, and the Company has designated him as an independent auditor as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.

He is a certified public accountant and serves as CEO of Crowe ProC.A Inc. and Outside Director of TWINBIRD CORPORATION; however, both of these companies have no transactions with the Company.

<Summary of Directors and Officers Liability Insurance Contract>

The Company has entered into a directors and officers liability insurance contract with an insurance company, where officers of the Company are included in the insured, as provided for in Article 430-3, Paragraph 1 of the Companies Act. The said insurance contract covers damages and litigation expenses that the insured may be reliable for, arising from damage claims due to acts committed by the insured (including omissions) in their capacity as officers, etc. of the Company. The Company bears the entire premium for the insured. If the proposals 1 and 2 are approved, each candidate will be included in the insured under the said insurance contract. The Company plans to renew the insurance contract with same contents during the term of office of the candidates.

<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 for Outside Directors, etc., to perform their duties as expected to the fullest extent, the Company has entered into a liability limitation agreement with each Outside Director and Audit & Supervisory Board Member, pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, to limit their liability for damages as provided for by Article 423, Paragraph 1 of the Companies Act. If the proposals 1 and 2 are approved, the Company plans to continue the liability limitation agreement with each Outside Director and Audit & Supervisory Board Member.

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

(Attached document)

Business Report

(From April 1, 2020 to March 31, 2021)

On December 9, 2020, a consolidated subsidiary, Alfresa Corporation (Head office: Chiyoda-ku, Tokyo; hereinafter "Alfresa") and Alfresa employees, etc. were prosecuted by the Tokyo District Public Prosecutors Office on suspicion of violating the Antimonopoly Act in bidding for supply of ethical pharmaceuticals ordered by the Japan Community Health care Organization (JCHO). We solemnly and seriously recognize that an incident occurred, and we deeply apologize for causing concerns to our shareholders.

Since the on-site inspection by the Japan Fair Trade Commission on November 27, 2019, the Alfresa Group has been working to review and strengthen its compliance system.

Going forward, we will continue to work to ensure even more thorough compliance with laws and regulations, and the Alfresa Group will do its utmost as a whole to regain the trust of our shareholders and customers, so we ask for your continued understanding and support.

1. The current state of the corporate group

(1) Business conditions

1) Development and performance of business

During the consolidated fiscal year (April 1, 2020–March 31, 2021) under review, the Japanese economy remained in difficult conditions due to the impact of COVID-19 pandemic. Despite moves to recovery continued in capital investment and corporate earnings, there was still weakness in some factors such as consumer spending and the employment environment.

Under these situations, to fulfill our mission as one of social infrastructures handling life-related products, the Alfresa Group is implementing countermeasures against the spread of the infection and is working for the stable supply of pharmaceuticals and other goods while ensuring the safety of our customers and the Group employees.

The Alfresa Group formulated "2019-21 Mid-term Management Plan The Challenge of Further Growth "Together with Health, Together with Communities" (hereafter, "2019-21 Mid-term Management Plan") in May 2019 and has been 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 the consolidated fiscal year under review, due to the pharmaceutical market shrunk in Japan which was caused by COVID-19 pandemic, the Alfresa Group posted net sales of ¥2,603,169 million, down 3.5% year on year, operating income of ¥20,672 million, down 56.6% year on year, ordinary profit of ¥31,918 million, down 44.2% year on year, and profit attributable to owners of the parent of ¥24,501 million, down 39.2%.

Business Segment Information

(i) Ethical Pharmaceuticals Wholesaling Business

The domestic ethical pharmaceuticals market has shrunk in tough business environment due to twice NHI drug prices revisions held in October 2019 and April 2020 and decreases of outpatients and surgical opportunities at medical institutions with the spread of COVID-19. In addition, these worsening economic environment surrounding our customers influenced on our business performance by tougher price negotiation with our customers and constraint of marketing activities such as visit restrictions to the medical institutions. Even such condition, the Group has operated its business giving the highest priority to the stable supply of pharmaceuticals while paying due consideration to the prevention of infection.

Six consolidated subsidiaries Alfresa, Tohoku Alfresa Corporation (head office: Koriyama, Fukushima; hereafter "Tohoku Alfresa"), Meisho Co., Ltd. (head office: Kanazawa, Ishigawa), TS Alfresa Corporation (head office: Nishi-ku, Hiroshima), Shikoku Alfresa Corporation (head office: Takamatsu, Kagawa), and RYUYAKU CO., LTD. (head office: Urasoe, Okinawa) were selected as wholesale partners for the national COVID-19 vaccine distribution system officially announced by the Ministry of Health, Labour and Welfare's Health Services Bureau on January 2021. Through

distribution of COVID-19 vaccines and related products, the Group will contribute to smooth vaccine administration to protect people's lives.

The Group is 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 2019-21 Mid-term Management Plan, to continue winning as Japan's top wholesaler of ethical pharmaceuticals*1.

As an initiative of "Upgrade, raise efficiency, and standardize Group distribution," in July 2020, Alfresa concluded a business alliance agreement with YAMATO LOGISTICS CO., LTD. (current corporate name: Yamato Transport Co., Ltd.; head office: Chuo-ku, Tokyo), which is a consolidated subsidiary of YAMATO HOLDINGS CO., LTD. (head office: Chuo-ku, Tokyo), on the construction of a joint distribution scheme for "healthcare products" such as ethical pharmaceuticals, OTC pharmaceuticals, medical devices and materials, diagnostic regents. Consequently, the Group will aim to improve delivery efficiency of healthcare products and increase distribution capabilities.

In addition, in September 2020, Tohoku Alfresa opened the Koriyama Distribution Center as a state-of-the-art distribution base for the southern Tohoku area. The center complies with GDP Guidelines, holds a vast inventory of approximately 27,000 items, uses a seismic-isolation structure, and is equipped with 72-hour emergency power generation equipment and a heliport on the roof. It can not only maintain stable supply of pharmaceuticals even in large-scale disasters, but also provide emergency response beyond its operating area. Tohoku Alfresa will continue contributing to medical care in the Tohoku region by utilizing the center as a core distribution facility for the region.

As the Group's efforts concerning regenerative medicine products, aside from the Tonomachi Regenerative Medicine Distribution Station opened in August 2018 in Kawasaki-ku, Kawasaki, Alfresa established the Kobe Regenerative Medicine Distribution Station in Chuo-ku, Kobe as a new storage and transportation base in October 2020. Further, in January 2021, Alfresa also installed same facilities at three of its distribution centers (Saitama Distribution Center, Aichi Distribution Center and Osaka Distribution Center) and thereby has strengthened storage and transportation system of regenerative medicine products to be more reliable and safer. From now on, the Company will expand such facilities at six of major distribution centers owned by the Group companies which operates Ethical pharmaceutical wholesaling business by the end of fiscal year 2021. The Group will use its two Regenerative Medicine Distribution Stations in Tonomachi and Kobe and nine storage facilities to build a nationwide distribution network, utilizing expertise the Company has cultivated in the storage and transportation of regenerative medicine products.

In November 2020, as an initiative concerning personalized medicine*2 support for specialty drugs, Alfresa developed and begun providing commercial service of the personalized medicine support platform "NOVUMN" by utilizing RFID, cloud-based infrastructure and Internet of Things technology together with PHC Corporation (head office: Minato-ku, Tokyo) and Fujitsu Japan Limited (head office: Minato-ku, Tokyo). For specialty drugs whose active ingredients can be altered by minute changes in temperature, the NOVUMN has achieved strict temperature management throughout all stages of product distribution, as well as the traceability of individual pharmaceutical products, and improved inventory management functions for specialty drugs at pharmaceutical wholesalers and medical institutions.

As investments in venture firms for expanding business fields, Alfresa made investments in PharmaBio Corporation (head office: Nishi-ku Nagoya), which is engaged in the development of regenerative medicine products and in contract development and manufacturing, and in Gene Therapy Research Institution Co., Ltd. (head office: Kawasaki-ku, Kawasaki), which is a Japanese company that is engaged in research and development on gene therapy and in the development and manufacture of therapeutic agents, and in Metcela Inc. (head office: Tsuruoka, Yamagata), which operates research and development of regenerative medicine products for chronic heart failure. Alfresa also invested in Integrity Healthcare Co., Ltd. (head office: Chuo-ku, Tokyo), which supplies online medical systems to medical institutions, and jointly developed a headache management program using a smartphone app.

Moreover, in October 2020, Alfresa has concluded an exclusive sales agreement with Lily Medtech Inc. (head office: Bunkyo-ku, Tokyo; hereafter "Lily Medtech"), in which it has made minority investments, regarding the sale of an ultrasound diagnostic imaging device for mammography developed by Lily Medtech to medical institutions in Japan.

As a result of negative impacts of the market, which include NHI drug prices revisions, the spread of COVID-19, intensifying price competition and other factors, in the consolidated fiscal year of this segment, net sales amounted to ¥2,290,624 million, down 3.6% year on year, and operating income

came to ¥18,308 million, down 56.1% year on year. Net sales included inter-segment sales of ¥15,048 million, down 1.0% year on year.

*1 Source: Drug Magazine "2021 ALL DATA & RANKING" ethical pharmaceuticals business share by wholesaler group
*2 Personalized Medicine: To increase the efficacy of specialty products in the treatment of various diseases such as cancer, personalized medicines become entering the spotlight because of its effectiveness that enables to respond the constitution and type of disease of each patient.

(ii) 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 2019-21 Mid-term Management Plan.

In January 2021, a consolidated company Alfresa Healthcare Corporation (head office: Chuo-ku, Tokyo; hereafter "Alfresa Healthcare") and its wholly-owned subsidiary Mogi Pharmaceutical Co., Ltd. (head office: Chuo-ku, Tokyo) concluded an absorption-type merger contract with Alfresa Healthcare as the merging company, that effected on April 1, 2021. Alfresa Healthcare will make effective and efficient use of the 2 companies' management resources, and further reinforce business foundations.

In the consolidated fiscal year of this segment, while sales of infection prevention products increased with the spread of COVID-19, because of the sharp decline in inbound demand, increase in infrastructure development expenses to promote remotework and distribution related cost, etc., net sales amounted to ¥261,624 million, down 2.7% year on year, and operating income came to ¥2,401 million, down 16.8% year on year. Net sales included inter-segment sales of ¥525 million, down 30.1%.

(iii) 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 2019-21 Mid-term Management Plan.

In an initiative to "Expand products in line with Group needs," the Calprotectin Kit "NESCAUTO® Cp Auto, for which Alfresa Pharma Corporation (head office: Chuo-ku, Osaka; hereafter "Alfresa Pharma") received manufacturing and marketing approval as an in-vivo diagnostics reagent assisting disease monitoring in ulcerative colitis and launched sales in October 2019, was listed for health insurance coverage on May 1, 2020. This product reduces the required number of colonoscopies and not only reduces the physical burden on patients but is expected to decrease the economic burden as well. With the health coverage listing, Alfresa Pharma is striving to further familiarize this product so it can contribute to the diagnosis and treatment of ulcerative colitis at medical institutions.

In February 2021, Alfresa Pharma reached an agreement with Daiichi Sankyo Company, Limited (head office: Chuo-ku, Tokyo; hereafter "Daiichi Sankyo") that Daiichi Sankyo would transfer the marketing authorizations, including manufacturing and sales approvals, for 19 items of 11 long-listed products manufactured and sold in Japan to Alfresa Pharma and have concluded an agreement on the succession of related assets.

Moreover, in February 2021, Alfresa Pharma received the manufacturing and marketing approval authorization for Kinedak tablets from Ono Pharmaceutical Co., Ltd. (head office: Chuo-ku, Osaka), which manufactures and sells the product. Going forward, Alfresa Pharma will strengthen the manufacturing business by demonstrating synergies with conventional products through an expanded product lineup.

In addition, Alfresa Pharma received marketing approval in Japan for SARS-CoV-2 antigen rapid test kit "ALSONIC® COVID-19 Ag" as an in-vitro diagnostic product on March 12, 2021. The product launched on March 18, 2021. It does not require a special analyzer and enables to detect SARS-CoV-2 antigen 5 minutes after dropping the specimen extract on to the test device. Through

the launch of the product, Alfresa Pharma aims at contributing to the enhancement of the COVID-19 testing system.

In the consolidated fiscal year of this segment, while the consigned manufacturing and active pharmaceutical ingredient manufacturing were firm, the sales of Alfresa pharmaceuticals products were sluggish due to the spread of the COVID-19 causing decreased outpatient treatment and fewer surgeries at medical institutions. Alfresa's influenza test kits also underperformed and voluntarily refraining from sales activities at medical institutions leaded to the lower sales. As a result, net sales amounted to ¥42,595 million, down 7.3% year on year, and operating loss came to ¥144 million, compared with operating income of ¥2,349 million in the same period of the previous year. Net sales included inter-segment sales of ¥9,402 million, down 19.0%.

(iv) Medical-Related Business

In the Medical-related business segment, 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 2019-21 Mid-term Management Plan. In addition, to reinforce recurrence prevention measures of improper acts pertaining to invoicing of dispensing fees which was exposed last fiscal year, installation of new ICT systems and allocation of appropriate number of human resources are in place.

In January 2021, two consolidated subsidiaries Apollo Medical Holdings Inc. (head office: Toshima-ku, Tokyo; hereafter "Apollo Medical") and Nihon Apoch CO., LTD. (head office: Kawagoe, Saitama) and a wholly owned subsidiary Chunichi Pharmacy Corporation (head office: Naka-ku, Nagoya) concluded an absorption-type merger contract with Apollo Medical as the merging company, that effected on April 1, 2021. Furthermore, Apollo Medical changed the corporate name to APOCREAT Corporation. With this management integration of three companies, the Alfresa Group aims to strengthen its dispensing pharmacy business by increasing operational efficiency, further reinforcing its compliance as well as creating new value for its customers.

As a result of negative impacts including NHI drug prices revisions and decreased outpatient treatment with the spread of COVID-19, in the consolidated fiscal year of this segment, net sales amounted to ¥33,300 million, down 6.6% year on year, and operating loss came to ¥369 million, compared with operating income of ¥428 million in the same period of the previous year.

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2021 totaled ¥29,520 million. The main expenditures were for capital investment in distribution centers and other facilities at subsidiaries and acquisition of manufacturing equipment as well as renewal of existing equipment. Expenditures for intangible assets 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

Consolidated subsidiaries of the Company, Apollo Medical Holdings Inc. and Nihon Apoch Co., Ltd., and a non-consolidated subsidiary, Chunichi Pharmacy Corporation, entered into an absorption-type merger agreement in January 2021, with Apollo Medical Holdings Inc. as the surviving company, and merged on April 1 of the same year (the company name was changed to APOCREAT Corporation on the same day).

A consolidated subsidiary of the Company, Alfresa Healthcare Corporation, and its wholly owned subsidiary, Mogi Pharmaceutical Co., Ltd., entered into an absorption-type merger agreement in January 2021, with Alfresa Healthcare Corporation as the surviving company, and merged on April 1 of the same year.

On July 31, 2018, a consolidated subsidiary of the Company, 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. Alfresa Pharma Corporation has acquired, or will acquire, such rights via absorption-type split (overall succession) for 35 products (effective date of the absorption-type split: March 1, 2019), and via business transfer (individual succession) for six products (one product was acquired in the fiscal year ended March 31, 2020, three products was acquired in the fiscal year ended March 31, 2021, and two products will be acquired in the fiscal year ending March 31, 2022 or later).

In addition, on February 26, 2021, Alfresa Pharma Corporation concluded an agreement under which DAIICHI SANKYO COMPANY, LIMITED will transfer manufacturing and marketing rights, etc. for 11 long-listed drugs to Alfresa Pharma Corporation. Alfresa Pharma Corporation will acquire such rights via absorption-type split (overall succession) for six products (scheduled effective date of the absorption-type split: December 1, 2021), and via business transfer (individual succession) for five products (date of transfer to be determined separately).

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

The Company acquired an additional 1,653 shares of common stock of Apollo Medical Holdings Inc., a consolidated subsidiary of the Company, to increase its ownership to 100%.

(2) Assets and profits and losses

Categories		The 15th fiscal year (FY2017)	The 16th fiscal year (FY2018)	The 17th fiscal year (FY2019)	The 18th fiscal year (FY2020)
Net sales	(Millions of Yen)	2,602,917	2,640,511	2,698,511	2,603,169
Ordinary profit	(Millions of Yen)	51,861	55,138	57,170	31,918
Profit attributable to owners of parent	(Millions of Yen)	35,589	41,724	40,273	24,501
Net income per share	(Yen)	164.25	195.91	190.26	115.75
Total assets	(Millions of Yen)	1,337,450	1,341,964	1,351,619	1,316,658
Net assets	(Millions of Yen)	435,934	442,081	474,898	489,957

(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	3,000	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	100.0	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	91,855	277,500

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

(4) Challenges to be addressed

In December 2020, a consolidated subsidiary, Alfresa Corporation and its employees were prosecuted by the Tokyo District Public Prosecutors Office on suspicion of violating the Antimonopoly Act in bidding for supply of ethical pharmaceuticals ordered by the Japan Community Health care Organization (JCHO). Since the on-site inspection by the Japan Fair Trade Commission on November 27, 2019, the Group has been working to review and strengthen its compliance system. In addition to introducing various systems and measures to strengthen governance, we have expanded education and training on the Antimonopoly Act for executives and employees holding managerial posts, and are also working to enhance monitoring. The Company and Alfresa Corporation solemnly recognize the situation, and Directors have voluntarily returned a portion of their remuneration.

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 ensure compliance with the Antimonopoly Act

[Measures to strengthen Group governance at the Company]

(i) Renewal and strengthening of the management structure

Following the 17th Ordinary General Meeting of Shareholders (held on June 25, 2020), the Company renewed its management structure and appointed a new Representative Director for the Company and Alfresa Corporation. In addition, the number of Independent Outside Directors of the Company was increased by one to four, and the number of full-time Audit & Supervisory Board Members was increased to two by newly appointing another full-time Audit & Supervisory Board Member. Furthermore, in April 2020, the Company appointed a new Director in charge of Compliance & Risk Management in order to strengthen the management and supervisory functions of the entire Group.

(ii) 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 Company's specified wholly-owned subsidiary Alfresa Corporation as the subject of discussion. We will continue to follow a process that ensures transparency and objectivity in the appointment and dismissal of Directors and Executive Officers of the Company and Alfresa Corporation.

(iii) Establishment of a Compliance and Risk Management Subcommittee

The regulations of the Compliance and Risk Management Committee, which promotes compliance and risk management activities in the Group, were partially amended as in April 2020 to allow the establishment of subcommittees focusing on specific businesses that are highly specialized. In May 2020, we established a subcommittee for the Company's subsidiaries engaged in the ethical pharmaceuticals wholesaling business, and since then, we have invited lawyers specializing in the Antimonopoly Act to hold subcommittee meetings on a regular basis to share information and resolve issues related to compliance with the Antimonopoly Act.

(iv) Awareness-raising through various publications

The recent violation of the Antimonopoly Act was discussed in various publications (Business Report, Integrated Report, Group Report) issued by the Company.

We will continue to educate the executives and employees of the Group on strengthening governance and compliance.

[Prevention of recurrence at the Company's subsidiaries]

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 the Antimonopoly Act.

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

The top management of Alfresa Corporation and the Company's subsidiaries engaged in the ethical pharmaceuticals wholesaling business has declared a commitment to compliance with the Antimonopoly Act to all executives and employees, and repeatedly conveys this commitment at management policy presentations within the Company's subsidiaries, various internal meetings, training sessions, and other opportunities to ensure that all employees are aware of this declaration. In addition, messages are sent directly to all marketing specialists from a lawyer specializing in the Antimonopoly Act.

(ii) Creation of action guidelines for marketing specialists etc.

Alfresa Corporation has created the Action Guidelines for Compliance with the Antimonopoly Act, which stipulates in detail the rules for contact with other companies in the same industry, the rules for participation in various conferences and meetings, etc. We have also prepared Q&As for real-life situations and ensure that marketing specialists are aware of them, including those of our subsidiaries other than Alfresa Corporation. The Action Guidelines and Q&As are updated as needed, and the updated content is shared with subsidiaries to ensure that each company is fully aware of them.

In addition, all employees and managers involved in marketing at the Company's subsidiaries engaged in the ethical pharmaceuticals wholesaling business have pledged to comply with the Antimonopoly Act.

(iii) Establishment of a department specializing in compliance and a consulting office dedicated to the Antimonopoly Act

All of the Company's subsidiaries engaged in the ethical pharmaceuticals wholesaling business have set up specialized departments to promote and supervise internal compliance, and have established telephone consulting offices dedicated to the Antimonopoly Act both internally and externally. Since then, we have established systems to receive various questions and whistle-blowing reports.

(iv) Enhancement of internal education or training regarding the Antimonopoly Act

All of the Company's subsidiaries engaged in the ethical pharmaceuticals wholesaling business have implemented web-based training with lawyers specializing in the Antimonopoly Act as instructors. In addition, each subsidiary has provided occasions for reading of the Action Guidelines for Compliance with the Antimonopoly Act and Q&As. Furthermore, tests to measure the level of understanding of the Antimonopoly Act have been conducted, and for those who do not meet a certain level of understanding, follow-up training is provided to continue to enhance the education.

(v) Monitoring related to the Antimonopoly Act by internal audit departments

As part of Group-wide control, the audit department or other departments conduct monitoring related to the Antimonopoly Act at all of the Company's subsidiaries engaged in the ethical pharmaceuticals wholesaling business.

2) 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 the following items, which are listed in the Group's management policies and important ESG issues, during the period of the 19-21 Mid-term Management Plan.

Alfresa Group's Sustainable Corporate Management



Materialities and Initiatives

1	Improving the quality of products and services	High-quality manufacturing, reliable provision of products and services at all times, and customer satisfaction improvement are essential for ensuring the continuation of business activities and sustainable growth. We will address our business activities with reliability, safety, and sincerity as our slogan.
2	Pioneering innovative technologies and growth markets	Technological innovation has the potential to bring performance and efficiency improvements to all of the Group's businesses and various operations. We are also aiming to achieve the Group's growth by pioneering new markets such as digital health and collaborating with related companies.
3	Contributing to local communities	We aim to contribute to the health of local communities by delivering health-related products and services throughout Japan. We will expand our business by building good relationships with local communities, taking up needs aligned with the situation in the communities, and building community healthcare platforms.
4	Promoting talent development and active participation	Our valuable people are the driving force for our future sustainable growth. To enable us to continue developing new products and services, and supplying them to customers, we will work to promote active participation by developing talent and by creating suitable work- place environments so that our valuable people are able to fully leverage their capabilities.
5	Consideration for the environment	To contribute to a sustainable society, it is also important to address environmental issues such as mitigating climate change and forming a recycling-oriented society. We will collect and ascertain environmental performance data in our corporate activities and work to promote business activities with eco-friendly ways such as preventing pollution, protecting the environment, and making economical use of resources.
6	Corporate governance	To fulfill our social responsibility as a company and enhance our corporate value, we will work to ensure transparent and fair decision-making and the effectiveness of the Board of Directors' supervisory function, build good and harmonious relationships with stakeholders, enhance the internal control system, and engage in constructive dialogue with our shareholders.
7	Compliance	To cultivate ethical standards and a sense of responsibility and promote sincere business activities, we ensure compliance with laws and regulations, internal and external rules, and social norms. We will also set up and operate an internal reporting system.
8	Risk management	We will reduce risks that have an impact on corporate activities such as legal and regulatory violations, product safety issues, and supplier management, while adding countermeasures against natural disasters, pandemics, IT system faults, and cybersecurity risks.

(5) Main business (as of March 31, 2021)

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, 2021)

The Company	Head office	1-1-3, Otemachi, Chiyoda-ku, Tokyo
Alfresa Corporation	Head office	7, Kanda-Mitoshirocho, Chiyoda-ku, Tokyo
Shikoku Alfresa Corporation	Head office	1255-10, Fuke Kou, Kokubunjicho, Takamatsu, Kagawa Prefecture
TS Alfresa Corporation	Head office	1-2-19, Shoko Center, Nishi-ku, Hiroshima, Hiroshima Prefecture
Meisho Co., Ltd.	Head office	Ha 1, Muryoji-machi, Kanazawa, Ishikawa Prefecture
RYUYAKU CO., LTD.	Head office	5-6-5, Makiminato, Urasoe-shi, Okinawa Prefecture
Tohoku Alfresa Corporation	Head office	1-46-1, Kikutamachioroshi, Koriyama-shi, Fukushima Prefecture
Alfresa Medical Service Corporation	Head office	2-3-14, Kudan-minami, Chiyoda-ku, Tokyo
Alfresa Shinohara Chemicals Corporation	Head office	9-41, Minamigoza, Kochi-shi, Kochi Prefecture
Alfresa Healthcare Corporation	Head office	3-11-5, Nihonbashi-Honcho, Chuo-ku, Tokyo
Mogi Pharmaceutical Co., Ltd.	Head office	3-9-7, Nihonbashi-Honcho, Chuo-ku, Tokyo
Alfresa Pharma Corporation	Head office	2-2-9, Koku-machi, Chuo-ku, Osaka
	Plant	Shouocho, Katsuta-gun, Okayama Prefecture; Noda, Chiba Prefecture
Alfresa Fine Chemical Corporation	Head office Plant	1-10-1, Mukaihama, Akita, Akita Prefecture
Sannova Co., Ltd.	Head office Plant	3038-2, Seradacho, Ota-shi, Gunma Prefecture
Apollo Medical Holdings Inc.	Head office	2-45-8, Minamiotsuka, Toshima-ku, Tokyo
Nihon Apoch Co., Ltd.	Head office	6-20, Wakitahoncho, Kawagoe, Saitama Prefecture
Alfresa System Corporation	Head office	1-1, 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, 2021)

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	9,070 (1,712)	Decrease of 60 (Decrease of 27)
Self-Medication Products Wholesaling Business	414 (12)	Decrease of 10 (Decrease of 2)
Manufacturing Business	1,355 (279)	Increase of 30 (Decrease of 3)
Medical-Related Business	1,096 (373)	Increase of 8 (Decrease of 52)
All group companies (common)	110 (9)	Increase of 3 (Decrease of 3)
Total	12,045 (2,385)	Decrease of 29 (Decrease of 87)

(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	-	42.2 years old	14.0 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, 2021)

Not applicable

(9) 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, 2021, 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 ¥27 per share, for a full-year dividend of ¥53 per share including an interim dividend paid of ¥26 per share.

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

Not applicable

2. Matters concerning the Company's shares

(1) Status of shares (as of March 31, 2021)

1) Total number of authorized shares 540,000,000 shares
2) Total number of shares issued 235,017,600 shares
3) Number of shareholders 11,276
4) Major shareholders (top ten shareholders)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,845	7.01
Custody Bank of Japan, Ltd. (Trust Account)	8,357	3.95
Alfresa Holdings Employees Shareholders' Association	5,547	2.62
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	4,569	2.16
Custody Bank of Japan, Ltd. as trustee for DAIICHI SANKYO COMPANY, LIMITED Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	3,908	1.85
The Nomura Trust and Banking Co., Ltd. (Fukujin-ke Trust Account)	3,800	1.80
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,765	1.78
STATE STREET BANK AND TRUST COMPANY 505001	3,489	1.65
Eisai Co., Ltd.	3,452	1.63
DAIICHI SANKYO COMPANY, LIMITED	3,202	1.51

(Notes) 1. The Company holds treasury stocks of 23,345,329 shares, but is excluded from the above major shareholders.
2. The percentage of ownership is calculated after deducting treasury stocks.
3. Shares owned by Custody Bank of Japan, 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 Custody Bank of Japan, Ltd. The voting rights attached to these shares are to be exercised upon instructions of the DAIICHI SANKYO COMPANY, LIMITED.

(2) Status of stocks delivered to Corporate Officers as consideration of the execution of duties during the fiscal year ended March 31, 2021

There were no stocks delivered to Corporate Officers as consideration of the execution of duties during the fiscal year ended March 31, 2021.

3. Status of corporate officers

(1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2021)

Positions at the Company	Name	Responsibilities	Significant concurrent positions held
Director & Chairman	Taizo Kubo		
Representative Director & President	Ryuji Arakawa		
Director, Deputy President, Assistant to the President	Yasuki Izumi	Group Business & Affiliate Management	
Director, Senior Vice President & Executive Officer	Seiichi Kishida	General Affairs, Financial Planning, Corporate Communication, Compliance & Risk Management	
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	Yusuke Fukujin		Representative Director & President of Alfresa Corporation
Director	Yoichiro Yatsurugi	Chairman, Corporate Governance Committee	Director of Igreque, Inc.
Director	Takashi Hara		Senior Advisor of Sojitz Corporation, Outside Director of UNIRITA Inc.
Director	Manabu Kinoshita	Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	Senior Officer of NEC Corporation, Outside Director of Sumitomo Metal Mining Co., Ltd.
Director	Toshie Takeuchi		Professor, Faculty of Business Administration, Hosei University
Audit & Supervisory Board Member (Standing)	Kenji Kuwayama		
Audit & Supervisory Board Member (Standing)	Masakazu Ozaki		
Audit & Supervisory Board Member	Seisui Kamigaki		Attorney at law, Outside Audit & Supervisory Board Member of Mitsubishi Shokuhin 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 Yoichiro Yatsurugi, Takashi Hara, Manabu Kinoshita and Toshie Takeuchi 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 Yoichiro Yatsurugi, Takashi Hara, Manabu Kinoshita and Toshie Takeuchi 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, 2021, other than those described in "Significant concurrent positions held" are as follows:
   (1) Director & Chairman Taizo Kubo serves concurrently as Director at Tohoku Alfresa Corporation and Shikoku Alfresa Corporation.
   (2) Representative Director & President Ryuji Arakawa serves concurrently as Director at Alfresa Corporation and Alfresa Pharma Corporation.
   (3) Director, Deputy President Yasuki Izumi serves concurrently as Director at Alfresa Healthcare Corporation and RYUYAKU CO., LTD.
   (4) Director Seiichi Kishida serves concurrently as Director at Alfresa Corporation and TS Alfresa Corporation.
   (5) Director Koichi Shimada serves concurrently as Director & Chairman at Alfresa Fine Chemical Corporation and Director at Sannova Co., Ltd.
   (6) 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.
   (7) Audit & Supervisory Board Member (Standing) Masakazu Ozaki serves concurrently as Audit & Supervisory Board Member at Meisho Co., Ltd. and Apollo Medical Holdings Inc.
6. Representative Director & Chairman Hiroyuki Kanome, Director, Deputy President Koichi Masunaga, and Directors Kimiko Terai and Shiho Konno retired upon expiration of their term of office at the conclusion of the 17th Ordinary General Meeting of Shareholders held on June 25, 2020.

(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) The outline of the directors and officers liability insurance

The Company has entered into a directors and officers liability insurance contract with an insurance company as provided for by Article 430-3, Paragraph 1 of the Companies Act, for all of Directors, Audit & Supervisory Board Members and Executive Officers of the Company and its consolidated subsidiary Alfresa Corporation, as the insured. This insurance contract covers damages, legal expenses, etc. that the insured may be reliable for, in the event that a claim for damages is made against the insured due to acts committed by the insured (including omissions) in their capacity. The Company and the consolidated subsidiary bear the entire premium for the insured.

(4) Remuneration, etc. to Directors and Audit & Supervisory Board Members for the fiscal year ended March 31, 2021

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

Classification	Total amount of remuneration, etc. (Millions of Yen)	Total amount of remuneration, etc., by type (Millions of Yen)			Number of eligible Recipients (Persons)
		Fixed remuneration	Performance-linked remuneration		
		Basic remuneration	Bonus	Stock compensation (Stock price-linked compensation)	
Directors (of which, Outside Directors)	327 (38)	250 (38)	55	20	15 (6)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	74 (30)	74 (30)	–	–	5 (3)
Total	401	325	55	20	20

(Notes) 1. Base remuneration is paid periodically every month during the tenure.
2. Bonuses are paid once a year after the performance for each fiscal year is confirmed.

3. Stock-based compensation (stock price-linked compensation) is paid after the performance of the mid-term management plan is confirmed.
4. The amounts of performance-linked remuneration include provision for directors' bonuses for the fiscal year ended March 31, 2021.

2) Matters related to performance-linked remuneration

(i) Method of calculating bonuses

In order to ensure our values are aligned with those of shareholders, and to further motivate officers to contribute to corporate performance, bonuses are individually determined in an amount calculated by multiplying the base amount by the bonus composition ratio (20%) within a range from 0% to 200%, in accordance with the degree of achievement against original targets for consolidated operating income margin and profit margin attributable to owners of the parent for each fiscal year.

The targets and results of bonus indicators for the fiscal year ended March 31, 2021 are shown below.

Indicator	Original target	Result
Operating income margin	1.36%	0.79%
Profit margin attributable to owners of the parent	1.12%	0.94%

(ii) Method of calculating stock compensation

Stock compensation serves as an incentive to increase corporate value over the long term. The number of our shares to be issued will be determined by annually granting and accumulating the base points calculated according to the amount obtained by multiplying the base amount by the stock remuneration composition ratio (10%), and after the conclusion of the mid-term management plan, varying the cumulative value of the base points within the range of 0% to 200% according to the achievement level of the business performance targets in the mid-term management plan. As with bonuses, the performance indicators utilized include the consolidated operating income margin and profit margin attributable to owners of the parent, which have been positioned as KPIs for the mid-term management plan. In doing so, we aim to ensure our values are aligned with those of shareholders and to further motivate officers to contribute to corporate performance.

(iii) Method of calculating stock price-linked compensation

Stock price-linked compensation is positioned as a substitute until the introduction of stock compensation. During the mid-term management plan, it will be annually granted and accumulated using the same base points as stock compensation. After the conclusion of the mid-term management plan, stock price-linked compensation will be varied by the cumulative value of the base points within the range of 0% to 200% according to the achievement level of the business performance targets in the mid-term management plan, and paid in the amount obtained by multiplying the stock price on a reference date set forth in the rules. As with stock compensation, the performance indicators utilized include the consolidated operating income margin and profit margin attributable to owners of the parent, which have been positioned as KPIs for the mid-term management plan.

3) Matters related to resolutions at the General Meeting of Shareholders regarding remuneration, etc. to Directors and Audit & Supervisory Board Members

Remuneration, etc., by type	Date of resolution	Eligible recipients	Amount / number of shares	Number of recipients at resolution
Basic remuneration, bonus	The 3rd Ordinary General Meeting of Shareholders held on June 29, 2006	Directors (excluding salaries for services rendered as employees by Directors who also serve as employees)	¥600 million per year as the maximum aggregate amount	7
		Audit & Supervisory Board Members	¥120 million per year as the maximum aggregate amount	4
Stock compensation	The 16th Ordinary General Meeting of Shareholders held on June 26, 2019	Directors and Executive Officers (excluding Directors who mainly serve as Director of our subsidiary, Outside Directors, and nonresidents of Japan)	¥300 million and 120,000 shares as maximum for 3 fiscal years	6 (of which, 5 Directors and 1 Executive Officer)

4) Matters related to the policy for deciding on contents of individual remuneration, etc. to Directors

At the Company, the policy for deciding on remuneration (including the remuneration composition and standard amount) and the method for calculating remuneration, as well as the total amount of remuneration, etc., are deliberated by the Nomination and Remuneration Committee for Directors and Executive Officers, which is a voluntary committee chaired by an Outside Director and comprising a majority of Outside Directors, and reported to the Board of Directors, and then decided on by the Board of Directors.

The amounts of individual remuneration, etc. to Directors are determined based on the deliberations of performance evaluation results by the Nomination and Remuneration Committee for Directors and Executive Officers. Since the individual remuneration, etc. to Directors for the fiscal year ended March 31, 2021 was determined through these procedures, the Board of Directors believes that the content is in line with the decision-making policy and is appropriate. Furthermore, the amounts of individual remuneration, etc. to Audit & Supervisory Board Members are decided on through discussion among the Audit & Supervisory Board Members.

Remuneration, etc. to the Company's officers is based on the standard amount for each rank of officer. In setting this standard amount, we use remuneration data from external specialist organizations as well as publicly available information to assess the remuneration level of companies in both the same and other industries. The composition of remuneration varies for Directors in charge of business execution, Directors not in charge of business execution (including Outside Directors), and Audit & Supervisory Board Members. Remuneration to Directors in charge of business execution consists of basic (fixed) remuneration, performance-linked bonuses based on the achievements of the performance targets in each fiscal year, and stock compensation (currently stock price-linked compensation as a substitute), which aims to increase the motivation of Directors and other officers to achieve the medium- to long-term performance targets set forth in the 19-21 Mid-term Management Plan, and to further enhance long-term corporate value.

The Company has planned to introduce performance-linked stock remuneration through a system utilizing an officer remuneration Board Incentive Plan (BIP) trust, but has been unable to set up the officer remuneration BIP trust. For this reason, the Company rolled out stock price-linked compensation as a substitute plan until the introduction of performance-linked stock remuneration. This stock price-linked compensation is paid in cash in lieu of stocks based on the same calculation method as performance-linked stock remuneration. Once this situation is resolved, the Company will introduce performance-linked stock remuneration.

Classification	Fixed remuneration	Performance-linked remuneration	
	Basic remuneration	Bonus	Stock compensation (stock price-linked compensation)
Directors in charge of business execution	70%	20%	10%
Directors not in charge of business execution, Audit & Supervisory Board Members	100%	–	–

(Note) For bonus and stock compensation (stock price-linked compensation), which are performance-linked remuneration, the ratios of remuneration composition in the case of the achievement of standard targets are stated.

5) Matters related to delegation regarding the decision on contents of individual remuneration, etc. to Directors

Not applicable

(5) Matters concerning outside officers for the fiscal year ended March 31, 2021

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

Position	Name	Significant concurrent positions held	Relationship between the Company
Director	Takashi Hara	Senior Advisor of Sojitz Corporation, Outside Director of UNIRITA Inc.	The Company's consolidated subsidiary conducts transactions with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) where Mr. Takashi Hara served as Deputy President in the past; however, the transaction value accounts for less than 0.1% of consolidated net sales of both the Company and the relevant transaction partner, and is immaterial. Moreover, there is no fact that the relevant transaction partner is involved in the business management of the Group companies.
Director	Manabu Kinoshita	Senior Officer of NEC Corporation, Outside Director of Sumitomo Metal Mining Co., Ltd.	The Company's consolidated subsidiary conducts transactions with NEC Corporation where Mr. Manabu Kinoshita serves as Senior Officer; however, the transaction value accounts for less than 0.1% of consolidated net sales of both the Company and the relevant transaction partner, and is immaterial. Moreover, 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 Toshie Takeuchi and Audit & Supervisory Board Members Seisui Kamigaki, Yoshitaka Kato and Takashi Ito and the Company.

2) Principal activities during the fiscal year ended March 31, 2021

Position	Name	Attendance of Board of Directors' meetings and Audit & Supervisory Board's meetings	Status of principle remarks
Director	Yoichiro Yatsurugi	Board of Directors' meetings: 100% (18 out of 18 meetings)	He delivered opinions mainly based on his experience as an executive and abundant knowledge of digital transformation, 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 Nomination and Remuneration Committee for Directors and Executive Officers and Chairman of the Corporate Governance Committee, which are voluntary committees.
Director	Takashi Hara	Board of Directors' meetings: 100% (13 out of 13 meetings)	He delivered opinions mainly based on his experience as an executive, 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 Nomination and Remuneration Committee for Directors and Executive Officers and a member of the Corporate Governance Committee, which are voluntary committees.
Director	Manabu Kinoshita	Board of Directors' meetings: 100% (13 out of 13 meetings)	He delivered opinions mainly based on his experience in the practice of business and as an executive, 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	Toshie Takeuchi	Board of Directors' meetings: 100% (13 out of 13 meetings)	She delivered opinions mainly based on her experience in the academic field, 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 Nomination and Remuneration Committee for Directors and Executive Officers and a member of the Corporate Governance Committee, which are voluntary committees.

Audit & Supervisory Board Member	Seisui Kamigaki	Board of Directors' meetings: Audit & Supervisory Board's meetings:	100% (18 out of 18 meetings) 100% (22 out of 22 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% (18 out of 18 meetings) 100% (22 out of 22 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% (18 out of 18 meetings) 100% (22 out of 22 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.

4. 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, 2021	114
Total amount of money and other property benefits payable to the Independent Auditor by the Company and its subsidiaries	217

(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, 2021 shown above is the total of these audit fees.

(3) Details of non-audit services

The Company's consolidated subsidiaries pay KPMG AZSA LLC for advisory services regarding preparation of contracts.

(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.

5. 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.

1) Framework for ensuring that Directors' duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation
   (i) 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.
   (ii) 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.
   (iii) 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.
   (iv) The Company shall appoint outside Directors, ensuring the objectivity and neutrality of its management supervisory function.
   (v) 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.

2) 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.

3) Regulations and other frameworks for managing risk of loss
   (i) 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.
   (ii) 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.

4) Framework for ensuring the Directors' duties are performed in an efficient manner
   (i) 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.
   (ii) The executive officer system ensures a clear separation between Directors' duties and executive officers' business execution functions.
   (iii) The Board of Directors and the Executive Committee shall meet regularly to rapidly and properly make decisions.
   (iv) 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.

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

(i) 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.
(ii) 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.
(iii) The Company shall establish Compliance Consulting Offices, and endeavor to secure information while protecting the rights of informants.
(iv) The Audit Department shall conduct internal audits regarding the status of compliance with relevant laws and the Company's internal regulations, etc.

6) Framework for ensuring the appropriateness of operations at the corporate group comprising the Company and its subsidiaries
(i) 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.
(ii) 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.
(iii) 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.
(iv) 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.

7) 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.

8) 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.

9) 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.

10) Framework for reporting to Audit & Supervisory Board Members

(i) 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.

(ii) 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.

11) 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.

12) 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.

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

(i) 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.

(ii) 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

1) Compliance framework

(i) 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.

(ii) The status of operation of the Compliance Consulting 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.

In addition, the Company has established a system to receive various questions and whistle-blowing reports by setting up telephone consulting offices dedicated to the Antimonopoly Act within and outside the Group companies, and the status of operation of the telephone consulting offices dedicated to the Antimonopoly Act is reported to the subcommittee of the Compliance and Risk Management Committee and the Board of Directors, etc. periodically or when necessary.

(iii) 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.
(iv) 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 Antimonopoly Act.

2) Risk management framework
(i) 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.
(ii) 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.

In addition, the Company has set up a COVID-19 countermeasures headquarters to monitor the number of people infected with COVID-19 at the Company and the Group companies and study countermeasures to prevent the spread of infection, etc., and has established a system for cooperation among the Company and the Group companies to respond as necessary.
(iii) 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.

3) Management of the Group companies
(i) 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.
(ii) Based on the Alfresa Group's medium-term management plan and fiscal year plans, the Company manages the progress, and reports to the Executive Committee or the Board of Directors when necessary. 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.
(iii) The Company is working to reinforce the framework of information sharing and reporting system between the Group companies through various committees, thoroughly enforce compliance education, and enhance and strengthen the whistle-blower system.

4) Performance of duties by Directors
(i) The Company properly manages documents concerning Directors' performance of duties based on laws and regulations and the Company's internal regulations.
(ii) With the executive officer system, a separation between Directors' duties and executive officers' business execution functions is clarified to ensure the efficient decision-making.
(iii) The Company held 18 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 18 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.

5) Performance of duties by Audit & Supervisory Board Members
(i) 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.
(ii) 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.

(iii) 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.
(iv) Audit & Supervisory Board Members strive to improve the quality of audits by having meetings with the Company's management including Representative Director & President, exchanging opinions and sharing information with Audit & Supervisory Board Members etc. of the Group companies, and holding meetings of the Group-wide Audit & Supervisory Board Committee.
(v) 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.
(vi) 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.

(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, 2021)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥992,480**	**Current liabilities**	**¥783,929**
Cash and deposits	170,277	Trade notes and accounts payable	753,857
Trade notes and accounts receivable	592,321	Short-term debt	240
Marketable securities	59	Lease obligations	1,702
Merchandise and finished goods	141,702	Income taxes payable	3,895
Work in process	1,314	Reserve for bonuses	6,264
Raw materials and supplies	5,032	Reserve for bonuses to directors and corporate auditors	332
Purchase rebates receivable	80,149	Allowance for sales rebates	96
Others	2,325	Allowance for sales returns	540
Allowance for doubtful accounts	(702)	Others	16,999
Non-current assets	**324,177**	**Non-current liabilities**	**42,771**
Property, plant and equipment	**158,943**	Long-term debt	389
Buildings and structures	64,751	Lease obligations	3,841
Machinery, equipment and vehicles	16,701	Deferred tax liabilities	22,155
Tools and fixtures	4,215	Deferred tax liabilities for land revaluation	436
Land	66,255	Reserve for bonuses	84
Leased assets	4,083	Reserve for bonuses to directors and corporate auditors	117
Construction in progress	2,936	Provision for loss on Antimonopoly Act	4,567
Intangible assets	**17,436**	Net defined benefit liabilities	9,233
Goodwill	3,476	Asset retirement obligations	947
Leased assets	271	Others	996
Others	13,689	**Total liabilities**	**826,700**
Investments and other assets	**147,797**	**(Net assets)**	
Investment securities	127,657	**Shareholders' equity**	**422,203**
Long-term loans	1,458	Paid-in capital	18,454
Deferred tax assets	1,106	Capital surplus	101,660
Net defined benefit assets	6,559	Retained earnings	331,459
Others	15,238	Treasury stock, at cost	(29,370)
Allowance for doubtful accounts	(4,223)	**Accumulated other comprehensive income**	**67,533**
		Unrealized gains on available-for-sale securities, net of taxes	67,983
		Unrealized gains on deferred hedge	(0)
		Revaluation reserve for land	(3,657)
		Foreign currency translation adjustments	75
		Remeasurements of defined benefit plans, net of taxes	3,132
		Non-controlling interests	**221**
		Total net assets	**489,957**
Total assets	**¥1,316,658**	**Total liabilities and net assets**	**¥1,316,658**

Consolidated Statements of Income

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

Account title	Amount	
Net sales		**¥2,603,169**
Cost of sales		**2,427,726**
Reversal of allowance for returned unsold goods	634	
Allowance for returned unsold goods	540	94
Total deduction		**175,536**
Selling, general and administrative expenses		**154,864**
Operating income		**20,672**
Other income		
Interest income	67	
Dividend income	2,303	
Information fees received	5,991	
Others	3,427	11,790
Other expenses		
Interest expenses	85	
Expense for rental property	221	
Others	236	543
Ordinary profit		**31,918**
Extraordinary profit		
Gain on sales of non-current assets	605	
Gain on sales of investment securities	10,831	11,437
Extraordinary loss		
Loss on sale of non-current assets	99	
Loss on disposal of property, plant and equipment	162	
Loss on impairment of non-current assets	880	
Loss on devaluation of investment securities	746	
Merger expenses	310	
Provision for loss on Antimonopoly Act	4,567	
Other	59	6,825
Income before income taxes and non-controlling interests		**36,531**
Current	11,781	
Deferred	257	12,038
Profit		**24,492**
Loss attributable to non-controlling interests :		(8)
Profit attributable to owners of parent		**¥24,501**

Consolidated Statements of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(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	¥317,752	¥(29,368)	¥408,797
Changes during the fiscal year					
Cash dividends from retained earnings			(10,795)		(10,795)
Profit attributable to owners of parent			24,501		24,501
Treasury stock acquired				(2)	(2)
Change in the parent's equity arising from transactions with non-controlling shareholders		(298)			(298)
Reversal of revaluation reserve for land			0		0
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	–	(298)	13,706	(2)	13,406
Ending balance	¥18,454	¥101,660	¥331,459	¥(29,370)	¥422,203

	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	¥66,901	¥(0)	¥(3,658)	¥65	¥1,597	¥64,905	¥1,196	¥474,898
Changes during the fiscal year								
Cash dividends from retained earnings								(10,795)
Profit attributable to owners of parent								24,501
Treasury stock acquired								(2)
Change in the parent's equity arising from transactions with non-controlling shareholders								(298)
Reversal of revaluation reserve for land								0
Changes in items other than shareholders' equity during the fiscal year (net)	1,081	(0)	1	10	1,535	2,628	(975)	1,652
Total changes during the fiscal year	1,081	(0)	1	10	1,535	2,628	(975)	15,059
Ending balance	¥67,983	¥(0)	¥(3,657)	¥75	¥3,132	¥67,533	¥221	¥489,957

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

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
For investments in investment limited partnerships (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the financial statements as of the latest closing date is recorded.

(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.

(F) Provision for loss on Antimonopoly Act:
The provision for loss on Antimonopoly Act is provided for payment of surcharge, etc. in accordance with the Antimonopoly Act, based on the estimated amount of potential future losses at a certain consolidated subsidiary.

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 accounting estimates

Estimate of potential future losses related to the Antimonopoly Act

Amount recorded on the consolidated financial statements for the fiscal year ended March 31, 2021

Provision for loss on Antimonopoly Act ¥4,567 million

The provision for loss on Antimonopoly Act is provided based on the estimated amount of potential future losses deemed to be able to be reasonably estimated at the end of fiscal year, for the payment of surcharge, etc. related to the event that during the fiscal year ended March 31, 2021, a consolidated subsidiary, Alfresa Corporation was prosecuted by the Tokyo District Public Prosecutors Office on suspicion of violating the Antimonopoly Act in bidding for supply of ethical pharmaceuticals ordered by the Japan Community Health care Organization (JCHO).

The surcharge, etc. includes fines and surcharge likely to be ordered to pay as well as payment obligations for a breach of contract. The amount of the potential losses for the Group is estimated based on calculation formulas prescribed in the laws and regulations and the contractual clauses as well as professional opinions from attorneys at law, etc.

Assumptions used to estimate the potential losses may be influenced by changes in future uncertain factors such as trial proceedings, and this may result in a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2022, such as incurrence of additional losses or reversal of the provision.

3. Notes on consolidated balance sheet

(1) Assets pledged as collateral and secured liabilities

1) Assets pledged as collateral

	(Millions of Yen)
Cash and deposits	¥116
Merchandise and finished goods	53
Buildings and structures	1,119
Land	1,216
Investment in securities	17,756
Other (Investments and other assets)	50
Total	¥20,313

2) Secured liabilities

	(Millions of Yen)
Trade notes and accounts payable	¥16,128
Short-term debt	110
Long-term debt	324
Total	¥16,564

(2) Accumulated depreciation of property, plant and equipment ¥87,524 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	¥6,821
Other	1
Total	¥6,822

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

	(Millions of Yen)
Buildings and structures	¥324
Machinery, equipment and vehicles	180
Land	270
Other (Intangible assets)	45
Total	¥820

(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 ¥(1,771) million

4. 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, 2020	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2021
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, 2020	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2021
Common stock	23,344 thousand shares	1 thousand shares	– thousand shares	23,345 thousand shares

(Note) An increase of 1 thousand shares in treasury stock is due to the purchase 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 12, 2020	Common stock	¥5,291 million	¥25	March 31, 2020	June 4, 2020
Board of Directors' meeting held on November 5, 2020	Common stock	¥5,503 million	¥26	September 30, 2020	December 4, 2020

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 14, 2021	Common stock	Retained earnings	¥5,715 million	¥27	March 31, 2021	June 4, 2021

5. 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, 2021 are as follows:

(Millions of Yen)

	Book value	Fair value	Difference
1) Cash and deposits	¥170,277	¥170,277	¥–
2) Trade notes and accounts receivable	592,321	592,321	–
3) Purchase rebates receivable	80,149	80,149	–
4) Marketable securities and investment securities	120,859	120,859	–
5) Trade notes and accounts payable (*)	[753,857]	[753,857]	–

(*) 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.	¥6,857

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, 2021

(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	¥170,277	¥–	¥–	¥–
2) Trade notes and accounts receivable	592,321	–	–	–
3) Purchase rebates receivable	80,149	–	–	–
4) Marketable securities and investment securities				
Available-for-sale securities with maturities				
(A) Bonds (corporate bonds)	59	280	300	–
(B) Other	–	20	–	–
Total	¥842,808	¥300	¥300	¥–

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 ¥2,313.66

(2) Net income per share ¥115.75

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, 2021)

(Millions of Yen)

Account title	Amount	Account title	Amount
(Assets)		**(Liabilities)**	
Current assets	**¥48,140**	**Current liabilities**	**¥15,034**
Cash and deposits	32,951	Accounts payable - other	187
Marketable securities	50	Income taxes payable	150
Prepaid expenses	2	Accrued consumption taxes	36
Short-term loans receivable from subsidiaries and affiliates	10,480	Deposits received from subsidiaries and affiliates	14,517
Income taxes receivable	4,625	Reserve for employees' bonuses	62
Others	32	Reserve for bonuses to directors and corporate auditors	55
Non-current assets	**229,359**	Others	23
Property, plant and equipment	**42**	**Non-current liabilities**	**1,133**
Buildings	23	Deferred tax liabilities	1,084
Furniture and fixtures	19	Reserve for employees' bonuses	12
Intangible assets	**3**	Reserve for bonuses to directors and corporate auditors	33
Software	3	Other	3
Investments and other assets	**229,313**	**Total liabilities**	**16,168**
Investment in securities	8,880	**(Net assets)**	
Shares of subsidiaries and affiliates	210,501	**Shareholders' equity**	**258,752**
Investments in capital of subsidiaries and affiliates	234	**Common stock**	**18,454**
Long-term loans receivable from subsidiaries and affiliates	9,489	**Capital surplus**	**175,428**
Long-term prepaid expenses	1	Legal capital surplus	58,542
Guarantee deposits	175	Other capital surplus	116,886
Other	30	**Retained earnings**	**103,066**
		Other retained earnings	103,066
		Retained earnings brought forward	103,066
		Treasury stock, at cost	**(38,196)**
		Valuation and translation adjustments	**2,579**
		Unrealized gain on available-for-sale securities, net of taxes	**2,579**
		Total net assets	**261,331**
Total assets	**¥277,500**	**Total liabilities and net assets**	**¥277,500**

Non-consolidated Statements of Income

(From April 1, 2020 to March 31, 2021)

(Millions of Yen)

Account title	Amount	
Operating revenue		
Dividend income	¥23,355	
Group management income	1,914	25,269
Operating expenses		
General and administrative expenses		1,895
Operating income		**23,374**
Other income		
Interest income	84	
Interest on securities	7	
Dividend income	196	
Others	19	306
Other expenses		
Interest expenses	2	
Loss on investments in investment partnerships	12	
Other	0	15
Ordinary profit		**23,665**
Extraordinary income		
Gain on sales of investment securities	465	465
Income before income taxes and non-controlling interests		**24,130**
Current	262	
Deferred	(4)	257
Profit		**¥23,872**

Non-consolidated Statements of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(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	¥89,989	¥89,989	¥(38,194)	¥245,677	¥2,658	¥2,658	¥248,336
Changes during the fiscal year											
Cash dividends from retained earnings					(10,795)	(10,795)		(10,795)			(10,795)
Profit					23,872	23,872		23,872			23,872
Treasury stock acquired							(2)	(2)			(2)
Changes in items other than shareholders' equity during the fiscal year (net)									(79)	(79)	(79)
Total changes during the fiscal year	–	–	–	–	13,077	13,077	(2)	13,075	(79)	(79)	12,995
Ending balance	¥18,454	¥58,542	¥116,886	¥175,428	¥103,066	¥103,066	¥(38,196)	¥258,752	¥2,579	¥2,579	¥261,331

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

For investments in investment limited partnerships (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the net amount equivalent to equity based on the financial statements as of the latest closing date is recorded.

(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.

2. Notes on non-consolidated balance sheet

(1) Accumulated depreciation of property, plant and equipment	¥101 million
(2) Monetary claims and obligations with respect to subsidiaries and affiliates are as follows.	
1) Short-term monetary claims	¥10,480 million
2) Long-term monetary claims	¥9,489 million
3) Short-term monetary obligations	¥14,533 million

3. Notes on non-consolidated statements of income

Amount of transactions with subsidiaries and affiliates

(1) Operating revenue (Dividend income)	¥23,355 million
(2) Operating revenue (Group management income)	¥1,914 million
(3) Operating expenses	¥31 million
(4) Amount of transactions other than operating transactions	¥86 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, 2020	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2021
Common stock	23,344 thousand shares	1 thousand shares	− thousand shares	23,345 thousand shares

(Note) An increase of 1 thousand shares in treasury stock is due to the purchase 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	¥29
Disallowed allowance for bonuses	23
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	189
Subtotal of deferred tax assets	2,625
Valuation allowance	(2,567)
Total deferred tax assets	58
2) Deferred tax liabilities	
Unrealized gains on securities	(1,123)
Other	(19)
Total deferred tax liabilities	(1,142)
Net deferred tax liabilities	¥(1,084)

(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	0.1%
Permanently non-taxable revenues such as dividend income	(29.7)%
Non-deductible bonuses to directors and audit & supervisory board members	0.1%
Inhabitant tax per capita basis	0.0%
Other	0.0%
Effective tax rate after the application of the tax effect accounting	1.1%

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 (Note 1)	30,356	–	–
	Alfresa Pharma Corporation	3,000	Pharmaceutical manufacturing	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned (Note 1)	11,252	Loans receivable from subsidiaries and affiliates	6,612
						Newly issued shares subscribed (Note 2)	15,000	–	–
	Alfresa Healthcare Corporation	499	Self-medication products wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned (Note 1)	4,974	Loans receivable from subsidiaries and affiliates	9,000
	Alfresa System Corporation	150	Operation, maintenance and development of information system	51.0	Conclusion of group management contracts	Funds loaned (Note 1)	3,571	Loans receivable from subsidiaries and affiliates	4,357

Terms of transactions and policies etc. for the determination thereof

(Notes) 1. 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, 2021. Payment and receipt of interests are reasonably determined in consideration of market interest rates.

2. Newly issued shares subscribed refer to new shares issued by Alfresa Pharma Corporation through the third-party allotment that the Company has subscribed at ¥2,500 per share.

7. Notes on per share information

(1) Net assets per share ¥1,234.61

(2) Net income per share ¥112.78

(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 13, 2021

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Satoshi Hosoya	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takashi Watanabe	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Naoki Saito	[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, 2020 through March 31, 2021.

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 13, 2021

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC
Tokyo Office

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Satoshi Hosoya	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takashi Watanabe	[Seal]
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Naoki Saito	[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 18th fiscal year from April 1, 2020 through March 31, 2021.

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 18th fiscal year from April 1, 2020 to March 31, 2021, 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, 2021, and set out a priority auditing task, namely the assurance of appropriateness of governance within the corporate group. 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, 2021.

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, with regard to the ethical pharmaceuticals wholesaling business, the Company's consolidated subsidiary and its employees were prosecuted by the Tokyo District Public Prosecutors Office on December 9, 2020, on suspicion of violating the Antimonopoly Act. The Audit & Supervisory Board considers this fact with utmost seriousness and sincerity, and will continue to supervise and verify the Group's efforts to strengthen governance and ensure compliance.

(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 14, 2021

Alfresa Holdings Corporation

Audit & Supervisory Board

Audit & Supervisory Board Member (Standing)	Kenji Kuwayama	[Seal]
Audit & Supervisory Board Member (Standing)	Masakazu Ozaki	[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]