Translation

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Corporate Governance Report

Last Update: June 25, 2021

Alfresa Holdings Corporation
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General Manager, Human Resources Planning Department
Securities Code: 2784
https://www.alfresa.com/eng/

The corporate governance of Alfresa Holdings Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

As a company conducting business in a field related to life and health, the Group has determined to put the Alfresa Group's Principles into practice and to fulfill our responsibilities to our various stakeholders. The Group believes that the enhancement of corporate governance is fundamental to fulfilling corporate social responsibilities and to enhancing corporate value. Going forward, the Company will continue to promote initiatives in line with the purpose of the Corporate Governance Code, working to further increase corporate value.

From the perspective of achieving sustained growth and long-term enhancement of corporate value, the Group regards the essence of corporate governance as being the assurance of the transparency and fairness of decision-making, the full and effective use of management resources, and the improvement of management vitality by means of rapid and resolute decision-making, and we will work to enhance corporate governance in line with the following basic concept.

(1) To respect shareholders' rights and ensure equality of treatment.
(2) To build good and harmonious relationships with stakeholders including shareholders.
(3) To disclose corporate information appropriately and ensure transparency.
(4) To build a structure that effectively utilizes outside directors and outside Audit & Supervisory Board members, ensuring the effectiveness of the Board of Directors' supervisory function of business execution.
(5) To enhance internal-control systems, including the assurance of the reliability of financial reporting.
(6) To engage in constructive dialogue with shareholders whose investment policies match the medium-to-long-term interests of shareholders.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

We are in compliance with all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-3 Basic Strategy for Capital Policy]

- In order to increase corporate value over the medium to long term, the Company shall implement a capital policy that has its basis as the stable strengthening of equity capital, further enhancement of returns to shareholders, and efficient use of capital towards Realizing a Healthcare Consortium.
- Under this policy, the Company has set management targets for net sales of 2,750 billion yen, an operating profit margin of 1.7% or more, a net profit margin of 1.4% or more, a return on equity (ROE) at the 8% level, a shareholders' return policy, and a dividend-on-equity ratio (DOE) of 2.3% or more in its Medium-Term Management Plan "19-21 Mid-term Management Plan The Challenge of Further Growth "Together with Health, Together with Communities," concluding in the fiscal year ending March 31, 2022.
- The Alfresa Group considers return on equity (ROE) to be an important management indicator to enhance corporate value over the mid- to long term. This index is included in the dividend-on-equity ratio (DOE) along with the dividend payout ratio.
- For the fiscal year ended March 31, 2021, the Company's shareholders' equity ratio was 37.2%, the dividend-on-equity ratio (DOE) was 2.3%, the dividend payout ratio was 45.8%, and the return on equity (ROE) was 5.1%.

[Principle 1-4 Cross-Shareholdings]

Please see Article 10 of the Corporate Governance Guidelines for our policy regarding cross-shareholdings. (https://www.alfresa.com/ir/pdf/cgguideline.pdf)

In addition, in accordance with Article 10 of the Corporate Governance Guidelines, we have established the following basic policy on the cross-holding of shares of listed companies and the exercise of voting rights related to cross-held shares of listed companies.

(Basic Policy on Cross-Shareholdings)

- The Alfresa Group's policy on cross-shareholdings is to hold only shares that further important objectives in our group's strategy, such as maintaining and furthering good trade and collaborative relationships or creating new business opportunities in order to realize a healthcare consortium, and to reduce shareholdings that do not further these objectives.
- Each year, we confirm the original purpose of our holdings, quantitatively verify that the benefits and risks associated with our holdings are commensurate with capital costs, and qualitatively verify the significance of our holdings over the mid- to long term. These results are reported to the Board of Directors.
- When a company that has a cross-holding of the Company's shares signals its intention to sell, or perform another related action, the Company does not attempt to prevent the sale or action.

(Basic Policy on the Exercise of Voting Rights)

- We will exercise the voting rights of our shares appropriately after judging whether the exercise of voting rights will lead to an increase in the corporate value of our group and our investee companies over the mid- to long term.

[Principle 1-7 Related Party Transactions]

We have established Article 8 of the Corporate Governance Guidelines to prevent directors, Audit & Supervisory Board members, and other such persons from conducting transactions that are in conflict with the interests of shareholders.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

Alfresa Corporation, a major group company, has established a Pension Asset Investment Review Committee consisting of members of the finance, personnel, and corporate strategy divisions, etc. in order to establish rules and regulations regarding the defined benefit corporate pension plan, and to manage pension assets safely and efficiently. The Committee deliberates and resolves basic investment policies (including reevaluation), the selection of fund managers and financial products, and other necessary matters related to investment.

Although asset management is outsourced to several investment funds, we have selected organizations that have pledged to adopt Japan's Stewardship Code. During the operation of pension assets, the Committee requests the attendance of academics and experts on the management of external pension funds as necessary to supplement expertise.

Regarding monitoring, the department in charge regularly conducts asset management report meetings with the organizations responsible for asset management, prepares asset management reports, and reports these to the Committee.

[Principle 3-1 Fulfillment of Disclosure] 3-1(i)

■ Business Principles

Our Group has established the Alfresa Group's Principles, and, through our Philosophy, our Vision, and our Promises, we are committed to fulfilling our responsibilities to our customers, employees, shareholders, business partners, local communities, and other stakeholders.
Please refer to the Alfresa Group's Principles on our website.
(https://www.alfresa.com/eng/about/philosophy.html)

■ Business Strategies and Business Plans

In order to realize the Group's Principles, the Alfresa Group has formulated the "19-21 Mid-term Management Plan The Challenge of Further Growth "Together with Health, Together with Communities," concluding in the fiscal year ending March 31, 2022.
Aiming to realize a Healthcare Consortium, we will strengthen efforts toward expanding our business in the healthcare field and integrated community care system. For details, please refer to our website.
(https://www.alfresa.com/eng/ir/plan.html)

3-1(ii)

■ Basic Views and Guidelines on Corporate Governance Policies

Please refer to I-1. "Basic Policy" of this report for our basic policy on corporate governance.
Please also refer to our Corporate Governance Guidelines, which we have established as the basic policy on corporate governance of the Alfresa Group.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)

3-1(iii)

■ Policies and Procedures for Determining Remuneration

Remuneration for directors and executive officers is determined by the Board of Directors after the Nomination and Remuneration Committee for Directors and Executive Officers has completed its deliberations.
Please refer to Article 22 of the Corporate Governance Guidelines for remuneration for directors and executive officers.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)
For details on the determination of remuneration for directors and executive officers, please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in II-1. [Director Remuneration] of this report.

3-1(iv)

■ Policy and Procedures for Appointment of Director and Audit & Supervisory Board Member Candidates

The candidates for director and Audit & Supervisory Board member must have an excellent character, wisdom, and ability, and be highly experienced, as well as possess high ethical standards.
Please refer to Article 18 and Article 21 of the Corporate Governance Guidelines for the nomination of directors and Audit & Supervisory Board members.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)
The Nomination and Remuneration Committee for Directors and Executive Officers, which is chaired by an independent outside director, deliberates on the appointment and dismissal of directors.

3-1(v)

■ Reasons for the Nomination of Director and Audit & Supervisory Board Member Candidates

Please refer to the "Notice of Convocation of Ordinary General Meeting of Shareholders" for the reasons for the nomination of director and Audit and Supervisory Board member candidates.
(https://www.alfresa.com/eng/ir/meeting/)

[Supplementary Principle 4-1-1]
We have defined matters requiring resolution by the Board of Directors as follows: (1) matters prescribed in the Companies Act and other laws and regulations; (2) matters prescribed in the Articles of Incorporation; (3) matters delegated by a resolution of the General Meeting of Shareholders; and (4) other important management matters. In addition, an executive officer system has been adopted, and the extent of delegation of operations clarified in internal regulations.
Please refer to Article 13, Paragraphs 1-3 of the Corporate Governance Guidelines for the scope of delegation to management.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)

[Principle 4-8 Effective Use of Independent Directors]
Our basic policy is to appoint multiple independent outside directors. Currently, four outside directors who meet our independence standards have been appointed, and are designated as independent directors. For more information on independent directors, please refer to II-1. [Directors] of this report.

[Principle 4-9: Independence Standards and Qualification for Independent Outside Directors]
In the appointment of outside directors, we emphasize high ethical standards, as well as excellent character, wisdom, ability, and experience, in addition to the requirements stipulated by the Companies Act of Japan. We have appointed candidates who meet the independence standards for outside directors, etc. as specified by the Company, in addition to the requirements for independent directors as specified by the Tokyo Stock Exchange. Please refer to "Other Matters Related to Independent Officers" in II-1 of this report for the standards for independence of outside directors, etc.

[Supplementary Principle 4-11-1]
The Board of Directors consists of a variety of directors with a varied mix of expert knowledge, experience, ability, and other attributes.
Please refer to Article 14 and Article 21 of the Corporate Governance Guidelines for the composition of the Board of Directors.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)

[Supplementary Principle 4-11-2]
The Board of Directors confirms and approves the concurrent positions of directors and Audit & Supervisory Board members as directors of or other concurrent positions held at listed companies. Please refer to the "Notice of Convocation of Ordinary General Meeting of Shareholders" for details on concurrent posts held at listed companies by director and Audit & Supervisory Board member candidates.
(https://www.alfresa.com/eng/ir/meeting/)

[Supplementary Principle 4-11-3]
As a basic principle of the Alfresa Group, we will promote our efforts in line with the Corporate Governance Code while striving to further improve our corporate value, and have established corporate governance guidelines accordingly.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)
To enhance the effectiveness of corporate governance, Article 27 of these Guidelines stipulates that the Board of Directors is to conduct an annual self-review of whether the execution of duties is carried out in accordance with these Guidelines.
In addition to the self-review, a questionnaire on the following matters was administered to all directors and Audit & Supervisory Board members as a means to analyze and evaluate the effectiveness of the Board of Directors overall.

1. Ideals of the Board of Directors
2. Composition of the Board of Directors
3. Operations of the Board of Directors
4. Agenda of the Board of Directors

5. Systems supporting the Board of Directors
6. Appropriate disclosure and dialogue with shareholders
7. Other

The findings of the questionnaire are reported to the Board of Directors following deliberations by the Corporate Governance Committee and final evaluations are made by way of discussions by the board.
As a result of this process, the effectiveness of the Board of Directors overall in the fiscal year ended March 31, 2021 was determined to be appropriate, though certain improvements and other matters that could benefit from increased effectiveness were indicated. Going forward, we will work to further enhance effectiveness based on questionnaire results and self-reviews under these Guidelines.

[Supplementary Principle 4-14-2]
In order to enable directors and Audit & Supervisory Board members, including outside directors and outside Audit & Supervisory Board members, to fully fulfill their respective functions, the Company provides opportunities for directors and Audit & Supervisory Board members to acquire the necessary knowledge of the Group's businesses, finances, organizations, etc. at the time of their appointment and on an ongoing basis after appointment.
Please refer to Article 24, Paragraphs 1-3 of the Corporate Governance Guidelines for policies on support systems and training for directors and Audit & Supervisory Board members.
(https://www.alfresa.com/ir/pdf/cgguideline.pdf)

[Principle 5-1: Policy for Constructive Dialogue with Shareholders]
(1) Basic Policy
The Alfresa Group discloses information in a timely manner that ensures transparency, fairness, continuity, timeliness, and interactivity, in accordance with our disclosure policy. Specifically, we disclose information in compliance with the Companies Act, the Financial Instruments and Exchange Act, and other laws and regulations, as well as the rules for timely disclosure of corporate information stipulated in the securities listing regulations of the Tokyo Stock Exchange. We also actively and equitably disclose information that we believe will help further shareholders and investors understanding regarding information that is not stipulated by any laws, regulations, or timely disclosure rules.
(2) Fair disclosure
From a fair disclosure perspective, we actively and fairly disclose financial information to shareholders and investors, such as our management status, as well as and non-financial information such as environmental, CSR, and corporate governance -related matters.
(3) System
In order to ensure the consistency and uniformity of information disclosure, representative directors, the Information Disclosure Manager responsible for the Information Disclosure Department, and the Information Disclosure Department (Corporate Communications Department) are designated as the officers and employees responsible for the Alfresa Group’s information disclosure. The Information Disclosure Department collaborates with related departments within the company to collect information necessary for constructive dialogue with shareholders and investors. The disclosure of important information stipulated in the Fair Disclosure Rules is deliberated by the Disclosure Committee, which is composed of Representative Directors, the Information Disclosure Manager, and the head of the Information Disclosure Department (head of the Corporate Communication Division), as necessary, and the Board of Directors consulted as appropriate.
(4) Dialogue
The Information Disclosure Manager is designated as the person responsible for dialogue, and we make every effort to ensure that senior management is available to conduct dialogue within a reasonable range. We disclose the status of our investor relations activities in our Corporate Governance Report. The Information Disclosure Department and senior management share feedback obtained through dialogue with shareholders and investors as appropriate.

For information about our disclosure policy, please refer to our website (https://www.alfresa.com/ir/disclosure.html)).

2. Capital Structure

Foreign Shareholding Ratio	30% or more

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,845,900	7.01
Custody Bank of Japan, Ltd. (Trust Account)	8,357,300	3.95
Alfresa Holdings Employees Shareholders' Association	5,547,832	2.62
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	4,569,000	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.	3,908,000	1.85
The Nomura Trust and Banking Co., Ltd. (The Fukujin Family Trust Account)	3,800,000	1.80
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,765,208	1.78
STATE STREET BANK AND TRUST COMPANY 505001	3,489,762	1.65
Eisai Co., Ltd.	3,452,724	1.63
DAIICHI SANKYO COMPANY, LIMITED	3,202,144	1.51

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

The following corporations have submitted a large-volume holding report, etc. stating that the company in question owns the Alfresa Group's shares as of the date of incurring the reporting obligation. However, as we cannot confirm the actual number of shares owned as of the record date of the exercise of voting rights, the report is not included in the status of major shareholders above.

[Name of Submitter (Number of Shares Owned, Percentage of Shares Owned)]
BlackRock Japan Co., Ltd. (12,093,000 shares, 5.71%)

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Wholesale
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

-

5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with an Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	President
Number of Directors	11
Appointment of Outside Directors	Yes
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yoichiro Yatsurugi	From another company											
Takashi Hara	From another company								△			
Manabu Kinoshita	From another company								○			
Toshie Takeuchi	Academic											

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;
"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/Audit & Supervisory Board member
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board members are mutually appointed (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Yoichiro Yatsurugi	○	Not applicable	Mr. Yoichiro Yatsurugi has a wealth of experience, a proven track record, and a high level of insight based on 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. Therefore, we believe that he will 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. In addition, as stated at left, there are no applicable relationships and so no risk of conflicts of interest with general shareholders. Accordingly, we have designated him as an independent officer.
Takashi Hara	○	The Company's consolidated subsidiary has transactions with The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.), where Mr. Takashi Hara served as Deputy President in the past, but the transactions are less than 0.1% of their respective consolidated net sales, and the transaction partners are not involved in any way in the management of Group companies.	Mr. Takashi Hara has a wealth of experience in business operations and a proven track record, including serving in key positions at financial institutions and a general trading company. He can be expected to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions by drawing on his wealth of experience and knowledge at the Board of Directors. In addition, as described on the left, we have determined that there is no risk of conflicts of interest with general shareholders. Accordingly, we have designated him as an independent officer.
Manabu Kinoshita	○	The Company's consolidated subsidiary has transactions with NEC Corporation, where Mr. Manabu Kinoshita serves as Senior Officer, but the transaction value is less than 0.1% of their respective consolidated net sales, a negligible percentage, and the transaction partners are not involved in any way in the management of Group companies.	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 can be expected to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions by drawing on his wealth of

			experience and knowledge at the Board of Directors. In addition, as stated at left, we have determined that there is no risk of conflicts of interest with general shareholders. Accordingly, we have designated him as an independent officer.
Toshie Takeuchi	○	Not applicable	In addition to her high-level insight and wide-ranging experience as a professor in the Faculty of Business Administration, Ms. Toshie Takeuchi has broad knowledge in the area of marketing and branding. She can be expected to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions by drawing on her wealth of experience and knowledge at the Board of Directors. In addition, as stated at left, there are no applicable relationships and so no risk of conflicts of interest with general shareholders. Accordingly, we have designated her as an independent officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee for Directors and Executive Officers	Nomination and Remuneration Committee for Directors and Executive Officers
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside director	Outside director

Supplementary Explanation

The Nomination and Remuneration Committee for Directors and Executive Officers is made up of six directors (including four outside directors, of whom one is the chairperson) who are elected on the basis of resolutions of the Board of Directors. The Committee deliberates on appointment and dismissal of directors and executive officers at the Company and the Company's specified wholly owned subsidiary Alfresa Corporation, remuneration for the Company's directors and executive officers, and other important matters related to management.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

The Company receives regular reports and explanations for improving operations from the independent auditor, KPMG AZSA LLC, through accounting audits and internal control audits on financial reporting. The Group Audit & Supervisory Board Members' Meeting is held every half year to allow Audit & Supervisory Board members from the Company and its consolidated subsidiaries to share information and acquire and improve audit methods. The independent auditor also attends these meetings to promote further communication.
In the execution of their audit duties, Audit & Supervisory Board members receive regular reports from the Internal Audit Department on their audit plans and audit results, request investigations where necessary, and work in coordination with the Internal Audit Department to improve the quality and ensure the effectiveness of audits related to internal control systems conducted by the Audit & Supervisory Board.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Seisui Kamigaki	Attorney at law													
Yoshitaka Kato	CPA													
Takashi Ito	Attorney at law													

* Categories for "Relationship with the Company"

* "○" when the member presently falls or has recently fallen under the category;
"△" when the member fell under the category in the past

* "●" when a close relative of the member presently falls or has recently fallen under the category;
"▲" when a close relative of the member fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Audit & Supervisory Board member of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board member
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board member himself/herself only)
k. Executive of a company, between which and the Company outside directors/Audit & Supervisory Board members are mutually appointed (the Audit & Supervisory Board member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself only)
m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Seisui Kamigaki	○	Not applicable	Mr. Seisui Kamigaki has served as a prosecutor and a commissioner at the Japan Fair Trade Commission. He has a high level of expertise and broad insight into general legal affairs and corporate compliance. We expect that his opinions from an objective and neutral perspective will continue to be indispensable in strengthening the Company's audit system. As described on the left, he does not fall under any category, and we have determined that there is no risk of conflict of interest with the general shareholders. Accordingly, we have designated him as an independent officer.
Yoshitaka Kato	○	Not applicable	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. 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. As described on the left, he does not fall under any category, and we have determined that there is no risk of conflict of interest with the general shareholders. Accordingly, we have designated him as an independent officer.
Takashi Ito	○		In addition to high-level expertise as an attorney at law, Mr. Takashi Ito has broad legal knowledge, including in the area of civil law, criminal law, labor

		Not applicable	law, and intellectual property law. We therefore believe that he will provide opinions from an objective and long-term perspective based on his expert knowledge and extensive experience, and apply them to the audit system of the Company. As described on the left, he does not fall under any category, and we have determined that there is no risk of conflict of interest with the general shareholders. Accordingly, we have designated him as an independent officer.

[Independent Officers]

Number of Independent Officers	7

Matters relating to Independent Officers

<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 defines 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.

[Incentives]

Incentive Policies for Directors	Introduced performance-linked remuneration system

Supplementary Explanation

Remuneration for executive directors consists of basic (fixed) remuneration, performance-linked bonuses, which are linked to achievement of performance targets for each fiscal year, and performance-linked stock compensation (stock price-linked compensation currently be used as an alternative), which is for the purpose of further motivating directors and other officers and enhancing long-term corporate value toward achievement of mid- to long-term performance objectives set forth in the Company's 19-21 Mid-term Management Plan.
We had planned to introduce a system of performance-linked stock compensation using a BIP trust for officer compensation, but conditions continue to prevent us from establishing this trust. We have, therefore, instituted a system of stock price-based compensation as an alternative until the performance-linked stock compensation system is introduced; it pays a monetary amount instead of stock calculated based on the same method as the performance-linked stock compensation system. When conditions are resolved, we plan to promptly introduce performance-linked stock compensation.

Executive Directors
Fixed remuneration (basic remuneration) 70% + performance-linked remuneration (bonuses) 20% + performance-linked remuneration (stock price-linked compensation)10%
Non-Executive Directors and Audit & Supervisory Board Members
100% fixed (basic) remuneration
(Note) Figures for bonuses and stock compensation, which are performance-linked, represent the percentage of remuneration under standard performance achievement.

Method of calculating performance-linked remuneration
(1) Method of calculating bonuses
The amount of bonuses paid was determined individually 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 initial targets for consolidated operating profit margin and profit margin attributable to owners of the parent for each fiscal year in order to ensure our values are aligned with those of shareholders and to further motivate officers to contribute to corporate performance.
Targets and achievements of bonus indicators for 2020 fiscal year under review are as follows.
1) Operating profit margin
Target: 1.36%
Actual: 0.79%
2) Profit margin attributable to owners of the parent
Target: 1.12%
Actual: 0.94%

(2) Method of calculating stock compensation (stock price-linked compensation)
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 is determined by annually granting and accumulating the base points calculated according to the amount obtained by multiplying the base amount by the stock compensation composition ratio (10%), and after the conclusion of the medium-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 medium-term management plan. As with bonuses, the performance indicators utilized include the consolidated operating income margin and the profit margin attributable to owners of the parent, which have been positioned as key performance indicators in the medium-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.
Method of calculating stock price-linked compensation
Stock price-linked compensation serves as an alternative system until the performance-linked stock compensation system is introduced. Using base points in the same way as stock compensation, they are annually granted and accumulated during the period of the medium-term management plan, and after the conclusion of the plan, the cumulative value of the base points is varied within the range of 0% to 200% according to the achievement level of the business performance targets in the medium-term management plan, and then multiplied by the stock price on the baseline date as stipulated in internal rules to determine the amount paid. As with stock compensation, the performance indicators utilized include the consolidated

operating income margin and the profit margin attributable to owners of the parent, which have been positioned as key performance indicators in the medium-term management plan.

Recipients of Stock Options	

Supplementary Explanation
-

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure

Supplementary Explanation
In the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021), 327 million yen in total was paid by the Company to 15 officers. This amount includes officers' bonuses of 55 million yen for the year ended March 31, 2021 and transfer to bonus reserve for stock price-linked compensation of 20 million yen. Stock price-linked compensation is being used as an alternative system until the performance-linked stock compensation system (BIP trust for officer compensation) is introduced; it pays a monetary amount instead of stock calculated based on the same method as the performance-linked stock compensation system. Conditions continue to prevent the Company from establishing a BIP trust for officer compensation, but after these conditions are eliminated, the Company plans to promptly introduce performance-linked stock compensation. The amount of remuneration for each officer by type has been omitted as there are no officers receiving total consolidated remuneration of 100 million yen or more.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
Matters pertaining to the policy concerning the determination of the amount of remuneration, etc. for officers or the method of calculating such amount At the Company, the Nomination and Remuneration Committee for Directors and Executive Officers, which is a voluntary committee, a majority of whose members are outside directors, deliberates on policies for determining remuneration (including remuneration composition and base amounts), calculation methods for compensation, total remuneration and other related matters, and based on this, the matters are put before the Board of Directors and decided by the board. Remuneration amounts for individual officers are determined based on deliberations by the Nomination and Remuneration Committee for Directors and Executive Officers on performance evaluations. Our officers' remuneration 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 remuneration composition differs between executive directors, non-executive directors (including outside directors), and Audit & Supervisory Board members. In addition to basic (fixed) remuneration, executive directors are compensated with bonuses linked to relative achievement of performance targets for each fiscal year and performance-linked stock compensation (stock price-linked compensation currently being used as an alternative), a system aimed at increasing the motivation of directors and other officers and enhancing long-term corporate value in order to achieve the mid-to long-term performance objectives set forth in the 19-21 Mid-term Management Plan.

We had planned to introduce a system of performance-linked stock compensation using a BIP trust for officer compensation, but conditions continue to prevent us from establishing this trust. We have, therefore, instituted a system of stock price-based compensation as an alternative until the performance-linked stock compensation system is introduced; it pays a monetary amount instead of stock calculated based on the same method as the performance-linked stock compensation system. When conditions are resolved, we plan to promptly introduce performance-linked stock compensation.

[Supporting System for Outside Directors and/or Outside Audit & Supervisory Board Members]

We have established a support system for outside directors (outside Audit & Supervisory Board members) as follows.

(1) Outside directors and Outside Audit & Supervisory Board members may request information and materials necessary for them to exercise ongoing management supervision, both at the time of their appointment and after their appointment. In addition, the advice of external experts may be sought as necessary.
(2) We encourage outside directors and outside Audit & Supervisory Board members to understand our corporate philosophy and corporate culture, and provide information on the management environment on an ongoing basis.
(3) We provide opportunities for outside directors and outside Audit & Supervisory Board members to share information and exchange opinions with each other through the Corporate Governance Committee.
(4) Details of important internal meetings not attended by outside Audit & Supervisory Board members are reported by standing Audit & Supervisory Board members as necessary.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
-	-	-	-	-	-

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0

Others

There are currently no persons holding the positions stated above. In the case that an experienced representative director is appointed as a counselor or advisor, the Board of Directors will decide upon the appointment after considering the management necessity, qualifications of the person in question, and the details and appropriateness of the appointment

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

We have introduced an executive officer system to accelerate decision-making and clarify responsibilities for business execution and supervision. Executive officers are delegated certain duties related to business execution by the representative director based on a resolution by the Board of Directors.

[Board of Directors]
The Board of Directors is made up of 11 directors of the Company (ten men and one woman, of whom four are outside directors). Meetings are attended by the Audit & Supervisory Board members. Regular meetings are held once per month, in principle, but extraordinary meetings may also be convened as necessary. These meetings are held to approve important matters stipulated by laws and regulations, as well as determine matters pertaining to management, and to supervise directors' performance of their duties.
Chair:
Ryuji Arakawa (Representative Director & President)
Members:
Taizo Kubo (Director & Chairman)
Yasuki Izumi (Director, Deputy President)
Seiichi Kishida (Director, Senior Vice President and Executive Officer)
Hisashi Katsuki (Director)
Koichi Shimada (Director)
Yusuke Fukujin (Director)
Yoichiro Yatsurugi (Outside Director)
Takashi Hara (Outside Director)
Manabu Kinoshita (Outside Director)
Toshie Takeuchi (Outside Director)
Kenji Kuwayama (Standing Audit & Supervisory Board Member)
Masakazu Ozaki (Standing Audit & Supervisory Board Member)
Seisui Kamigaki (Audit & Supervisory Board Member)
Yoshitaka Kato (Audit & Supervisory Board Member)
Takashi Ito (Audit & Supervisory Board Member)

[Executive Committee]
The Executive Committee is made up of the representative director & president of the Company and executive officers nominated by the Company's Board of Directors. Meetings are attended by Audit & Supervisory Board members. The Committee deliberates and approves matters related to the management of the Company, apart from the matters the Company's General Meeting of Shareholders and Board of Directors are responsible for approving. Regular meetings are held twice per month, in principle, but extraordinary meetings may also be convened as necessary.
Chair:
Ryuji Arakawa (Representative Director & President)
Members:
Taizo Kubo (Director & Chairman)
Yasuki Izumi (Director, Deputy President)
Seiichi Kishida (Director, Senior Vice President and Executive Officer)
Yasuhiro Shido (Managing Executive Officer)
Shigeki Ohashi (Managing Executive Officer)
Kazuaki Hano (Executive Officer)
Soichi Nemoto (Executive Officer)
Toshikazu Urakabe (Executive Officer)
Kenji Kuwayama (Standing Audit & Supervisory Board Member)
Masakazu Ozaki (Standing Audit & Supervisory Board Member)
Seisui Kamigaki (Audit & Supervisory Board Member)
Yoshitaka Kato (Audit & Supervisory Board Member)
Takashi Ito (Audit & Supervisory Board Member)

[Corporate Governance Committee]
The Corporate Governance Committee is composed of outside directors, outside Audit & Supervisory Board members, standing Audit & Supervisory Board members, representative directors, and the directors who are

elected on the basis of resolutions of the Board of Directors. The chairperson is elected mutually from among the independent officers.
The Committee's purpose is to enhance the transparency and fairness of management and ensure the continual improvement of corporate governance from the standpoint of all stakeholders. It engages in exchanges of opinions from long-term and varied perspectives with regard to corporate governance, visions and strategies encompassing all aspects of corporate management, and matters such as the progress of the mid-term management plan, and provides advice and proposals to the Board of Directors.
Chair:
Yoichiro Yatsurugi (Outside Director)
Members:
Taizo Kubo (Director & Chairman)
Ryuji Arakawa (Representative Director & President)
Yasuki Izumi (Director, Deputy President)
Seiichi Kishida (Director, Senior Vice President and Executive Officer)
Takashi Hara (Outside Director)
Manabu Kinoshita (Outside Director)
Toshie Takeuchi (Outside Director)
Kenji Kuwayama (Standing Audit & Supervisory Board Member)
Masakazu Ozaki (Standing Audit & Supervisory Board Member)
Seisui Kamigaki (Audit & Supervisory Board Member)
Yoshitaka Kato (Audit & Supervisory Board Member)
Takashi Ito (Audit & Supervisory Board Member)

[Nomination and Remuneration Committee for Directors and Executive Officers]
The Nomination and Remuneration Committee for Directors and Executive Officers is made up of six directors (including four outside directors, of whom one is the chairperson) who are elected on the basis of resolutions of the Board of Directors. The Committee deliberates on appointment and dismissal of directors and executive officers at the Company and the Company's specified wholly owned subsidiary Alfresa Corporation, remuneration for the Company's directors and executive officers, and other important matters related to management.
Chair:
Manabu Kinoshita (Outside Director)
Members:
Taizo Kubo (Director & Chairman)
Ryuji Arakawa (Representative Director & President)
Yoichiro Yatsurugi (Outside Director)
Takashi Hara (Outside Director)
Toshie Takeuchi (Outside Director)

[Audit & Supervisory Board (Auditors)]
The Audit & Supervisory Board members attend important meetings of the Board of Directors and other meetings, and carry out auditing of directors' performance of duties. The Audit & Supervisory Board is made up of four Audit & Supervisory Board members (three of whom are outside members) and meets once per month, in principle, to report on audit results and discuss audit details.
Chair:
Kenji Kuwayama (Standing Audit & Supervisory Board Member)
Members:
Masakazu Ozaki (Standing Audit & Supervisory Board Member)
Seisui Kamigaki (Audit & Supervisory Board Member)
Yoshitaka Kato (Audit & Supervisory Board Member)
Takashi Ito (Audit & Supervisory Board Member)

[Accounting auditor]
Our accounting audit operations are conducted by KPMG AZSA LLC. In the fiscal year ended March 31, 2021, there were three certified public accountants (designated partners and lead engagement partners) responsible for conducting accounting audit operations: Satoshi Hosoya, Takashi Watanabe and Naoki Saito.

The number of years of continuing audits, including the fiscal year under review, is one year for Mr. Hosoya, five years for Mr. Watanabe and one year for Mr. Saito.
There were 25 certified public accountants, 9 accountants who have passed the CPA examination and 10 other assistants involved in the accounting audit process during the fiscal year under review.

[Overview of the Governance System of the Corporate Group]
We provide opportunities for our directors, executive officers, and directors of Group companies to discuss matters related to the Group's management strategy. We also provide opportunities to share management policies with Group companies and discuss common matters related to the Group's management.

[Overview of Compliance and Risk Management System]
With regard to business investment, we have created opportunities to discuss capital investment projects applied for by the Company and our Group companies that exceed a predetermined monetary amount, as well as important investment projects that require careful review from a multi-faceted perspective. Such items are deliberated and resolved by the Executive Committee or the Board of Directors.
We have also formulated a Compliance and Risk Management Promotion Plan and provide opportunities to discuss important policies related to compliance risk management for the entire Group, as well as to report and evaluate the compliance risk management activities of the Company and our Group companies. We have systems as well for reporting to the representative director and Board of Directors as appropriate.
Along with overall meetings, subcommittees have been established for specific business sectors and categories (business segments, etc.) in order to appropriately and organizationally address risks inherent in specific businesses with a high degree of specialization.
In addition, in order to contribute to the improvement of corporate value over the mid- to long term, we have established a system under which we consider key policies and other matters related to overall Group CSR together with Group companies, as well as provide opportunities to report and evaluate the CSR initiatives of the Company and our Group companies, and report these to the representative director and Board of Directors as appropriate.

[Remuneration for Officers and Executive Officers]
For details on the determination of remuneration for directors and executive officers, please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in II-1. [Director Remuneration] of this report.

3. Reasons for Adoption of Current Corporate Governance System

We believe that the transparency and neutrality of management from an external perspective are ensured through the auditing activities of three outside Audit & Supervisory Board members (two attorneys at law and one certified public accountant). In addition, we have appointed four outside directors with high independence (one academic and three management experts) to ensure the objectivity and neutrality of the management monitoring function.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Since the 12th Ordinary General Meeting of Shareholders held in June 2015, the notice of convocation has been sent at least three weeks prior to the meeting date.
Scheduling AGMs Avoiding the Peak Day	Since the 5th Ordinary General Meeting of Shareholders held in June 2008, the date of the meeting has been set to avoid the busiest dates for shareholders meetings in Japan.
Allowing Electronic Exercise of Voting Rights	Since the 7th Ordinary General Meeting of Shareholders held in June 2010, the Company has allowed exercise of voting rights via the Internet.
Participation in Electronic Voting Platform	Since the 7th Ordinary General Meeting of Shareholders held in June 2010, the Company has participated in the electronic voting platform.
Providing Convocation Notice in English	The full text of the notice of convocation has been provided in English since the 13th Ordinary General Meeting of Shareholders held in June 2016. The English-language notice of convocation is posted on our website and TDnet.

2. IR Activities

	Supplementary Explanations	Presentation by Representative
Preparation and Publication of Disclosure Policy	The Company revised its disclosure policy in June 2018, and posted the policy on its website as a basic principle of information disclosure to shareholders and investors mainly from a perspective of fair disclosure.	
Regular Investor Briefings for Analysts and Institutional Investors	The Alfresa Group conducts quarterly financial results disclosures and holds financial results briefings for securities analysts and institutional investors twice a year. At the briefing, a representative himself explains the current status and achievements of the Group, as well as future strategies, and answer questions. We also hold meetings with securities analysts and institutional investors, and conduct individual visits as appropriate.	Yes
Regular Investor Briefings for Overseas Investors	We regularly visit foreign investors on an individual basis or conduct interviews through online conferencing. In addition, we participate in conferences for overseas institutional investors sponsored by securities companies to explain the current status and achievements of the Group as well as future strategies, and to answer questions.	Yes
Posting of IR Materials on Website	Our website provides IR information at a section for shareholders and investors. The Company posts financial statements, shareholder reports, briefing materials and data books, etc. and distributes videos of financial results briefings presented by a representative himself. The website also contains performance highlights that provide graphs of performance trends and integrated reports, etc. In addition, we have a system in place for direct IR-related inquiries from the Internet to Corporate Communication Department. In January 2021, we performed a major upgrade of our website to better accommodate smartphones.	
Establishment of Department and/or Manager in Charge of IR	The Company has established Corporate Communication Department.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Alfresa Group's Principles stipulates basic concepts, and the Corporate Governance Guidelines stipulates relationships with stakeholders. The Alfresa Group Compliance Guidelines also describes our relationships with stakeholders.
Implementation of Environmental Activities, CSR Activities etc.	We promote CSR activities, including environmental conservation activities, through our CSR Promotion Committee, which comprises members responsible for CSR at the Company and Group companies. Activities are generally promoted under the leadership of the committee. Specific initiatives are described in the Integrated Report and published on our website.
Development of Policies on Information Provision to Stakeholders	Our basic stance is to disclose company information in a timely and appropriate manner in accordance with our disclosure policy.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

<Framework for ensuring the appropriate conduct of the Group's business>

1. Framework for ensuring that Directors' duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation
   - 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.
   - 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.
   - 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.
   - The Company shall appoint outside Directors, ensuring the objectivity and neutrality of its management supervisory function.
   - 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
   - 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.
   - 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
   - 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.
   - The executive officer system ensures a clear separation between Directors' duties and executive officers' business execution functions.
   - The Board of Directors and the Executive Committee shall meet regularly to rapidly and properly make decisions.
   - 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
   - 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.

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

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

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

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

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

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

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

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

- 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.
- 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.
- 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

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

- 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.
- 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.
- The Company shall endeavor to ensure that Audit & Supervisory Board Members have the opportunity to attend meetings where their presence has been deemed necessary.
- Any request from an Audit & Supervisory Board Member for a hearing shall be responded to promptly.
- The details of reports submitted to Compliance Consulting Offices shall be reported to Audit & Supervisory Board Members regularly or when necessary.

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

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

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

- 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.
- 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.

<Status of operation of the framework for ensuring the appropriate conduct of the Group's business>

1. Compliance framework

(1) 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.

(2) The status of operation of the Compliance Consultation Offices established at the Company and each Group company is reported to the Compliance and Risk Management Committee, Directors, and Audit & Supervisory Board Members etc. regularly or when necessary. In addition, the Company has established a system for taking questions and receiving whistleblower reports through telephone consultation desks set up exclusively for the Antimonopoly Act at group companies and externally. Operation of these antimonopoly consultation desks is reported regularly, and as

necessary, to a subcommittee of the Compliance and Risk Management Committee, the Board of Directors, and other bodies.

(3) 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.

(4) As is stated in the Notice of the 18th Ordinary General Meeting of Shareholders in "1. The current state of the corporate group," "(1) Business conditions" and "(4) Challenges to be addressed," the Company is taking thoroughgoing measures to ensure compliance with the Antimonopoly Act. (https://www.alfresa.com/ir/meeting/)

2. Risk management framework

(1) 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.

(2) 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 established a COVID-19 response headquarters and created a system to ascertain the number of people infected with the virus at the Company and group companies, consider countermeasures to prevent the spread of infections, and take appropriate steps as necessary through coordination between the Company and group companies.

(3) 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

(1) 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.

(2) Progress management is conducted based on the Alfresa Group's medium-term management plan and fiscal year plans, and reports are made as necessary to the Executive Committee and Board of Directors. In addition, the Company holds meetings of its Group Management Committee, Business Strategy Committee, and other committees by role, or function, on a regular basis.

(3) The Company works through its committees to strengthen its information-sharing and reporting framework with Group companies, ensure thoroughgoing compliance training, and strengthen and enhance its internal reporting system.

4. Performance of duties by Directors

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

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

(3) 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

(1) 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.

(2) 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.
(3) 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.
(4) Audit & Supervisory Board Members have meetings with the Company's management including the Representative Director & President, exchange opinions and share information with Audit & Supervisory Board Members etc. of the Group companies as appropriate, and meetings of the Group-wide Audit & Supervisory Board Committee are held to further improve audit quality.
(5) 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.
(6) 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.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic Policy Pertaining to the Elimination of Antisocial Forces
Our basic policy is to refuse and eliminate all relations with anti-social forces.

2. Development of a System to Eliminate Anti-Social Forces
Our Compliance Guidelines stipulate practical measures for refusing and eliminating relations with anti-social forces, and provide a specific code of conduct and response. We have also established a system for thoroughly disseminating related information to our officers and employees

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
-

2. Other Matters Concerning to Corporate Governance System

<Overview of Timely Disclosure System>
As a holding company, the Company formulates the Group's management philosophy and creates management plans based on this. The Group's basic role is to conduct group management in order to improve the corporate value of the Group on an ongoing basis. In addition, we strive to identify information that may have an impact on management, such as the Group's business operations and financial condition, by attending important meetings within the Group and raising awareness in each of our organizations.
Under this management supervision framework, we maintain a basic stance of disclosing corporate information to shareholders and investors in a timely and appropriate manner. We comply with the Financial Instruments and Exchange Law, various laws and regulations including the Companies Act of Japan, as well as rules on timely disclosure stipulated by the listing securities exchanges, and handle information that should be disclosed in a timely manner as outlined below, in accordance with internal rules such as internal information management rules and our disclosure policy.

1. Resolutions
In principle, significant management decisions are made at regular meetings of the Board of Directors held once a month. We also hold extraordinary meetings of the Board of Directors as necessary.
In accordance with our Timely Disclosure Rules, the Information Disclosure Manager (executive officer responsible for information management) convenes a Disclosure Committee composed of representative directors, the Information Disclosure Manager, and members of the Information Disclosure Department (Corporate Communications Department) to deliberate on the details of such facts. The outcomes of these Committee meetings are reported to the Board of Directors. Under this system, we strive to disclose our corporate information in a timely and fair manner.

2. Occurrences
The Information Disclosure Department will collaborate with the relevant divisions to collect necessary information on important incidents. Thereafter, in accordance with our Timely Disclosure Rules, the Information Disclosure Manager convenes a Disclosure Committee consisting of representative directors, the Information Disclosure Manager, and members of the Information Disclosure Department to deliberate of the details of such facts. The outcomes of these Committee meetings are reported to the Board of Directors. Under this system, we strive to disclose corporate information in a timely and fair manner.

3. Information on Financial Results
Financial results are prepared by the Financial Planning Department based on account-closing figures gathered from Group companies. Results are disclosed after being audited by accounting auditors and subsequently authorized by the Board of Directors.

With regard to the above information disclosure, we provide information disclosure required under the Financial Instruments and Exchange Act through the Electronic Disclosure for Investors Network (EDINET) operated by the Financial Services Agency and information disclosure required under the Timely Disclosure Rules of the Tokyo Stock Exchange through the Timely Disclosure Network (TDnet), as well as on our website.
The following URL provides information on our basic principles for disclosure of information to shareholders and investors, primarily from the perspective of fair disclosure.
https://www.alfresa.com/ir/disclosure.html

Corporate Governance Structure

