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(Code number 2784)  
June 6, 2022

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 19TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 19th Ordinary General Meeting of Shareholders of Alfresa Holdings Corporation (the “Company”) will be held for the purposes as described below.

In holding this Ordinary General Meeting of Shareholders, we will take appropriate measures for preventing the spread of COVID-19. However, to help prevent the spread of infection, we kindly request that you refrain from attending the meeting in person and consider exercising your voting rights in advance in writing or via the Internet. Please review the following Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m. on Monday, June 27, 2022 (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., Tuesday, June 28, 2022 (JST)

**2. Place:** Fuji room, 4th Floor, Hotel Grand Arc Hanzomon  
1-1, Hayabusacho, Chiyoda-ku, Tokyo, Japan  
(Please 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 19<sup>th</sup> Fiscal Year (April 1, 2021 – March 31, 2022)
  2. Non-consolidated Financial Statements for the Company's 19<sup>th</sup> Fiscal Year (April 1, 2021 – March 31, 2022)

**Proposals to be resolved:**

- Proposal 1:** Partial Amendments to the Articles of Incorporation  
**Proposal 2:** Election of Eleven (11) Directors  
**Proposal 3:** Election of Two (2) Audit & Supervisory Board Members  
**Proposal 4:** Partial Revision to the Stock-based Performance-linked Remuneration, etc. of Directors, etc.

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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., Tuesday, June 28, 2022 (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., Monday, June 27, 2022 (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:**

**Voting Deadline:** 5:00 p.m., Monday, June 27, 2022 (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.

#### 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.

#### 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., Tuesday, June 28, 2022 (JST)**

**to the end of the General Meeting of Shareholders**

\* The live viewing website becomes accessible at around 9:30 a.m., 30 minutes before the start time.

### 2. How to watch the live stream

- (1) Please access the "Engagement Portal" (the "Website") by entering the following URL directly on your computer or smartphone, or by reading the QR code.

URL	<a href="https://engagement-portal.tr.mufg.jp/">https://engagement-portal.tr.mufg.jp/</a>
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(QR code)

- (2) After accessing the Website, please follow the instructions on the screen and enter your ID and password.

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| <p>1) <u>ID: The "login ID" (15 half-width alphanumeric characters) indicated on the duplicate (right side) of the Voting Rights Exercise Form</u></p> <p>2) <u>Password: The "temporary password" (six digit half-width numbers) indicated on the duplicate (right side) of the Voting Rights Exercise Form</u></p> <p><u>* Before posting your vote, please keep 1) and 2) with you or detach the duplicate (right side) of the Voting Rights Exercise Form and post it.</u></p> |
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- (3) Please click the "Watch Live on the Day" button on the Website. Check the "I agree to the Terms of Use" checkbox after confirming the Terms of Use. Then click the "Watch" button.

### 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/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, ask any questions, and make any comments including motions.
- (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) Please note that Internet Explorer is not supported. Also, 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.
- (8) If you have lost the enclosed Voting Rights Exercise Form, please contact the following.

#### 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 the Website]

**Stock Transfer Agency Division,  
Mitsubishi UFJ Trust and Banking Corporation**

0120-676-808 (toll free)

Reception time:	9:00 a.m. to 5:00 p.m. (JST) (except Saturdays, Sundays and holidays) On the day of the General Meeting of Shareholders: From 9:00 a.m. to the end of the General Meeting of Shareholders
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## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal 1: Partial Amendments to the Articles of Incorporation

##### 1. Reasons for the proposal

The amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for general meetings of shareholders, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 15, Paragraph 1 provides that information contained in the reference documents for the general meeting of shareholders, etc. shall be provided electronically.
- (2) The purpose of the proposed Article 15, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the internet disclosure and deemed provision of the reference documents for the general meeting of shareholders, etc. (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

##### 2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>Article 15 The Company may, when convening a general meeting of shareholders, deem that it has provided its shareholders with information pertaining to matters to be described or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p> <p>(Provisions of articles omitted hereinafter)</p>	<p>(Deleted)</p> <p><u>(Measures for Electronic Provision, Etc.)</u></p> <p><u>Article 15 The Company shall, when convening a general meeting of shareholders, provide information contained in the reference documents for the general meeting of shareholders, etc. electronically.</u></p> <p><u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p> <p>(Unchanged hereinafter)</p>


Current Articles of Incorporation	Proposed Amendments
(Newly established)	<p><u>(Supplementary provisions)</u></p> <ol style="list-style-type: none"> <li data-bbox="869 302 1423 712">1. <u>The deletion of Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the current Articles of Incorporation and the new establishment of the proposed Article 15 (Measures for Electronic Provision, Etc.) shall come into effect on September 1, 2022, the date of enforcement of the amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (the “Effective Date”).</u></li> <li data-bbox="869 719 1423 907">2. <u>Notwithstanding the provisions of the preceding paragraph, Article 15 of the current Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six months from the Effective Date.</u></li> <li data-bbox="869 913 1423 1102">3. <u>These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></li> </ol>


**Proposal 2: 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] Ryuji Arakawa	Position: Representative Director & President Responsibilities: -	6 years	100% (18 of 18 meetings)
2	[To be reelected] Seiichi Kishida	Position: Director & Deputy President Responsibilities: Assistant to the President, Financial Planning, Corporate Communication	3 years	100% (18 of 18 meetings)
3	[To be reelected] Yusuke Fukujin	Position: Director & Deputy President Responsibilities: Ethical Pharmaceuticals Wholesaling Business	2 years	100% (18 of 18 meetings)
4	[To be newly elected] Shigeki Ohashi	Position: Vice President & Executive Officer Responsibilities: Group Business & Affiliate Control, Group Information System, Business Development & International Business	-	-
5	[To be newly elected] Toshiaki Tanaka	Position: Vice President & Executive Officer Responsibilities: General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance & Risk Management	-	-
6	[To be reelected] Hisashi Katsuki	Position: Director Responsibilities: -	5 years	100% (18 of 18 meetings)
7	[To be reelected] Koichi Shimada	Position: Director Responsibilities: -	4 years	100% (18 of 18 meetings)
8	[To be reelected] [Outside Director] [Independent Director] Takashi Hara	Position: Director Responsibilities: -	2 years	100% (18 of 18 meetings)
9	[To be reelected] [Outside Director] [Independent Director] Manabu Kinoshita	Position: Director Responsibilities: Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	2 years	100% (18 of 18 meetings)
10	[To be reelected] [Outside Director] [Independent Director] Toshie Takeuchi	Position: Director Responsibilities: -	2 years	100% (18 of 18 meetings)
11	[To be newly elected] [Outside Director] [Independent Director] Kimiko Kunimasa	Position: - Responsibilities: -	-	-





No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
1	 <p>Ryuji Arakawa [To be reelected]</p> <p>Date of birth: March 5, 1963 (age 59)</p> <p>Term of office at the conclusion of this general meeting: 6 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p>April 1987      Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)</p> <p>April 1999      Joined Chuyaku Co., Ltd. (currently Alfresa Corporation)</p> <p>June 2000      Director of Chuyaku Co., Ltd.</p> <p>June 2005      Managing Director of CS YAKUHIN CO., LTD. (currently Alfresa Corporation)</p> <p>June 2007      Senior Managing Director of CS YAKUHIN CO., LTD.</p> <p>June 2007      Director of the Company</p> <p>June 2008      Director, Senior Vice President &amp; Executive Officer of CS YAKUHIN CO., LTD. (currently Alfresa Corporation)</p> <p>April 2009      Representative Director &amp; President of CS YAKUHIN CO., LTD.</p> <p>June 2016      Director of the Company</p> <p>October 2016    Director, Vice President &amp; Executive Officer of the Company, Business Development &amp; International Business</p> <p>April 2019      Director, Vice President &amp; Executive Officer of the Company, Corporate Communication, Business Development &amp; International Business</p> <p>April 2020      Director, Senior Vice President &amp; Executive Officer of the Company, Corporate Communication, Business Development &amp; International Business</p> <p>June 2020      Representative Director &amp; President of the Company (present)</p> <p>[Significant concurrent position] None</p> <p>[Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.</p>	63,520
<p>[Reasons for election as candidate for Director] As Representative Director, Mr. Ryuji Arakawa leads the Company and its Group companies to respond appropriately and flexibly to changes in the business environment. In addition, he has served as Representative Director, etc., of our operating companies and is deeply familiar with the general operations of the Company and its operating companies. He also has a wealth of experience and a proven track record including playing a central role in the expansion of business fields and the development of international business, particularly in Asia, among other accomplishments. 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.</p>			


No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
2	 <p>Seiichi Kishida</p> <p>[To be reelected]</p> <p>Date of birth: March 31, 1960 (age 62)</p> <p>Term of office at the conclusion of this general meeting: 3 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 of 18 meetings)</p>	<p>April 1982      Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)</p> <p>October 2008    General Manager of Accounting Department of Alfresa Corporation</p> <p>April 2013      General Manager of Human Resources Department of Alfresa Corporation</p> <p>April 2017      Executive Officer of Alfresa Corporation, General Manager of Human Resources Department</p> <p>April 2018      Executive Officer of the Company, General Manager of Financial Planning Department</p> <p>April 2019      Vice President &amp; Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department</p> <p>June 2019      Director, Vice President &amp; Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department</p> <p>April 2020      Director, Senior Vice President &amp; Executive Officer of the Company, General Affairs, Financial Planning, Compliance &amp; Risk Management, Internal Control</p> <p>June 2020      Director, Senior Vice President &amp; Executive Officer of the Company, General Affairs, Finance, Corporate Communication, Compliance &amp; Risk Management</p> <p>June 2021      Director, Senior Vice President &amp; Executive Officer of the Company, Financial Planning, Corporate Communication, Compliance &amp; Risk Management</p> <p>April 2022      Director &amp; Deputy President of the Company, Assistant to the President, Financial Planning, Corporate Communication (present)</p> <p>[Significant concurrent position] None</p> <p>[Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.</p>	7,666
<p>[Reasons for election as candidate for Director] Mr. Seiichi Kishida has experience in the practice of accounting, human resources, etc., at our key subsidiary Alfresa Corporation, and has served as the person in charge of such functions. He also has a wealth of experience and a proven track record including serving as the person in charge of General Affairs, Finance, Corporate Communications, and Compliance &amp; Risk Management 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.</p>			


No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
3	 <p data-bbox="205 629 395 663">Yusuke Fukujin</p> <p data-bbox="213 692 387 725">[To be reelected]</p> <p data-bbox="225 754 376 846">Date of birth: June 27, 1976 (age 45)</p> <p data-bbox="193 880 408 999">Term of office at the conclusion of this general meeting: 2 years</p> <p data-bbox="193 1032 408 1182">Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p data-bbox="432 322 544 356">April 2000</p> <p data-bbox="432 356 544 389">April 2014</p> <p data-bbox="432 412 576 445">October 2014</p> <p data-bbox="432 501 544 535">June 2016</p> <p data-bbox="432 568 544 602">April 2019</p> <p data-bbox="432 624 544 658">June 2019</p> <p data-bbox="432 680 544 714">April 2020</p> <p data-bbox="432 736 544 770">June 2020</p> <p data-bbox="432 792 544 826">June 2020</p> <p data-bbox="432 837 544 871">April 2022</p> <p data-bbox="432 904 767 938">[Significant concurrent position]</p> <p data-bbox="432 938 1043 972">Representative Director &amp; President of Alfresa Corporation</p> <p data-bbox="432 972 831 1005">[Note related to candidate for Director]</p> <p data-bbox="432 1005 1222 1039">No conflict of special interest exists between the candidate and the Company.</p>	2,046,388
<p data-bbox="193 1193 683 1227">[Reasons for election as candidate for Director]</p> <p data-bbox="193 1227 1465 1393">Mr. Yusuke Fukujin is serving as Representative Director &amp; President of Alfresa Corporation, which is our subsidiary that plays a core role in Ethical Pharmaceuticals Wholesaling Business, and is deeply familiar with the general operations of this business. He plays a central role in sales and distribution initiatives for specialty pharmaceuticals, a focus area for the Group, and also in the development of new business models. 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.</p>			

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
4	 <p>Shigeki Ohashi</p> <p>[To be newly elected]</p> <p>Date of birth: January 17, 1965 (age 57)</p> <p>Term of office at the conclusion of this general meeting: —</p> <p>Attendance of Board of Directors' meetings: —</p>	<p>March 1988      Joined Showa Pharmaceuticals Co., Ltd. (currently Alfresa Corporation)</p> <p>October 2008    General Manager of Eastern Tokyo Sales Department, Sales Division of Alfresa Corporation</p> <p>October 2016    General Manager of Product Administration Department, Logistics Division of Alfresa Corporation</p> <p>April 2018      Executive Officer of Alfresa Corporation, General Manager of Sales Strategy Department, Pharmaceuticals Sales Division</p> <p>October 2019    Executive Officer of Alfresa Corporation, Deputy General Manager (in Charge of Sales Reforms) of Corporate Business Coordination Division</p> <p>April 2020      Vice President &amp; Executive Officer of the Company, Group Business &amp; Affiliate Control, Group Information System</p> <p>June 2021      Vice President &amp; Executive Officer of the Company, General Affairs, Group Business &amp; Affiliate Control, Group Information System, Human Resources Planning</p> <p>April 2022      Vice President &amp; Executive Officer of the Company, Group Business &amp; Affiliate Control, Group Information System, Business Development &amp; International Business (present)</p> <p>[Significant concurrent position] None</p> <p>[Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.</p>	4,900
<p>[Reasons for election as candidate for Director]</p> <p>Mr. Shigeki Ohashi has a wealth of experience including holding key positions in the Sales Division, etc., of Alfresa Corporation, which is our important subsidiary. He is deeply familiar with the general operations of the Company and its operating companies through his careers including serving as the person in charge of General Affairs, Group Business &amp; Affiliate Control, Group Information System, and Human Resources Planning 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 strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p>			

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
5	 <p>Toshiki Tanaka</p> <p>[To be newly elected]</p> <p>Date of birth: June 3, 1963 (age 59)</p> <p>Term of office at the conclusion of this general meeting: —</p> <p>Attendance of Board of Directors' meetings: —</p>	<p>April 1986      Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>October 2012    General Manager of Syndication Department of The Bank of Tokyo-Mitsubishi UFJ Ltd. (currently MUFG Bank, Ltd.)</p> <p>July 2015        Joined Alfresa Corporation, General Manager of Administration Division</p> <p>April 2016        Officer of Alfresa Corporation, Deputy General Manager of Administration Division</p> <p>April 2017        Executive Officer of Alfresa Corporation, Deputy General Manager of Administration Division, General Manager of Accounting Department</p> <p>April 2019        Executive Officer of Alfresa Corporation, General Manager of Management Planning Department, Management Planning Division</p> <p>June 2020        Director, Vice President &amp; Executive Officer of Alfresa Corporation, General Manager of Logistics Division</p> <p>April 2022        Director of Alfresa Corporation (present)</p> <p>April 2022        Vice President &amp; Executive Officer of the Company, General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance &amp; Risk Management (present)</p> <p>[Significant concurrent position] None</p> <p>[Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.</p>	900
<p>[Reasons for election as candidate for Director]</p> <p>In addition to his experience working at a major financial institution, Mr. Toshiki Tanaka is familiar with the operations of our operating companies through his careers including holding key positions in Administration Division, Management Planning Department, and Logistics Division at Alfresa Corporation, which is our important subsidiary. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p>			

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
6	 <p>Hisashi Katsuki</p> <p>[To be reelected]</p> <p>Date of birth: August 9, 1956 (age 65)</p> <p>Term of office at the conclusion of this general meeting: 5 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p>October 1984    Joined Pigeon Corporation</p> <p>December 2001    Managing Executive Officer of Pigeon Corporation</p> <p>April 2004    Director of Pigeon Corporation</p> <p>June 2009    Representative Director &amp; President of TAMPEI NAKATA CO., LTD. (currently Alfresa Healthcare Corporation)</p> <p>October 2011    Representative Director &amp; President of Alfresa Healthcare Corporation (present)</p> <p>October 2014    Representative Director &amp; Chairman of Mogi Pharmaceutical Co., Ltd. (currently Alfresa Healthcare Corporation)</p> <p>June 2017    Director of the Company (present)</p> <p>[Significant concurrent position] Representative Director &amp; President of Alfresa Healthcare Corporation</p> <p>[Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.</p>	16,192
<p>[Reasons for election as candidate for Director] Mr. Hisashi Katsuki is serving as Representative Director &amp; President of Alfresa Healthcare Corporation, which is our subsidiary that plays a role in Self-Medication Products Wholesaling Business, and is deeply familiar with the general operations of this 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.</p>			

No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
7	 <p data-bbox="204 633 400 663">Koichi Shimada</p> <p data-bbox="209 696 395 725">[To be reelected]</p> <p data-bbox="209 759 395 846">Date of birth: October 15, 1958 (age 63)</p> <p data-bbox="196 880 408 1001">Term of office at the conclusion of this general meeting: 4 years</p> <p data-bbox="196 1034 408 1182">Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p data-bbox="432 322 1246 376">April 1982      Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)</p> <p data-bbox="432 383 1230 436">April 2008      Executive Officer of Alfresa Pharma Corporation, General Manager of Product Strategy Department</p> <p data-bbox="432 443 1038 472">June 2010      Director of Alfresa Pharma Corporation</p> <p data-bbox="432 479 1289 533">April 2012      Director, Vice President &amp; Executive Officer of Alfresa Pharma Corporation</p> <p data-bbox="432 539 1278 593">April 2014      Director, Senior Vice President &amp; Executive Officer of Alfresa Pharma Corporation</p> <p data-bbox="432 600 1230 654">April 2016      Director, Deputy President &amp; Executive Officer of Alfresa Pharma Corporation</p> <p data-bbox="432 660 1114 689">May 2016      Director of Alfresa Fine Chemical Corporation</p> <p data-bbox="432 696 1198 750">April 2017      President, CEO &amp; Executive Officer of Alfresa Pharma Corporation (present)</p> <p data-bbox="432 757 1246 810">May 2017      Director &amp; Chairman of Alfresa Fine Chemical Corporation (present)</p> <p data-bbox="432 817 986 846">June 2018      Director of the Company (present)</p> <p data-bbox="432 853 767 882">[Significant concurrent position]</p> <p data-bbox="432 889 1134 918">President, CEO &amp; Executive Officer of Alfresa Pharma Corporation</p> <p data-bbox="432 925 831 954">[Note related to candidate for Director]</p> <p data-bbox="432 960 1225 990">No conflict of special interest exists between the candidate and the Company.</p>	2,620
<p data-bbox="196 1193 683 1223">[Reasons for election as candidate for Director]</p> <p data-bbox="196 1229 1476 1375">Mr. Koichi Shimada is serving as President &amp; CEO of Alfresa Pharma Corporation, which is our subsidiary that plays a core role in Manufacturing Business, and is deeply familiar with the general operations of this 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.</p>			


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	 <p>Takashi Hara</p> <p>[To be reelected] [Outside Director] [Independent Director]</p> <p>Date of birth: August 24, 1951 (age 70)</p> <p>Term of office at the conclusion of this general meeting: 2 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p>April 1975      Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>January 2002    Executive Officer of UFJ Bank, Ltd. (currently MUFG Bank, Ltd.)</p> <p>May 2005        Managing Executive Officer of UFJ Bank, Ltd.</p> <p>January 2006    Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)</p> <p>June 2008        Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2009        Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2010        Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>June 2012        Representative Director and Vice Chairman of Sojitz Corporation</p> <p>June 2019        Director, Chairman of the Board of Sojitz Corporation</p> <p>June 2020        Senior Advisor of Sojitz Corporation</p> <p>June 2020        Outside Director of UNIRITA Inc. (present)</p> <p>June 2020        Director of the Company (present)</p> <p>[Significant concurrent positions] Outside Director of UNIRITA Inc.</p> <p>[Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.</p>	-
<p>[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 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.</p>			

[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 Outside Director of UNIRITA Inc.; however, the Company has no transactions with the said 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	 <p>Manabu Kinoshita</p> <p>[To be reelected] [Outside Director] [Independent Director]</p> <p>Date of birth: May 17, 1954 (age 68)</p> <p>Term of office at the conclusion of this general meeting: 2 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p>April 1978      Joined NEC Corporation</p> <p>April 2008      Senior Vice President of NEC Corporation</p> <p>April 2010      Executive Vice President of NEC Corporation</p> <p>June 2010      Executive Vice President and Member of the Board of NEC Corporation</p> <p>June 2011      Executive Vice President of NEC Corporation</p> <p>April 2016      Senior Executive Vice President of NEC Corporation</p> <p>April 2018      Senior Officer of NEC Corporation</p> <p>June 2020      Director of the Company (present)</p> <p>June 2020      Chairman, Nomination and Remuneration Committee for Directors and Executive Officers of the Company (present)</p> <p>June 2020      Outside Director of Sumitomo Metal Mining Co., Ltd. (present)</p> <p>[Significant concurrent positions] Outside Director of Sumitomo Metal Mining Co., Ltd.</p> <p>[Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.</p>	-
<p>[Reasons for election as candidate for Outside Director and outline of expected role]</p> <p>Mr. Manabu Kinoshita has a wealth of experience, a proven track record and a high level of insight through his years of experience in the practice of business and as an executive at one of the leading general IT vendor companies in Japan. He has been elected as a candidate for Outside Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p>			

[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 served as Senior Executive Vice President in the past; 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 the said 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	 <p>Toshie Takeuchi</p> <p>[To be reelected] [Outside Director] [Independent Director]</p> <p>Date of birth: January 22, 1955 (age 67)</p> <p>Term of office at the conclusion of this general meeting: 2 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p>April 1978      Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)</p> <p>July 2001      Joined Dentsu EYE Inc.</p> <p>April 2002      Visiting Professor, Graduate School of Social Science, Hosei University</p> <p>April 2003      Professor, Faculty of Business Administration, Hosei University (present)</p> <p>April 2012      Dean of the Graduate School of Business Administration, Hosei University</p> <p>April 2014      Dean of the Faculty of Business Administration, Hosei University</p> <p>April 2016      Director of Hosei University Career Center</p> <p>June 2020      Director of the Company (present)</p> <p>[Significant concurrent positions] Professor, Faculty of Business Administration, Hosei University</p> <p>[Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.</p>	-
<p>[Reasons for election as candidate for Outside Director and outline of expected role]</p> <p>In addition to her high-level insight and wide experiences as a professor of the Faculty of Business Administration, Ms. Toshie Takeuchi has broad knowledge in the area of marketing and branding. She has been elected as a candidate for Outside Director because she can be expected to capitalize on her wealth of experience and knowledge at the Board of Directors, to continue to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p> <p>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.</p>			

[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 the said University.

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	 <p>Kimiko Kunimasa</p> <p>[To be newly elected] [Outside Director] [Independent Director]</p> <p>Date of birth: January 30, 1960 (age 62)</p> <p>Term of office at the conclusion of this general meeting: —</p> <p>Attendance of Board of Directors' meetings: —</p>	<p>March 1982      Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.)</p> <p>June 2000      Director of Benesse Corporation</p> <p>January 2002   Representative Director &amp; President of Benesse Care Corporation (currently Benesse Style Care Co., Ltd.)</p> <p>December 2003 Director of Benesse Style Care Co., Ltd.</p> <p>June 2008      General Manager of Human Resources and General Affairs Division of Benesse Corporation</p> <p>October 2010   CHO of Benesse Holdings, Inc.</p> <p>April 2012      Director of Benesse Corporation</p> <p>June 2013      Director and Executive Vice President of Benesse Style Care Co., Ltd.</p> <p>[Significant concurrent positions] None</p> <p>[Note related to candidate for Outside Director] No conflict of special interest exists between the candidate and the Company.</p>	—
<p>[Reasons for election as candidate for Outside Director and outline of expected role] Ms. Kimiko Kunimasa has long been involved mainly in the nursing care business as a practitioner and manager. She has a wealth of experience, a proven track record and a high level of insight through her career including serving as CHO (the person in charge of human resources) for all group companies of a listed company. She has been elected as a candidate for Outside Director because she can be expected to capitalize on her wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p>			

[Items regarding independence of Outside Director]


Ms. Kimiko Kunimasa meets the “Independence Standards for Outside Directors, etc.” of the Company as a candidate for Outside Director, and the Company plans to designate her as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submit a notification of the appointment to the same Exchange.


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

Among the five (5) current Audit & Supervisory Board Members, the terms of office of Mr. Kenji Kuwayama and Mr. Takashi Ito 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 given its approval to this proposal.

The candidates are as follows:

No.	Name	Career summary and position in the Company, significant concurrent positions and note related to candidate for Outside Audit & Supervisory Board Member	Number of shares of the Company held
1	 <p>Yuji Ueda</p> <p>[To be newly elected]</p> <p>Date of birth: April 1, 1961 (age 61)</p> <p>Term of office at the conclusion of this general meeting: —</p> <p>Attendance of Board of Directors' meetings: —</p> <p>Attendance of Audit &amp; Supervisory Board' meetings: —</p>	<p>April 1983    Joined DAIWA Pharmaceutical Wholesalers Co., Ltd. (currently Shikoku Alfresa Corporation)</p> <p>April 2003    Executive Officer of DAIWA Pharmaceutical Wholesalers Co., Ltd.</p> <p>October 2005    Executive Officer of Shikoku Alfresa Corporation</p> <p>April 2007    General Manager In Charge of Group Administration and Affiliate Control Department of the Company</p> <p>April 2011    General Manager of Business Administration Department and General Manager In Charge of Group Administration and Group Business &amp; Affiliate Control Department of the Company</p> <p>July 2012    General Manager of Group Business &amp; Affiliate Control Department of the Company</p> <p>April 2013    General Manager of Audit Department of the Company</p> <p>July 2014    General Manager of Business Administration Department and General Affairs Department of the Company</p> <p>April 2015    Executive Officer of the Company, General Manager of Business Administration Department and General Affairs Department</p> <p>October 2016    Executive Officer of the Company, General Manager of General Affairs Department</p> <p>April 2017    Executive Officer of the Company, General Manager of Internal Control &amp; Legal Department</p> <p>October 2018    Executive Officer of the Company, General Manager of Audit Department (present)</p> <p>[Significant concurrent positions] None</p> <p>[Note related to candidate for Audit &amp; Supervisory Board Member] No conflict of special interest exists between the candidate and the Company.</p>	10,500
<p>[Reasons for election as candidate for Audit &amp; Supervisory Board Member]</p> <p>Mr. Yuji Ueda has experience in the practice of accounting, general affairs, and sales planning at our operating companies, and has served as the person in charge of these functions. He has also served as General Manager of Group Administration and Affiliate Control Department, General Affairs Department, and Audit Department, and is deeply familiar with the general operations of the Company and its operating companies. He has been elected as a candidate for Audit &amp; Supervisory Board Member because we believe that he will reflect his wealth of experience and knowledge in our audit system.</p>			

No.	Name	Career summary and position in the Company, significant concurrent positions and note related to candidate for Outside Audit & Supervisory Board Member	Number of shares of the Company held
2	 <p>Takashi Ito</p> <p>[To be reelected] [Outside Audit &amp; Supervisory Board Member] [Independent Auditor]</p> <p>Date of birth: April 20, 1960 (age 62)</p> <p>Term of office at the conclusion of this general meeting: 4 years</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p> <p>Attendance of Audit &amp; Supervisory Board' meetings: 100% (20 out of 20 meetings)</p>	<p>April 1988 Registered as an attorney at law (Daini Tokyo Bar Association)</p> <p>October 2002 Established Shin-yotsuya Law Offices</p> <p>April 2005 Vice President of Daini Tokyo Bar Association</p> <p>April 2008 Deputy Secretary General of Japan Federation of Bar Associations</p> <p>April 2011 Director of Public Relations Office of Daini Tokyo Bar Association</p> <p>April 2012 Special Staff Attorney, Office of Secretary General of Japan Federation of Bar Associations</p> <p>April 2016 Executive Governor of Japan Federation of Bar Associations</p> <p>April 2017 President of Daini Tokyo Bar Association</p> <p>April 2017 Vice President of Japan Federation of Bar Associations</p> <p>April 2017 Executive Governor of Kanto Federation of Bar Associations</p> <p>June 2018 Audit &amp; Supervisory Board Member of the Company (present)</p> <p>June 2019 Outside Director of JIO Corporation (present)</p> <p>October 2020 Established ITO &amp; WASEMOTO LAW OFFICE (present)</p> <p>[Significant concurrent positions] Attorney at law</p> <p>[Note related to candidate for Outside Audit &amp; Supervisory Board Member] No conflict of special interest exists between the candidate and the Company.</p>	-
<p>[Reasons for election as candidate for Outside Audit &amp; Supervisory Board Member]</p> <p>As an attorney at law, Mr. Takashi Ito has a high degree of expertise and broad knowledge in civil law, criminal law, labor law, intellectual property law, etc. He also has a wealth of experience including holding important positions in bar associations. He has been elected as a candidate for Outside Audit &amp; Supervisory Board Member because we believe that he will reflect objective opinions from a long-term viewpoint in our audit system, based on his professional knowledge and wealth of experience. Although he has never assumed positions of business management, because of above reasons, we believe that he is capable of executing his duties properly as Outside Audit &amp; Supervisory Board Member.</p>			

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

Mr. Takashi Ito 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 Director of JIO Corporation; however, the Company has no transactions with the said 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 liable 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 2 and 3 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 liability limitation agreements with Mr. Takashi Hara, Mr. Manabu Kinoshita, Ms. Toshie Takeuchi and Mr. Takashi Ito, 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 reappointment of Mr. Hara, Mr. Kinoshita, Ms. Takeuchi and Mr. Ito is approved in Proposal 2 and Proposal 3, the Company plans to continue the same liability limitation agreements with them. Moreover, if the election of Ms. Kimiko Kunimasa and Mr. Yuji Ueda is approved, the Company plans to enter into similar liability limitation agreements with them.

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.

(Reference)

■ Composition of the Board of Directors

To effectively fulfill its roles and responsibilities, the Board of Directors is comprised of a diverse range of Directors with different expertise, experience, abilities, etc. The number of Directors is designed to maximize the efficiency and effectiveness of the functions of the Board of Directors.

■ Nomination and election of Directors, etc.

Candidates for Directors are decided by the Board of Directors after deliberation by the Nomination and Remuneration Committee for Directors and Executive Officers, taking into consideration the composition of the Board of Directors. The Nomination and Remuneration Committee for Directors and Executive Officers consists of independent Outside Directors and Directors selected by resolution of the Board of Directors. The majority of its members are independent Outside Directors.

The Nomination and Remuneration Committee for Directors and Executive Officers selects candidates by defining the skills of Directors, etc., that it deems necessary for realizing the 22-24 Mid-term Management Plan: Leap into the Future “An Evolving Healthcare Consortium®.” A list of these skills is shown in the table below (in the event that each candidate for Director and Audit & Supervisory Board Member is elected at this general meeting of shareholders).

		Position	Corporate management	Sales Marketing	Logistics	Business development	Finance & Accounting	Legal Risk management	Human resources Talent development
Director	Ryuji Arakawa	Representative Director & President	○	○		○			
	Seiichi Kishida	Director & Deputy President					○	○	○
	Yusuke Fukujin	Director & Deputy President	○		○	○			
	Shigeki Ohashi	Director, Vice President & Executive Officer		○	○	○			
	Toshiki Tanaka	Director, Vice President & Executive Officer			○		○		○
	Hisashi Katsuki	Director	○	○					
	Koichi Shimada	Director	○	○					
	Takashi Hara	Outside Director	○				○		
	Manabu Kinoshita	Outside Director	○	○			○		
	Toshie Takeuchi	Outside Director		○					
	Kimiko Kunimasa	Outside Director	○						○
Audit & Supervisory Board Member	Masakazu Ozaki	Audit & Supervisory Board Member (Standing)				○	○		
	Yuji Ueda	Audit & Supervisory Board Member (Standing)					○	○	
	Seisui Kamigaki	Audit & Supervisory Board Member (Outside)						○	
	Yoshitaka Kato	Audit & Supervisory Board Member (Outside)	○				○		
	Takashi Ito	Audit & Supervisory Board Member (Outside)						○	

**Proposal 4: Partial Revision to the Stock-based Performance-linked Remuneration, etc. of Directors, etc.**

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

The Company has established a stock-based performance-linked remuneration plan (hereinafter the “Plan”) for Directors (excluding Directors whose primary duty is to concurrently serve as directors of the Company’s subsidiaries, Outside Directors, and Directors who are non-residents of Japan) and Executive Officers (excluding non-residents of Japan) of the Company (hereinafter collectively the “Directors, etc.”). The Plan delivers shares of the Company to the Directors, etc., commensurate mainly with the level of achievement of the performance targets under the medium-term management plan. The Plan was approved by shareholders at the 16th Ordinary General Meeting of Shareholders held on June 26, 2019.

The Company proposes to partially revise the Plan on the occasion of its continuation.

The revised Plan is designed to enhance the linkage between the remuneration, etc. of the Directors, etc., and business performance and stock price. This will incentivize the Directors, etc. to contribute to the long-term growth of corporate value, while aligning their interests with the interests of shareholders. It also aims to motivate the Directors, etc. to achieve the performance targets under the medium-term management plan. The Company believes that the revision is appropriate because it is in line with the content of the Company’s policy for determining the details of remuneration, etc. of the individual Directors, etc.

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

Four Directors shall be covered by the Plan, subject to the resolution for the approval of Proposal 2 “Election of Eleven (11) Directors” as originally proposed. Also, four Executive Officers shall be covered by the Plan.

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

(1) Details of revision to the Plan

In the continuation of the Plan, the upper limit of the number of shares of the Company, etc. to be delivered, etc. (as set forth in (2) below) to the Company’s Directors, etc. will be revised as follows, subject to the approval of this proposal.

(Before revision)

The Company: 120,000 shares

(After revision)

The Company: 200,000 shares

(2) Outline of the Plan after revision

The Plan is a stock-based remuneration plan whereby shares of the Company shall be acquired through a trust which is funded by the remuneration of the Directors, etc., for carrying out delivery and payment (hereinafter the “delivery, etc.”) of shares of the Company, as well as money in the amount equivalent to the proceeds from the conversion of shares of the Company into cash (hereinafter the “shares of the Company, etc.”) (For details, please refer to (3) and subsequent sections thereto.).

1) Recipients of the delivery, etc. of the shares of the Company, etc. under the Plan	<ul style="list-style-type: none"> <li>● Directors (excluding Directors whose primary duty is to serve as directors of the Company’s subsidiaries, Outside Directors, and non-residents of Japan)</li> <li>● Executive Officers (excluding non-residents of Japan)</li> </ul>
2) Impact of the shares of the Company delivered under the Plan on the total number of shares issued	
Upper limit of the funding by the Company (as described in (3) below)	¥300 million in total for a period of three fiscal years



Method for acquiring shares of the Company (as described in (3) below) and the upper limit of the number of the shares of the Company, etc. to be acquired by the Directors, etc. (as described in (4) below)	<ul style="list-style-type: none"> <li>● As shares of the Company are to be acquired from the stock market, no resultant dilution is expected.</li> <li>● 200,000 shares in total for a period of three fiscal years</li> <li>● Average number of shares per fiscal year shall be 66,000, which is equivalent to 0.03% of the total number of shares issued by the Company (as of March 31, 2022, after deducting the number of treasury stock).</li> </ul>
3) Performance achievement conditions (as described in (4) below)	<ul style="list-style-type: none"> <li>● Variable in a range between 0% and 200%, commensurate with the level of achievement of the performance targets under the medium-term management plan, etc.</li> <li>● Criteria for evaluating achievement of the performance targets, etc. shall be consolidated operating income margin and profit margin attributable to owners of parent, etc.</li> </ul>
4) Timing of the delivery, etc. of the shares of the Company, etc. to the Directors, etc. (as described in (5) below)	After the termination of the Applicable Period (three fiscal years)

(3) Upper limit of the funding by the Company

A period applicable under the Plan shall be three fiscal years covered by the medium-term management plan of the Company (hereinafter the “Applicable Period”). The Applicable Period after approval of this proposal shall be the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025.

The Company shall, as part of the remuneration of the Directors, etc., contribute an amount of trust fund (\*1) not exceeding ¥300 million in total for each Applicable Period, thereby creating a trust with a trust period of approximately three years for the benefit of the Directors, etc. who meet the beneficiary requirements (hereinafter the “Trust”). The Trust shall, subject to the instruction of the trust administrator, acquire shares of the Company from the stock market, using the aforementioned trust fund. The Company shall assign points to the Directors, etc. (as described in (4) below) during the Applicable Period, and carry out the delivery, etc. of the shares of the Company, etc. equivalent to the number of such points from the Trust.

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

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

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

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

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

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

(\*2) Performance-linked indexation factor is variable within a range between 0% and 200% commensurate with the

level of achievement of the performance targets under the medium-term management plan, etc. However, in the event of retirement of the Directors, etc. prior to the termination of the Applicable Period, (including in the cases of death of the Directors, etc.), the performance-linked indexation factor shall be calculated based on the performance up to the relevant point in time.

Criteria for evaluating achievement of the performance targets, etc. shall be the main indicators under the medium-term management plan such as consolidated operating income margin and profit margin attributable to owners of parent.

The upper limit of the number of shares of the Company used for the delivery, etc. to the Directors, etc. (including the shares to be converted into cash) shall be 200,000 in total for each Applicable Period. (\*3)

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

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

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

However, in the event of death of the Directors, etc. prior to the termination of the Applicable Period, (including the cases of death after retirement due to expiration of term of office, etc., but prior to the termination of the Applicable Period), the number of share delivery points shall be calculated based on their performance up to such point in time, and there shall be a monetary payment in the amount equivalent to the proceeds from the conversion into cash, after being converted within the Trust, for the shares of the Company equivalent to 100% of the number of the share delivery points calculated.

(6) Voting rights of the shares of the Company

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

(7) Other matters regarding the Plan

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

For details of the Plan, please refer to the “Notice Regarding Continuation and Partial Revision to the Stock-based Performance-linked Remuneration Plan” dated May 16, 2022.

(Attached document)

## **Business Report**

( From April 1, 2021 )  
( to March 31, 2022 )

In June 2021, the Tokyo District Court found that the Company's consolidated subsidiary, Alfresa Corporation (Head office: Chiyoda-ku, Tokyo; hereinafter "Alfresa") was guilty of violating the Antimonopoly Act in relation to bids for supplying ethical pharmaceuticals to the Japan Community Health care Organization (JCHO) and decided on the penalty of a fine of ¥250 million. A cease-and-desist order and a surcharge payment order based on the Antimonopoly Act were received from the Japan Fair Trade Commission in March 2022.

In addition, in November 2021, Alfresa received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding the bidding, etc. by National Hospital Organization (NHO) head office for pharmaceuticals procured by hospitals located in Kyushu region operated by NHO or Japan Organization of Occupational Health and Safety (JOHAS).

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**

Since the consolidated fiscal year under review, the Company has changed not only the accounting policies due to the application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "revenue recognition accounting standard"), etc., but also the presentation method of information fees received, etc.

Therefore, figures for the fiscal year 2020, are retroactively revised due to reflecting changes in the presentation method of information fees received, etc.

#### 1) Development and performance of business

During the consolidated fiscal year (April 1, 2021–March 31, 2022) under review, the Japanese economy remained in difficult conditions due to the impact of COVID-19 pandemic. Despite moves to recovery continued in such as capital investment, there was still weakness in some factors such as consumer spending.

In the consolidated fiscal year under review, to fulfill our mission as one of the social infrastructures handling life-related products under the circumstance that the COVID-19 pandemic continues, the Alfresa Group is implementing countermeasures against the spread of the infection. Furthermore, it is working for the stable supply of pharmaceuticals and other goods while ensuring the safety of our customers and the Group employees.

The fiscal year ended March 31, 2022, is the final year of the Alfresa Group's 19-21 Mid-term Management Plan—*The Challenge of Further Growth "Together with Health, Together with Communities"* (hereafter, "19-21 Mid-term Management Plan"). In such fiscal year, we have worked 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."

As part of capital policy to enhance shareholder returns and improve capital efficiency, the Company acquired 9,147 thousand shares of treasury stock for ¥14,999 million between November 5, 2021 and March 24, 2022.

Also, to strengthen business foundations in the Kyushu area, in March 2022, the Company reached a basic agreement with SHINYO FOREST HOLDINGS CO., Ltd (head office: Isahaya, Nagasaki) to acquire all the issued shares of its wholly owned subsidiary MIYAZAKI ONSENDO SHOTEN CO., Ltd. (head office: Isahaya, Nagasaki).

In the consolidated fiscal year under review, the Alfresa Group posted net sales of ¥2,585,643

million (¥2,610,427 million in the previous fiscal year), operating income of ¥29,091 million (¥27,929 million in the previous fiscal year), ordinary profit of ¥32,576 million (¥31,918 million in the previous fiscal year). With the posting as extraordinary profit, etc., of gain on sales of investment securities of ¥18,921 million from the contraction of cross-shareholdings and profit attributable to owners of parent of ¥32,182 million (¥24,501 million in the previous fiscal year).

Due to the adoption of the revenue recognition accounting standard, etc., net sales decreased ¥18,779 million, operating income decreased by ¥24 million. And net sales and operating income increased by ¥7,788 million, respectively, by changing the presentation method of information fees received, etc.

## Business Segment Information

### (i) Performance of Ethical Pharmaceuticals Wholesaling Business

In the Ethical pharmaceuticals wholesaling business, the Group faces a challenging business environment due to the impact of the spread of COVID-19, price negotiations with medical institutions driven by NHI drug price revision in the in-between year, which occurred for the first time, bidding nomination suspension by medical institutions because of a violation of the Antimonopoly Act, and other factors. Nevertheless, even in the outbreak of COVID-19, the Group has operated its business giving the highest priority to the stable supply of pharmaceuticals and delivery of COVID-19 vaccines and remedies while paying due consideration to the prevention of infection. In addition, the Group has also focused on responding to demand generic drugs, for which shortages and supply adjustments.

The Group has worked at “Further ‘evolution’ of the MS function,” “Focus on specialty products,” and “Upgrade, raise efficiency, and standardize Group distribution,” which are priority measures by segment under the 19-21 Mid-term Management Plan, to continue winning as Japan’s top wholesaler of ethical pharmaceuticals\*.

As an initiative to “Upgrade, raise efficiency, and standardize Group distribution,” in May 2021, Alfresa opened the Shizuoka Distribution Center in Fujieda, Shizuoka Prefecture, which is a cutting-edge distribution center covering all of Shizuoka Prefecture and part of Aichi Prefecture. We are committed to contributing to local healthcare through above activities.

In August 2021, Alfresa developed and launched systems that use big data and artificial intelligence to forecast the workload of product delivery and allocate vehicles appropriately together with Yamato Transport Co., Ltd (head office: Chuo-ku, Tokyo), as the first step in building a joint delivery scheme for healthcare products. By introducing these systems, Alfresa aims to improve delivery productivity, reduce mileage and CO2 emissions, as well as reduce the face-to-face work time at medical institutions.

In efforts to expand business areas through active investment in growth fields, Alfresa implemented the following initiatives, including investments in venture businesses.

- In May 2021, Alfresa concluded a capital and business alliance with Donut Robotics Co., Ltd. (Head office: Minato-ku, Tokyo) and is advancing collaboration aimed at resolving social issues in the healthcare field utilizing robotics and digital technologies.

- In August 2021, Alfresa subscribed for a third-party allocation of new shares from NC Medical Research, Inc. (Head office, Minato-ku, Tokyo), which is advancing development of regenerative medicine and other products using human bone marrow-derived mesenchymal stem cells as the raw materials, and concluded a domestic exclusive distribution contract for these products after their approval and market release.

- In March 2022, Alfresa concluded a capital alliance agreement with PRECISION Corp. (Head Office, Bukyo-ku Tokyo).

Advancing activities to reduce the burden on doctors, which is a social issue in the medical field, through the dissemination of AI medical care support systems.

- In March 2022, Alfresa agreed to begin joint business development with MedPeer Inc. (Head office: Chuo-ku, Tokyo).

Agreed to begin joint business development to support the digital transformation of medical institutions.

In this segment, the Alfresa Group achieved improving gross profit rate by enhancing the product’s price management, also promoting sales of diagnostic reagents and other “Medical Products.” In the meantime, operating income decreased by an increase in selling, general and administrative expenses such as depreciation and amortization.

Due to the reasons above, in the consolidated fiscal year of this segment, net sales amounted to ¥2,288,102 million (¥2,297,893 million in the same period of the previous fiscal year), and operating income came to ¥24,839 million (¥25,576 million in the same period of the previous fiscal year). Net sales included inter-segment sales of ¥15,745 million (¥15,189 million in the same period of the previous fiscal year).

\* Source: Drug Magazine “2021 ALL DATA & RANKING” ethical pharmaceuticals business share by wholesaler group.

(ii) Performance of Self-Medication Products Wholesaling Business

In the Self-medication products wholesaling business, 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 has worked at “Establish stable and sustainable business foundations,” “Product proposals from the consumers’ viewpoint,” and “Strengthen efforts for exclusive manufacturers and exclusive products.” which are priority measures by segment under the 19-21 Mid-term Management Plan.

In April 2021, a consolidated company Alfresa Healthcare Corporation (head office: Chuo-ku, Tokyo; hereinafter “Alfresa Healthcare”), merged with its wholly-owned subsidiary Mogi Pharmaceutical Co., Ltd. (head office: Chuo-ku, Tokyo) by an absorption-type merger. Alfresa Healthcare will continue effectively using the two companies’ management resources and further reinforced business foundations through the merger.

In the consolidated fiscal year of this segment, while there was a negative rebound to the sharp increase in demand for infection prevention-related products when the government declared a state of emergency for the entire country in April, 2020, net sales amounted to ¥244,822 million (¥261,749 million in the same period of the previous fiscal year), and operating income came to ¥1,869million (¥2,525 million in the same period of the previous fiscal year). Net sales included inter-segment sales of ¥610 million (¥527 million in the previous fiscal year).

(iii) Performance of Manufacturing Business

In the Manufacturing business, to further strengthen Group synergy and expand the scale, the Alfresa Group has worked toward “Advance reliable, safe, and sincere manufacturing,” “Expand products in line with Group needs,” and “Expand scale of the consigned manufacturing and the active pharmaceutical ingredients business,” which are priority measures by segment under the 19-21 Mid-term Management Plan.

Long-listed products, for which manufacturing and marketing approval authorization was acquired in the previous fiscal year, and SARS-CoV-2 antigen rapid test kit “ALSONIC® COVID-19 Ag” launched in March 2021 contributed to an increase in net sales. In addition, sales of consigned manufacturing were firm.

Due to the reasons above, in the consolidated fiscal year of this segment, net sales amounted to ¥47,359 million (¥42,595 million in the same period of the previous fiscal year), and operating income came to ¥1,867 million (¥144 million loss in the same period of the previous fiscal year). Net sales include inter-segment sales of ¥12,753 million (¥9,402 million in the previous fiscal year).

(iv) Performance of Medical-related Businesses

In the Medical-related business, the Alfresa Group has worked at “Reorganize stores in line with functions required,” “Raise efficiency and sophistication of operation aiming at improving profitability,” and “Contribute to local communities by becoming multifunctional,” which are priority measures by segment under the 19-21 Mid-term Management Plan.

In April 2021, two consolidated subsidiaries Apollo Medical Holdings Inc. (head office: Toshima-ku, Tokyo; hereinafter “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. 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 foundation, increase operational efficiency, reinforce its compliance, and create new value for its customers.

As a result of the impacts, including an increase in the number of stores and promotion of efficiency through the merger, NHI drug price revision, and the spread of COVID-19, in the

consolidated fiscal year of this segment, net sales amounted to ¥34,468 million (¥33,308 million in the same period of the previous fiscal year). Operating income came to ¥183 million (¥360 million loss in the same period of the previous fiscal year).

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2022 totaled ¥16,334 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, carried out an absorption-type merger on April 1, 2021, with Apollo Medical Holdings Inc. as the surviving company (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., carried out an absorption-type merger on April 1, 2021, with Alfresa Healthcare Corporation as the surviving company.

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 were acquired in the fiscal year ended March 31, 2021, and two products were acquired in the fiscal year ended March 31, 2022).

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 five products (effective date of the absorption-type split: December 1, 2021), and via business transfer (individual succession) for six products in the fiscal year 2022 or later.

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

There was no matter requiring disclosure.

**(2) Assets and profits and losses**

Categories	The 16th fiscal year (FY2018)	The 17th fiscal year (FY2019)	The 18th fiscal year (FY2020)	The 19th fiscal year (FY2021)
Net sales (Millions of Yen)	2,640,511	2,698,511	2,610,427	2,585,643
Ordinary profit (Millions of Yen)	55,138	57,170	31,918	32,576
Profit attributable to owners of parent (Millions of Yen)	41,724	40,273	24,501	32,182
Net income per share (Yen)	195.91	190.26	115.75	153.57
Total assets (Millions of Yen)	1,341,964	1,351,619	1,316,658	1,303,991
Net assets (Millions of Yen)	442,081	474,898	489,957	471,835

- (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 (including the Company's shares held by the officer remuneration Board Incentive Plan (BIP) trust account).
  2. 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. The Company adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the 19th fiscal year, whereby figures for the 19th fiscal year are those based on the adoption of the Accounting Standard, etc.
  4. From the beginning of the 19th fiscal year, the presentation method of information fees received, etc. was changed from other income to net sales, whereby figures for the 18th fiscal year are those reflecting the contents of the change in the presentation method.

**(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
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
APOCREAT Corporation	403	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	265,345

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



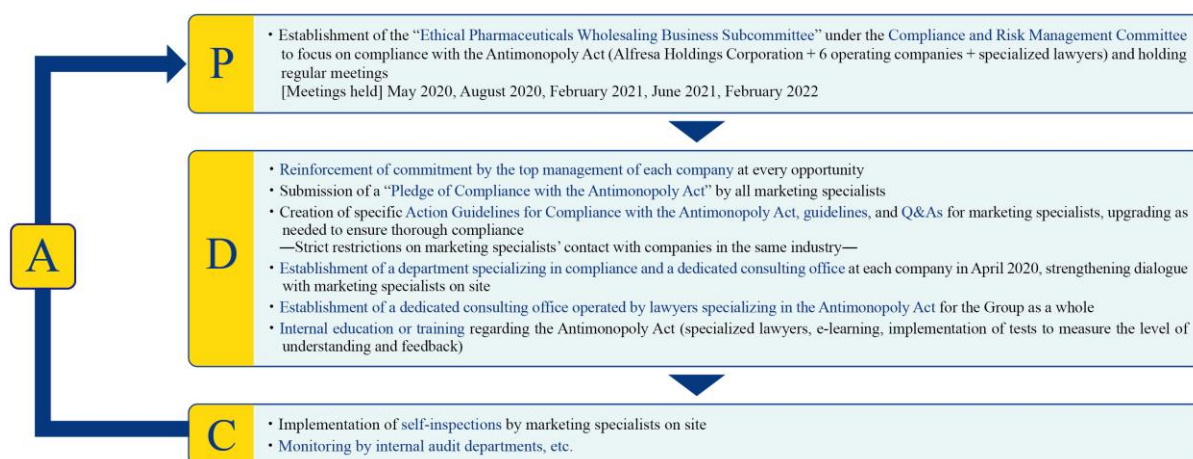
#### (4) Challenges to be addressed

##### 1) Initiatives to ensure compliance with the Antimonopoly Act

In June 2021, the Tokyo District Court found that a consolidated subsidiary, Alfresa Corporation was guilty of violating the Antimonopoly Act in relation to bids for supplying ethical pharmaceuticals to the Japan Community Health care Organization (JCHO) and sentenced to a fine of ¥250 million. A cease-and-desist order and a surcharge payment order of ¥175 million based on the Antimonopoly Act were received from the Japan Fair Trade Commission in March 2022. In addition, in November 2021, Alfresa Corporation received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding the bidding, etc. by National Hospital Organization (NHO) head office for pharmaceuticals procured by hospitals located in Kyushu region operated by NHO or Japan Organization of Occupational Health and Safety (JOHAS). Alfresa Corporation solemnly and sincerely recognizes the situation, and is cooperating fully with the Japan Fair Trade Commission's administrative investigation.

The Company and the Group solemnly recognize the situation, and all executives and employees will continue to work to ensure that strict measures are taken to prevent a recurrence. The PDCA (Plan-Do-Check-Act) cycle being implemented by the Group to prevent the recurrence is as follows:

#### Repeated implementation of PDCA cycles to prevent recurrence of violating the Antimonopoly Act



2) Establishment of the Sustainability Basic Policy based on the Alfresa Group’s Principles and key sustainability issues (materialities)

The Alfresa Group’s Principles sets forth our philosophy as “We create and deliver a fresh life for all.” In its business activities as a company with a role in the social infrastructure, the Group aims to deliver pharmaceutical products with reliability, safety, and sincerity. The Group’s basic concept of sustainability is defined as acting to realize the principles. In December 2021, we formulated our Sustainability Basic Policy with the aim of contributing to people’s health and social development by continuing our efforts to solve social and environmental issues. We aim to achieve sustainable growth and contribute to a sustainable society, while striving with sincerity in our business to balance profit generation with consideration for the impact of our corporate activities on society. In addition, we have identified eight material issues to be addressed to achieve this goal and are implementing our initiatives.

Alfresa Group’s Key Sustainability Issues (Materialities)

1	Improving the Quality of Products and Services	We will provide reliable products and services in order to contribute to the resolution of social issues, with a focus on realizing a healthy society.	5	Promoting Human Resource Development	We have established the Alfresa Group’s Diversity Policy, and will work to develop an environment in which all of our people are able to utilize their individuality and abilities to their fullest.
2	Value Creation/Innovation	We will improve customer satisfaction and productivity through the promotion of digital transformation (DX), while pursuing new business areas related to health and medical care.	6	Compliance	We will conduct our business activities in a sincere and honest manner based on the fundamental premise of compliance with laws, internal and external regulations, and social norms.
3	Environmental Protection	We have established the Alfresa Group’s Environmental Policy, and will work to protect the environment through our business activities in order to realize a healthy society.	7	Risk Management	We will implement countermeasures against natural disasters, pandemics, IT system failures, etc., to ensure that we are able to continue to provide health and medicine -related products and services in a stable manner.
4	Contributing to Local Communities	We will contribute to the development of local health and medical care through the community-oriented business activities that each of our Group companies have developed over the years.	8	Corporate Governance	We will ensure sound management and supervision of our corporate management functions in order to fulfill our social responsibility as a company and enhance our corporate value.

3) 22-24 Mid-term Management Plan: Leap into the Future “An Evolving Healthcare Consortium®”

Group management policies, which were formulated to align with Alfresa Group’s key sustainability issues (materialities), are set forth in the 22-24 Mid-term Management Plan: Leap into the Future “An Evolving Healthcare Consortium®” announced on May 16, 2022. The Group will work as a whole to implement these policies.

Group Management Policies of the 22-24 Mid-term Management Plan

## **Leap into the Future** “An Evolving Healthcare Consortium®”

- 1** Enhancement of business models and creation of new value 
- 2** Contribution to local health and treatments through united Group efforts 
- 3** Contribution toward a sustainable society through initiatives to protect the environment 
- 4** Promotion of a human resource strategy focused on diversity 
- 5** Cultivation of a corporate culture with compliance as its highest priority

**(5) Main business** (as of March 31, 2022)

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, 2022)

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
Alfresa Pharma Corporation	Head office	2-2-9, Koku-machi, Chuo-ku, Osaka, Osaka Prefecture
	Plant	Shoucho, 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
APOCREAT Corporation	Head office	4-5-2, Higashiikebukuro, Toshima-ku, Tokyo
Alfresa System Corporation	Head office	1-1, Kandinishikicho, 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, 2022)

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	8,931 (1,684)	Decrease of 139 (Decrease of 28)
Self-Medication Products Wholesaling Business	400 (6)	Decrease of 14 (Decrease of 6)
Manufacturing Business	1,370 (286)	Increase of 15 (Increase of 7)
Medical-Related Business	1,108 (392)	Increase of 12 (Increase of 19)
All group companies (common)	116 (11)	Increase of 6 (Increase of 2)
Total	11,925 (2,379)	Decrease of 120 (Decrease of 6)

(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
44	Increase of 6	42.4 years old	14.7 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, 2022)

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, 2022, 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 ¥54 per share including an interim dividend paid of ¥27 per share.

As for dividend for the fiscal year ending March 31, 2023, the Company has set a basic policy of a consolidated dividend on equity (DOE) ratio of 2.4% or more under the newly formulated 22-24 Mid-term Management Plan: Leap into the Future “An Evolving Healthcare Consortium®.” The Company will enhance profitability and capital efficiency through aggressive investments in business enhancement and expansion for sustainable growth. In this way, the Company will implement stable and sustainable dividend increases to enhance the return of profits, which is a material issue.

**(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, 2022)

- 1) Total number of authorized shares 540,000,000 shares
- 2) Total number of shares issued 235,017,600 shares
- 3) Number of shareholders 14,155
- 4) Major shareholders (top ten shareholders)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,865	15.73
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	10,512	5.19
Custody Bank of Japan, Ltd. (Trust Account)	9,365	4.62
Alfresa Holdings Employees Shareholders' Association	5,737	2.83
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,672	2.80
NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	5,076	2.51
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	1.93
DAIICHI SANKYO COMPANY, LIMITED	3,202	1.58
BNYM TREATY DTT 15	2,998	1.48
SSBTC CLIENT OMNIBUS ACCOUNT	2,958	1.46

- (Notes)
1. The Company holds treasury stocks of 32,494,347 shares, but is excluded from the above major shareholders. Treasury stocks do not include 153,700 shares of the Company's shares held by the officer remuneration BIP trust account.
  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, 2022

There were no stocks delivered to Corporate Officers as consideration of the execution of duties during the fiscal year ended March 31, 2022.

### 3. Status of corporate officers

#### (1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2022)

Positions at the Company	Name	Responsibilities	Significant concurrent positions held
Director & Chairman	Taizo Kubo		
Representative Director & President	Ryuji Arakawa		
Director & Deputy President	Yasuki Izumi	Assistant to the President Digital Transformation (DX)	
Director, Senior Vice President & Executive Officer	Seiichi Kishida	Financial Planning, Corporate Communication, Compliance & Risk Management	
Director	Hisashi Katsuki		Representative Director & President of Alfresa Healthcare Corporation
Director	Koichi Shimada		President, CEO & Executive Officer of Alfresa Pharma Corporation
Director	Yusuke Fukujin		Representative Director & President of Alfresa Corporation
Director	Yoichiro Yatsurugi	Chairman, Corporate Governance Committee	Director of Igreque, Inc., Senior Managing Director, Executive Officer of Densan System Co., Ltd., Outside Director (Audit and Supervisory Committee Member) of Accrete Inc., Director of Jienie Lab. Inc.
Director	Takashi Hara		Outside Director of UNIRITA Inc.
Director	Manabu Kinoshita	Chairman, Nomination and Remuneration Committee for Directors and Executive Officers	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 ProC.A Inc. Outside Director of TWINBIRD CORPORATION Outside Director of SBI SAVINGS BANK
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, 2022, other than those described in “Significant concurrent positions held” are as follows:
  - (1) Director & Chairman Taizo Kubo serves concurrently as Director at 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 RYUYAKU CO., LTD. and Alfresa Healthcare Corporation.
  - (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 and Alfresa Pharma Corporation.
  - (7) Audit & Supervisory Board Member (Standing) Masakazu Ozaki serves concurrently as Audit & Supervisory Board Member at Meisho Co., Ltd., Alfresa Medical Service Corporation, and APOCREAT Corporation.

**(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 liable 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.

However, certain exclusions apply to avoid impairment of the proper performance of duties by the insured. For example, the insurance contract does not cover damages caused by an act committed by the insured in the knowledge that said act is in violation of laws and regulations.

**(4) Remuneration, etc. to Directors and Audit & Supervisory Board Members for the fiscal year ended March 31, 2022**

- 1) 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 chaired by an Independent Outside Director and comprising a majority of Independent 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, 2022 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, 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 introduced performance-linked stock remuneration through a system utilizing an officer remuneration Board Incentive Plan (BIP) trust. However, to prepare for the event that the Company is unable to pay stock compensation under this system, it has introduced stock price-linked compensation as a substitute plan, in which compensation is paid in cash in lieu of stocks based on the same calculation method as 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.

2) 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)

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

Not applicable

4) 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, 2022 are shown below.

Indicator	Original target	Result
Operating income margin	1.13%	1.13%
Profit margin attributable to owners of the parent	0.83%	1.24%

(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 in case the Company is unable to pay 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.

5) 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)	282 (40)	242 (40)	55	(16)	11 (4)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	80 (30)	80 (30)	-	-	5 (3)
Total	362	322	55	(16)	16

- (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 and reversal of provision for directors' bonuses for the fiscal year ended March 31, 2022.

**(5) Matters concerning outside officers for the fiscal year ended March 31, 2022**

- 1) Relationship between the Company and significant organizations where officers concurrently hold positions  
Not applicable

2) Principal activities during the fiscal year ended March 31, 2022

(i) Matters concerning Outside Directors

Position	Name	Attendance of Board of Directors' meetings	Status of principle activities and outline of business carried out by Outside Directors with respect to expected role
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, and has made remarks based on his knowledge when necessary.
Director	Takashi Hara	Board of Directors' meetings: 100% (18 out of 18 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, and has made remarks based on his knowledge when necessary.
Director	Manabu Kinoshita	Board of Directors' meetings: 100% (18 out of 18 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, and has made remarks based on his knowledge when necessary.
Director	Toshie Takeuchi	Board of Directors' meetings: 100% (18 out of 18 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, and has made remarks based on her knowledge when necessary.

## (ii) Matters concerning Outside Audit &amp; Supervisory Board Members

Position	Name	Attendance of Board of Directors' meetings and Audit & Supervisory Board's meetings		Status of principle activities
Audit & Supervisory Board Member	Seisui Kamigaki	Board of Directors' meetings:	100% (18 out of 18 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 has made remarks based on his knowledge when necessary.
Audit & Supervisory Board Member	Yoshitaka Kato	Board of Directors' meetings:	100% (18 out of 18 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, and has made remarks based on his knowledge when necessary.
Audit & Supervisory Board Member	Takashi Ito	Board of Directors' meetings:	100% (18 out of 18 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 has made remarks based on his knowledge when necessary. Furthermore, he has attended the Nomination and Remuneration Committee for Directors and Executive Officers as an observer.

#### 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, 2022	114
Total amount of money and other property benefits payable to the Independent Auditor by the Company and its subsidiaries	226

- (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, 2022 shown above is the total of these audit fees.

(3) Details of non-audit services

Not applicable

(4) Policy in deciding the dismissal or non-reappointment of the Independent Auditor

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

## **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 “(4) Challenges to be addressed under 1. The current state of the corporate group,” all executives and employees are implementing the PDCA cycle to prevent recurrence in order 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, the Company has studied countermeasures to prevent the spread of COVID-19, etc. at the Company and the Group companies, and has established a system for cooperation among the Company and the Group companies to respond as necessary.  
Furthermore, the Group holds regular meetings of the Compliance and Risk Management Committee to reinforce the risk management framework.
  - (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 20 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, 2022)

(Millions of Yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>¥1,016,471</b>	<b>Current liabilities</b>	<b>¥802,813</b>
Cash and deposits	180,436	Trade notes and accounts payable	755,250
Trade notes receivable	11,836	Short-term debt	48
Accounts receivable	590,652	Lease obligations	1,747
Merchandise and finished goods	140,156	Income taxes payable	10,922
Work in process	1,294	Reserve for bonuses	6,835
Raw materials and supplies	5,439	Reserve for bonuses to directors and corporate auditors	407
Purchase rebates receivable	76,744	Provision for share awards	44
Others	12,164	Provision for share awards for directors	59
Allowance for doubtful accounts	(2,252)	Others	27,497
<b>Non-current assets</b>	<b>287,520</b>	<b>Non-current liabilities</b>	<b>29,343</b>
<b>Property, plant and equipment</b>	<b>162,758</b>	Lease obligations	3,244
Buildings and structures	63,708	Deferred tax liabilities	11,614
Machinery, equipment and vehicles	15,498	Deferred tax liabilities for land revaluation	436
Tools and fixtures	3,962	Provision for loss on Antimonopoly Act	3,994
Land	70,018	Net defined benefit liabilities	8,075
Leased assets	3,567	Asset retirement obligations	996
Construction in progress	6,003	Others	980
<b>Intangible assets</b>	<b>18,807</b>	<b>Total liabilities</b>	<b>832,156</b>
Goodwill	2,913	<b>(Net assets)</b>	
Leased assets	118	<b>Shareholders' equity</b>	<b>427,504</b>
Others	15,775	Paid-in capital	18,454
<b>Investments and other assets</b>	<b>105,954</b>	Capital surplus	101,660
Investment securities	87,284	Retained earnings	352,015
Long-term loans	1,228	Treasury stock, at cost	(44,625)
Deferred tax assets	855	<b>Accumulated other comprehensive income</b>	<b>44,088</b>
Net defined benefit assets	5,929	Unrealized gains on available-for-sale securities, net of taxes	44,760
Others	14,431	Unrealized gains on deferred hedge	0
Allowance for doubtful accounts	(3,774)	Revaluation reserve for land	(3,360)
		Foreign currency translation adjustments	200
		Remeasurements of defined benefit plans, net of taxes	2,487
		<b>Non-controlling interests</b>	<b>241</b>
		<b>Total net assets</b>	<b>471,835</b>
<b>Total assets</b>	<b>¥1,303,991</b>	<b>Total liabilities and net assets</b>	<b>¥1,303,991</b>

## Consolidated Statements of Income

( From April 1, 2021  
to March 31, 2022 )

(Millions of Yen)

Account title	Amount	
<b>Net sales</b>		<b>¥2,585,643</b>
<b>Cost of sales</b>		<b>2,398,174</b>
<b>Total deduction</b>		<b>187,468</b>
<b>Selling, general and administrative expenses</b>		<b>158,377</b>
<b>Operating income</b>		<b>29,091</b>
<b>Other income</b>		
Interest income	64	
Dividend income	2,226	
Rental income from real estate	611	
Others	1,154	4,057
<b>Other expenses</b>		
Interest expenses	73	
Commission fees	112	
Expense for rental property	182	
Others	203	573
<b>Ordinary profit</b>		<b>32,576</b>
<b>Extraordinary profit</b>		
Gain on sales of non-current assets	129	
Gain on sales of investment securities	18,921	19,050
<b>Extraordinary loss</b>		
Loss on sale of non-current assets	0	
Loss on disposal of property, plant and equipment	140	
Loss on impairment of non-current assets	967	
Loss on devaluation of investment securities	2,164	
Other	173	3,446
<b>Income before income taxes and non-controlling interests</b>		<b>48,180</b>
Current	15,879	
Deferred	97	15,977
<b>Profit</b>		<b>32,202</b>
Profit attributable to non-controlling interests :		20
Profit attributable to owners of parent		<b>¥32,182</b>

## Consolidated Statements of Changes in Net Assets

( From April 1, 2021  
to March 31, 2022 )

(Millions of Yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance - previously stated	¥18,454	¥101,660	¥331,459	¥(29,370)	¥422,203
Cumulative effects of changes in the accounting policy			(69)		(69)
Restated balance	18,454	101,660	331,390	(29,370)	422,134
Changes during the fiscal year					
Cash dividends from retained earnings			(11,430)		(11,430)
Profit attributable to owners of parent			32,182		32,182
Treasury stock acquired				(15,254)	(15,254)
Sales of treasury stock		(0)		0	0
Increase by merger			169		169
Reversal of revaluation reserve for land			(296)		(296)
Changes in items other than shareholders' equity during the fiscal year (net)					-
Total changes during the fiscal year	-	(0)	20,625	(15,254)	5,370
Ending balance	¥18,454	¥101,660	¥352,015	¥(44,625)	¥427,504

	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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Beginning balance - previously stated	¥67,983	¥(0)	¥(3,657)	¥75	¥3,132	¥67,533	¥221	¥489,957
Cumulative effects of changes in the accounting policy								(69)
Restated balance	67,983	(0)	(3,657)	75	3,132	67,533	221	489,888
Changes during the fiscal year								
Cash dividends from retained earnings								(11,430)
Profit attributable to owners of parent								32,182
Treasury stock acquired								(15,254)
Sales of treasury stock								0
Increase by merger								169
Reversal of revaluation reserve for land								(296)
Changes in items other than shareholders' equity during the fiscal year (net)	(23,222)	0	296	125	(645)	(23,444)	20	(23,424)
Total changes during the fiscal year	(23,222)	0	296	125	(645)	(23,444)	20	(18,053)
Ending balance	¥44,760	¥0	¥(3,360)	¥200	¥2,487	¥44,088	¥241	¥471,835

## 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: 15 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 non-consolidated subsidiaries:

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 other than shares, etc. without market prices:

Stated at fair values (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)

###### (b) Shares, etc. without market prices:

Stated at cost as determined by using moving-average method

###### (c) Investments in investment limited partnerships (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act):

Stated at the net amount equivalent to equity based on the latest financial statements

###### (B) Valuation standards and method of inventories

Valuation standards: Stated at cost (by writing down the book value of assets based on a decline in profitability)

###### (a) Consolidated domestic subsidiaries

Merchandise and finished goods, work in process, Principally gross average method

raw materials and supplies:

###### (b) Consolidated overseas subsidiaries

Finished goods, work in process, raw materials: Moving-average method

###### (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
- (a) Buildings and structures: 2 to 60 years

- (except for leased assets) (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 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 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) Provision for share awards: The provision for share awards is provided based on the estimated amount of share award obligations at the fiscal year-end for future delivery of share awards to employees in accordance with the share delivery rules.  
(E) Provision for share awards for directors:  
The provision for share awards for directors is provided based on the estimated amount of share award obligations at the fiscal year-end for future delivery of share awards to directors and audit & supervisory board members in accordance with the share delivery rules.  
(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.
- 4) Significant hedge accounting method  
(A) Hedge accounting method: Deferred hedge accounting is applied.  
Meanwhile, certain transactions for hedging risks of fluctuations of foreign exchange are subject to the appropriation treatment where they meet the requirements for such treatment.  
(B) Hedging instruments and hedged items: Hedging instruments: Foreign currency forward contracts  
Hedged items: Accounts receivable and accounts payable denominated in foreign currencies  
(C) Hedging policy: Hedging is carried out within the scope of normal transactions for the sole purpose of avoiding prospective risks of fluctuations of foreign exchange in the market.  
(D) Evaluation method of the effectiveness of hedging activities:  
Evaluation of effectiveness is omitted as significant terms related to assets and liabilities of hedging instruments and hedged items or scheduled transactions are identical.
- 5) Other significant matters for the preparation of consolidated financial statements  
(A) Accounting treatment method of retirement benefits  
Net defined benefit liabilities are provided for the payment of employees' retirement benefits by recording the amount of retirement benefit obligations less plan assets based on the estimated amount at the end of the fiscal year. Actuarial gains and losses are amortized over a certain period (5 to 10 years) within the average remaining service period of the employees at the time when the actuarial gains and losses are incurred in each fiscal year, commencing from the following fiscal year of the year incurred in equal annual installments calculated by using the straight-line method.



Prior service costs are amortized using the straight-line method over a certain period (5 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) Accounting standards for major revenue and expenses

The Company is mainly engaged in selling, manufacturing and marketing of pharmaceuticals and medical devices, etc. In the sale of these merchandise and finished goods, control of the merchandise and finished goods is transferred to a customer, and performance obligations are satisfied at the time when the merchandise and finished goods are delivered to the customer and acceptance inspection by the customer is completed. Thus, revenue is recognized when acceptance inspection by the customer is completed.

In the sale of medical devices, etc., where the Company's performance obligations are identified as obligations to arrange for another party to provide the products, in overall consideration of which party carries primary responsibility for fulfilling promise and the discretionary power to determine the price, etc., the Company recognizes revenue as an agent at a net amount of consideration gained from the transaction and the payment to the third party.

(C) 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.

(D) Amortization of goodwill

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

## 2. Notes on changes in accounting policies

(1) Adoption of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition"

1) Changes in accounting policies and the reason thereof

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc., from the beginning of the consolidated fiscal year under review, whereby the Company recognizes revenue at an estimated amount to be received in exchange for promised goods or services at the time when control of such goods or services is transferred to a customer. As a major change, if performance obligations are identified as obligations to arrange for another party to provide goods or services, the Company recognizes revenue as agent at a net amount of consideration gained from the transaction and the payment to the third party.

2) The reason for not having opted for the retroactive adoption, etc.

In accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of retroactively adopting the new accounting policies for periods prior to the beginning of the consolidated fiscal year under review is adjusted to retained earnings at the beginning of the consolidated fiscal year under review, and the Company has adopted the new accounting policies for the beginning balance and thereafter.

3) Impact on the major items of the consolidated financial statements

Compared with the previous methods, in the consolidated fiscal year under review, net sales decreased by ¥18,779 million, cost of sales decreased by ¥18,727 million, and operating income, ordinary profit, and income before income taxes and non-controlling interests decreased by ¥24 million, respectively.

(2) Adoption of the "Accounting Standard for Fair Value Measurement" and the "Implementation Guidance on Accounting Standard for Fair Value Measurement"

1) Changes in accounting policies and the reason thereof

The Company has adopted the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter, the "Fair Value Measurement Accounting Standard"), etc., from the beginning of the consolidated fiscal year under review. Corporate bonds and other bonds hitherto considered as financial instruments for which fair values were deemed to be extremely difficult to determine, and thus were presented on the consolidated balance sheet at acquisition costs. Corporate bonds and other bonds are now presented on the consolidated balance sheet by either fair value calculated based on relevant observable inputs, where observable inputs are available, or fair value calculated by using unobservable inputs based on the best available information, where observable inputs are unavailable.

2) The reason for not having opted for the retroactive adoption, etc.

The Company will prospectively apply the new accounting policies set forth under the Fair Value Measurement Accounting Standard, etc., in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).

3) Impact on the major items of the consolidated financial statements

Information is not stated herein due to its monetary immateriality.

### 3. Notes on changes in presentation methods

(1) Information fees received, etc.

“Information fees received” (¥5,991 million for the previous fiscal year), which were recorded in other income in the previous fiscal year, and information provision income and fees for collection of products received (¥1,265 million for the previous fiscal year) under miscellaneous income, which were included in “others” in the previous fiscal year, have been included in “net sales” from the consolidated fiscal year under review.

This change has been made for presenting achievements of the Group’s sales activities in an adequate manner, based on the facts that information provision services have been defined as one of its major sales activities in view of their heightening importance amid the advent of an era characterized by rapidly developing application of IT and DX (Digital Transformation), and that the service provision related to the collection of products arising in the process of distribution of pharmaceuticals, etc. has also been defined as one of major sales activities.

(2) Rental income from real estate

“Rental income from real estate” (¥714 million for the previous fiscal year), which was included in “others” under other income for the previous fiscal year, has been presented separately for the consolidated fiscal year under review, due to an increase in its proportion to the total amount of other income.

### 4. 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, 2022

Provision for loss on Antimonopoly Act ¥3,994 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 penalty for breach of contracts related to the event that during the fiscal year ended March 31, 2022, a consolidated subsidiary, Alfresa Corporation was found guilty by the Tokyo District Court of violating the Antimonopoly Act in bidding for supply of ethical pharmaceuticals ordered by the Japan Community Health care Organization (JCHO), and a cease-and-desist order and a surcharge payment order based on the Antimonopoly Act were received from the Japan Fair Trade Commission.

In estimating the provision, the amount of the potential losses for the Group is estimated based on calculation formulas prescribed in the contractual clauses as well as professional opinions from attorneys at law, etc.

Assumptions used to estimate the potential losses involve uncertainty such as the intention of the counterparty, and unpredictable changes in assumptions, etc. may result in a significant impact on the consolidated financial statements for the fiscal year ending March 31, 2023, such as incurrence of additional losses or reversal of the provision.

### 5. Notes on consolidated balance sheet

(1) Assets pledged as collateral and secured liabilities

1) Assets pledged as collateral

	(Millions of Yen)
Cash and deposits	¥114
Merchandise and finished goods	65
Buildings and structures	49
Land	603
Investment in securities	12,624
Other (Investments and other assets)	49
<u>Total</u>	<u>¥13,506</u>

2) Secured liabilities

	(Millions of Yen)
Trade notes and accounts payable	¥11,340
<u>Total</u>	<u>¥11,340</u>

(2) Accumulated depreciation of property, plant and equipment ¥94,719 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	¥10,663
Other	0
<u>Total</u>	<u>¥10,663</u>

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

(Millions of Yen)	
Buildings and structures	¥320
Machinery, equipment and vehicles	180
Land	270
Other (Intangible assets)	45
<u>Total</u>	<u>¥816</u>

(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

¥(1,136) million

(6) Contingent liabilities

On November 9, 2021, a consolidated subsidiary, Alfresa Corporation received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding the bidding, etc. by National Hospital Organization (NHO) head office for pharmaceuticals procured by hospitals located in “Kyushu region” operated by NHO or Japan Organization of Occupational Health and Safety (JOHAS). While this issue may affect the Group’s business performance, it is difficult to reasonably estimate the amount of impact at the current moment, as the inspection is still ongoing.

## 6. 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, 2021	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2022
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, 2021	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2022
Common stock	23,345 thousand shares	9,302 thousand shares	0 thousand shares	32,648 thousand shares

(Notes) 1. The number of shares of treasury stock includes the Company's shares held in the officer remuneration BIP trust account (153 thousand shares as of March 31, 2022).

2. An increase of 9,302 thousand shares in treasury stock comprises 9,147 thousand shares due to the acquisition based on the resolution of the Board of Directors, 1 thousand shares due to the purchase of fractional shares upon the request thereof, and 153 thousand shares due to the acquisition by the officer remuneration BIP trust account. A decrease of 0 thousand shares in treasury stock is due to stock transfers arising from the sale of fractional shares upon the request thereof.

### (3) Matters concerning dividends of surplus

#### 1) Dividends paid, etc.

Resolution	Type of shares	Total dividends	Dividend per share	Record date	Effective date
Board of Directors' meeting held on May 14, 2021	Common stock	¥5,715 million	¥27	March 31, 2021	June 4, 2021
Board of Directors' meeting held on November 4, 2021	Common stock	¥5,715 million	¥27	September 30, 2021	December 6, 2021

#### 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 16, 2022	Common stock	Retained earnings	¥5,468 million	¥27	March 31, 2022	June 7, 2022

(Note) Total dividends include ¥4 million dividends paid for the Company's shares held in the officer remuneration BIP trust account.

## 7. 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

As the calculation of fair values of financial instruments 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, 2022 are as follows:

(Millions of Yen)

Category	Book value	Fair value	Difference
Investment securities	¥82,366	¥82,366	¥-

(Notes) 1. Notes are not stated herein with respect to cash and financial instruments whose fair value approximates book value since they are scheduled to be settled in a short period of time.

2. Shares, etc. without market prices are not included in "investment securities." The book value of these financial instruments is as follows:

(Millions of Yen)

Category	Book value
Unlisted securities	¥4,650

3. Information is not stated herein with respect to investments in partnerships and other equivalent entities for which equity is recorded on a net basis on the consolidated balance sheet. The book value of these investments is ¥267 million.

## (3) The redemption schedule for monetary claims and securities with maturity after March 31, 2022

(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
Cash and deposits	¥180,436	¥-	¥-	¥-
Trade notes receivable	11,836	-	-	-
Accounts receivable	590,652	-	-	-
Purchase rebates receivable	76,744	-	-	-
Investment securities				
Available-for-sale securities with maturities				
Corporate bonds	-	430	200	-
Other	-	20	-	-
<b>Total</b>	<b>¥859,668</b>	<b>¥450</b>	<b>¥200</b>	<b>¥-</b>

## (4) Matters related to breakdown, etc. of fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure the fair value.

Level 1 fair value: Fair value measured based on quoted prices that are formed in active markets for assets or liabilities that are subject of the measurement of the fair value, among observable inputs with respect to the measurement of fair value

Level 2 fair value: Fair value measured by using inputs with respect to the measurement of fair value other than Level 1 inputs, among observable inputs with respect to the measurement of fair value

Level 3 fair value: Fair value measured by using unobservable inputs with respect to the measurement of fair value  
When multiple inputs that have significant impact on the measurement of fair value are used, the fair value is classified into the level with the lowest priority in the measurement of fair value, among the levels such inputs belong to.

## 1) Financial instruments recorded at fair value on the consolidated balance sheet

(Millions of Yen)

	Level 1	Level 2	Level 3	Total
Investment securities				
Shares	¥81,728	¥-	¥-	¥81,728
Corporate bonds	70	546	-	616
Other	20	-	-	20
<b>Total</b>	<b>¥81,819</b>	<b>¥546</b>	<b>¥-</b>	<b>¥82,366</b>

## 2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

Information is not stated herein as their fair value approximates book value.

## (Note) Explanation regarding valuation techniques used for the measurement of fair value and inputs with respect to the measurement of evaluation

The fair value of corporate bonds that are issued by listed companies and traded in active markets is classified into Level 1. The fair value of all other corporate bonds is measured at a price reasonably determined by using market price information (Statistical Prices for OTC Bond Transactions, etc.), and classified into Level 2.

## 8. Notes on business combinations and related matters

### Business combinations through acquisitions

#### (1) Outline of the business combination

- 1) Name of the acquiree: DAIICHI SANKYO COMPANY, LIMITED  
2) Details of the business acquired: Manufacturing and marketing approval for (part of) long-listed products under the pharmaceutical business

#### 3) Main reasons for the business combination

The Alfresa Group set forth a strategy “Expand products in line with Group needs” in the Manufacturing Business, our growth business, as a priority policy for materializing a Healthcare Consortium® under the 19-21 Mid-term Management Plan—*The Challenge of Further Growth “Together with Health, Together with Communities.”* This acquisition is intended not only to expand the scale of the Manufacturing Business, but also to strengthen existing products through the enhancement of product line-up, and to reinforce the Manufacturing Business by generating synergies with other businesses such as Ethical Pharmaceuticals Wholesaling Business, while working on maintaining product quality, stable supply, and safety information gathering as before.

- 4) Date of the business combination: December 1, 2021

#### 5) Legal form of the business combination

A company split in which DAIICHI SANKYO COMPANY, LIMITED is the splitting company, while Alfresa Pharma Corporation (a consolidated subsidiary of the Company) is the successor company

- 6) Name of the company after the business combination:

Alfresa Pharma Corporation

- 7) Main basis for determining the acquiree

Acquisition of the business by Alfresa Pharma Corporation for cash consideration

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

From December 1, 2021 to March 31, 2022

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

Consideration for the acquisition	Cash	¥4,584 million
Acquisition cost		¥4,584 million

#### (4) Description and amount of major acquisition-related expenses

Advisory fees, etc. ¥18 million

#### (5) The amount of goodwill that arose from the business combination, reason behind the goodwill, amortization method and amortization period

- 1) The amount of goodwill that arose from the business combination:

¥13 million

- 2) Reason behind the goodwill: It arose from the future excess earning power.

- 3) Amortization method and amortization period:

The straight-line method over eight years

#### (6) The amounts and major breakdown of assets accepted and liabilities assumed on the date of business combination

(Millions of Yen)

Current assets	¥1,884
Non-current assets	3,506
Total assets	¥5,391
Non-current liabilities	819
Total liabilities	¥819

#### (7) Amount allocated to intangible assets other than goodwill and the amortization period applied thereto

Type	Amount	Amortization period
Manufacturing and marketing right	¥2,681 million	6 years

#### (8) The approximate amount of the impact on the consolidated statements of income for the consolidated fiscal year under review assuming that the business combination has completed on the first day of the fiscal year, and the calculation method

Information is not stated herein due to difficulty in reasonable calculation.

#### (9) Other overview of the transaction

In February 2021, the Company concluded an agreement for transfer of the marketing authorizations, including manufacturing and sales approvals, for 11 long-listed products. Of these products, five products were transferred on December 1, 2021 through the company split (overall succession), and six products are scheduled to be transferred

through transfer of business (individual succession) in the fiscal year 2022 or later. However, as individual cost of acquisition of each product is immaterial and the calculation is difficult, these transactions are considered as one business combination.

**9. Notes on investment and rental properties**

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



## 10. Notes on revenue recognition

### (1) Information on disaggregated revenue from contracts with customers

#### 1) Ethical Pharmaceuticals Wholesaling Business

(Millions of Yen)

	Amount
Ethical pharmaceuticals	¥2,338,274
Diagnostic regents	115,856
Medical devices, etc.	171,429
Others	49,692
Inter-segment sales	(402,896)
Sales to external customers	¥2,272,357

#### 2) Self-Medication Products Wholesaling Business

(Millions of Yen)

	Amount
OTC pharmaceuticals	¥132,075
Supplements, health food, food products, etc.	56,929
Others	55,817
Inter-segment sales	(610)
Sales to external customers	¥244,212

#### 3) Manufacturing Business

(Millions of Yen)

	Amount
Ethical pharmaceuticals	¥21,595
Diagnostic regents	2,783
Medical devices, etc.	6,337
Pharmaceutical ingredients	6,623
Consigned manufacturing	8,848
Others	2,206
Inter-segment sales	(13,788)
Sales to external customers	¥34,605

#### 4) Medical-Related Business

(Millions of Yen)

	Amount
Dispensing fees	¥34,037
Others	430
Sales to external customers	¥34,468

### (2) Useful information in understanding revenue

The Company is mainly engaged in selling, manufacturing and marketing of pharmaceuticals and medical devices, etc. In the sale of these merchandise and finished goods, control of the merchandise and finished goods is transferred to a customer, and performance obligations are satisfied at the time when the merchandise and finished goods are delivered to the customer and acceptance inspection by the customer is completed. Thus, revenue is recognized when acceptance inspection by the customer is completed.

In the ethical pharmaceuticals wholesaling industry, old commercial practice unique to this industry still prevails, whereby, given social mission of this type of pharmaceuticals as merchandise potentially of life-or-death importance to users, tolerating no suspended delivery, drugs are delivered to medical institutions with prices undecided for a certain period of

time subsequent to NHI drug prices revisions, after which prices are negotiated between wholesalers and the medical institutions. Variable considerations prior to the conclusion of such negotiation are estimated by using the most probable single amount (estimation with the highest probability of materializing), selected from among possible estimated considerations, based on factors such as the latest development of negotiations as well as past pricing trends. The transaction price shall include only the portion of considerations for which significant reduction in recorded revenue is unlikely to happen by the time when uncertainty concerning such variable considerations is eliminated ex post facto. In the sale of medical devices, etc., where the Company's performance obligations are identified as obligations to arrange for another party to provide the products, in overall consideration of which party carries primary responsibility for fulfilling promise and the discretionary power to determine the price, etc., the Company recognizes revenue as an agent at a net amount of consideration gained from the transaction and the payment to the third party. Considerations for sales of merchandise and finished goods is normally received within one year after the satisfaction of performance obligations, and thus no adjustments are made as no material financial components are included.

**11. Notes on per share information**

(1) Net assets per share	¥2,330.36
(2) Net income per share	¥153.57

(Note) The Company's shares held in the officer remuneration BIP trust account are included in treasury stock, which is deducted from the number of shares issued at end of period, for the purpose of calculating net assets per share. In addition, the Company's shares are included in treasury stock, which is deducted from the calculation of the average number of outstanding shares during the period, for the purpose of calculating net income per share.

The number of treasury stock that was deducted for the purpose of calculating net assets per share was 153 thousand shares, while the average number of outstanding shares during the period of treasury stock that was deducted for the purpose of calculating net income per share was 74 thousand shares.

**12. 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, 2022)

(Millions of Yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>¥35,185</b>	<b>Current liabilities</b>	<b>¥16,911</b>
Cash and deposits	21,031	Accounts payable - other	208
Prepaid expenses	1	Income taxes payable	81
Short-term loans receivable from subsidiaries and affiliates	11,084	Accrued consumption taxes	20
Income taxes receivable	3,023	Deposits received from subsidiaries and affiliates	16,417
Others	43	Reserve for employees' bonuses	76
<b>Non-current assets</b>	<b>230,159</b>	Reserve for bonuses to directors and corporate auditors	55
<b>Property, plant and equipment</b>	<b>42</b>	Provision for share awards	8
Buildings	19	Provision for share awards for directors	17
Furniture and fixtures	22	Others	26
<b>Intangible assets</b>	<b>4</b>	<b>Non-current liabilities</b>	<b>818</b>
Software	4	Deferred tax liabilities	816
<b>Investments and other assets</b>	<b>230,113</b>	Provision for retirement benefits	2
Investment in securities	5,985	<b>Total liabilities</b>	<b>17,729</b>
Shares of subsidiaries and affiliates	210,022	<b>(Net assets)</b>	
Investments in capital of subsidiaries and affiliates	234	<b>Shareholders' equity</b>	<b>245,663</b>
Long-term loans receivable from subsidiaries and affiliates	13,613	<b>Common stock</b>	<b>18,454</b>
Long-term prepaid expenses	0	<b>Capital surplus</b>	<b>175,428</b>
Guarantee deposits	176	Legal capital surplus	58,542
Other	80	Other capital surplus	116,886
		<b>Retained earnings</b>	<b>105,232</b>
		Other retained earnings	105,232
		Retained earnings brought forward	105,232
		<b>Treasury stock, at cost</b>	<b>(53,451)</b>
		<b>Valuation and translation adjustments</b>	<b>1,951</b>
		<b>Unrealized gain on available-for-sale securities, net of taxes</b>	<b>1,951</b>
		<b>Total net assets</b>	<b>247,615</b>
<b>Total assets</b>	<b>¥265,345</b>	<b>Total liabilities and net assets</b>	<b>¥265,345</b>

## Non-consolidated Statements of Income

( From April 1, 2021  
to March 31, 2022 )

(Millions of Yen)

Account title	Amount	
<b>Operating revenue</b>		
<b>Dividend income</b>	¥15,116	
<b>Group management income</b>	2,084	17,201
<b>Operating expenses</b>		
<b>General and administrative expenses</b>		1,963
<b>Operating income</b>		<b>15,237</b>
<b>Other income</b>		
<b>Interest income</b>	65	
<b>Interest on securities</b>	6	
<b>Dividend income</b>	181	
<b>Others</b>	3	257
<b>Other expenses</b>		
<b>Interest expenses</b>	2	
Commission fees	112	
Loss on investments in investment partnerships	19	
Other	0	135
<b>Ordinary profit</b>		<b>15,359</b>
<b>Extraordinary income</b>		
Gain on sales of investment securities	396	396
<b>Extraordinary loss</b>		
Loss on sale of investment securities	212	
Loss on devaluation of investment securities	1,327	
Loss on valuation of shares of subsidiaries and affiliates	478	2,018
<b>Income before income taxes and non-controlling interests</b>		<b>13,737</b>
Current	132	
Deferred	9	141
<b>Profit</b>		<b>¥13,595</b>

## Non-consolidated Statements of Changes in Net Assets

( From April 1, 2021  
to March 31, 2022 )

(Millions of Yen)

	Shareholders' equity								Valuation and translation adjustments		Total net assets
	Paid-in Capital	Capital Surplus			Retained earnings		Treasury stock	Total shareholders' equity	Unrealized gains on securities, net of taxes	Total valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings					
Beginning balance - previously stated	¥18,454	¥58,542	¥116,886	¥175,428	¥103,066	¥103,066	¥(38,196)	¥258,752	¥2,579	¥2,579	¥261,331
Changes during the fiscal year											
Cash dividends from retained earnings					(11,430)	(11,430)		(11,430)			(11,430)
Profit					13,595	13,595		13,595			13,595
Treasury stock acquired							(15,254)	(15,254)			(15,254)
Sales of treasury stock			(0)	(0)			0	0			0
Changes in items other than shareholders' equity during the fiscal year (net)									(627)	(627)	(627)
Total changes during the fiscal year	–	–	(0)	(0)	2,165	2,165	(15,254)	(13,088)	(627)	(627)	(13,716)
Ending balance	¥18,454	¥58,542	¥116,886	¥175,428	¥105,232	¥105,232	¥(53,451)	¥245,663	¥1,951	¥1,951	¥247,615

## 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 other than shares, etc. without market prices:  
Stated at fair values (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)
  - (B) Shares, etc. without market prices:  
Stated at cost as determined by using moving-average method
  - (C) Investments in investment limited partnerships (investments deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act):  
Stated at the net amount equivalent to equity based on the latest financial statements

#### (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: 2 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.
- 3) Provision for share awards: The provision for share awards is provided based on the estimated amount of share award obligations at the fiscal year-end for future delivery of share awards to employees in accordance with the share delivery rules.
- 4) Provision for share awards for directors: The provision for share awards for directors is provided based on the estimated amount of share award obligations at the fiscal year-end for future delivery of share awards to directors and audit & supervisory board members in accordance with the share delivery rules.
- 5) Provision for retirement benefits: Provision for retirement benefits is provided based on the estimated amount of retirement benefit obligations at the fiscal year-end for future payment of retirement benefits to employees.  
In calculating provision for retirement benefits and retirement benefit expenses, the Company adopts a simplified method, whereby the amount of retirement benefits required to be paid at the fiscal year-end for voluntary termination is treated as retirement benefit obligations.

#### (4) Accounting standards for revenue and expenses

As a pure holding company, the Company's revenue comprises Group management income (consulting fee income) and dividend income from subsidiaries. Group management income (consulting fee income) involves performance obligations to provide subsidiaries with guidance on management and planning, etc. As such performance obligations are satisfied as time passes, revenue is recognized at equal amounts at intervals over the contract term. Dividend income is recognized on the effective date of dividends.

### 2. Notes on changes in accounting policies

#### (1) Adoption of the "Accounting Standard for Revenue Recognition" and the "Implementation Guidance on Accounting Standard for Revenue Recognition"

##### 1) Changes in accounting policies and the reason thereof

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc., from the beginning of the fiscal year under review, whereby the Company recognizes revenue at an estimated amount to be received in exchange for promised goods or services at the time when control of such goods or services is transferred to a customer.

##### 2) The reason for not having opted for the retroactive adoption, etc.

In accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, the Company has adopted the new accounting policies for the beginning balance and thereafter.

##### 3) Impact on the major items of the non-consolidated financial statements

There was no impact on the non-consolidated financial statements for the fiscal year under review.

(2) Adoption of the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement”

1) Changes in accounting policies and the reason thereof

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc., from the beginning of the fiscal year under review. Corporate bonds and other bonds hitherto considered as financial instruments for which fair values were deemed to be extremely difficult to determine, and thus were presented on the non-consolidated balance sheet at acquisition costs. Corporate bonds and other bonds are now presented on the non-consolidated balance sheet by either fair value calculated based on relevant observable inputs, where observable inputs are available, or fair value calculated by using unobservable inputs based on the best available information, where observable inputs are unavailable.

2) The reason for not having opted for the retroactive adoption, etc.

The Company will prospectively apply the new accounting policies set forth under the Fair Value Measurement Accounting Standard, etc., in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

3) Impact on the major items of the non-consolidated financial statements

Information is not stated herein due to its monetary immateriality.

**3. Notes on non-consolidated balance sheet**

(1) Accumulated depreciation of property, plant and equipment	¥108 million
(2) Monetary claims and obligations with respect to subsidiaries and affiliates are as follows.	
1) Short-term monetary claims	¥11,090 million
2) Long-term monetary claims	¥13,613 million
3) Short-term monetary obligations	¥16,437 million

**4. Notes on non-consolidated statements of income**

Amount of transactions with subsidiaries and affiliates

(1) Operating revenue (Dividend income)	¥15,116 million
(2) Operating revenue (Group management income)	¥2,084 million
(3) Operating expenses	¥36 million
(4) Amount of transactions other than operating transactions	¥67 million

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

Matters concerning the number of treasury stock

Type of shares	Number of shares as of April 1, 2021	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2022
Common stock	23,345 thousand shares	9,302 thousand shares	0 thousand shares	32,648 thousand shares

(Notes) 1. The number of shares of treasury stock includes the Company’s shares held in the officer remuneration BIP trust account (153 thousand shares as of March 31, 2022).

2. An increase of 9,302 thousand shares in treasury stock comprises 9,147 thousand shares due to the acquisition based on the resolution of the Board of Directors, 1 thousand shares due to the purchase of fractional shares upon the request thereof, and 153 thousand shares due to the acquisition by the officer remuneration BIP trust account. A decrease of 0 thousand shares in treasury stock is due to stock transfers arising from the sale of fractional shares upon the request thereof.



## 6. Notes on tax effect accounting

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

(Millions of Yen)

1) Deferred tax assets	
Disallowed accrued enterprise tax	¥17
Disallowed allowance for bonuses	25
Provision for retirement benefits	0
Disallowed loss on valuation of shares of subsidiaries and affiliates	2,367
Disallowed loss on valuation of investments in capital of subsidiaries and affiliates	152
Disallowed loss on devaluation of investment securities	416
Other	188
Subtotal of deferred tax assets	<u>3,169</u>
Valuation allowance	<u>(3,120)</u>
Total deferred tax assets	48
2) Deferred tax liabilities	
Unrealized gains on securities	(846)
Other	<u>(19)</u>
Total deferred tax liabilities	<u>(865)</u>
Net deferred tax liabilities	¥(816)

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

Statutory tax rate	30.6%
(Adjustments)	
Permanently non-deductible expenses such as entertainment expenses	0.0%
Permanently non-taxable revenues such as dividend income	(33.8)%
Non-deductible bonuses to directors and audit & supervisory board members	0.1%
Inhabitant tax per capita basis	0.0%
Changes in valuation allowance	<u>4.0%</u>
Effective tax rate after the application of the tax effect accounting	1.0%

## 7. Notes on related party transactions

Subsidiaries and affiliated companies, etc.

Type	Name of company, etc.	Amount of capital or amount of contribution (Millions of Yen)	Description of business	Ratio of ownership of voting rights, etc. (%)	Relationship with related parties	Description of transactions	Amounts of transactions (Millions of Yen)	Account title	Balance at end of the fiscal year (Millions of Yen)
Subsidiaries	Alfresa Corporation	4,000	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	30,945	-	-
	Tohoku Alfresa Corporation	104	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	2,897	-	-
	Alfresa Medical Service Corporation	450	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	3,646	Deposits received from subsidiaries and affiliates	6,523
	Alfresa Healthcare Corporation	499	Self-medication products wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	4,508	Loans receivable from subsidiaries and affiliates	9,000
	Alfresa Pharma Corporation	3,000	Pharmaceutical manufacturing	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	8,556	Loans receivable from subsidiaries and affiliates	11,312
						Funds received	2,820	Deposits received from subsidiaries and affiliates	4,481
	Alfresa System Corporation	150	Operation, maintenance and development of information system	51.0	Conclusion of group management contracts	Funds loaned	4,474	Loans receivable from subsidiaries and affiliates	4,385

Terms of transactions and policies etc. for the determination thereof

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, 2022. Payment and receipt of interests are reasonably determined in consideration of market interest rates.

**8. Notes on per share information**

(1) Net assets per share	¥1,223.58
(2) Net income per share	¥64.88

(Note) The Company's shares held in the officer remuneration BIP trust account are included in treasury stock, which is deducted from the number of shares issued at end of period, for the purpose of calculating net assets per share. In addition, the Company's shares are included in treasury stock, which is deducted from the calculation of the average number of outstanding shares during the period, for the purpose of calculating net income per share.

The number of treasury stock that was deducted for the purpose of calculating net assets per share was 153 thousand shares, while the average number of outstanding shares during the period of treasury stock that was deducted for the purpose of calculating net income per share was 74 thousand shares.

(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, 2022

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC		
Tokyo Office		
Designated Limited Liability Partner	Certified Public	Satoshi Hosoya
Engagement Partner	Accountant	
Designated Limited Liability Partner	Certified Public	Takashi Watanabe
Engagement Partner	Accountant	
Designated Limited Liability Partner	Certified Public	Naoki Saito
Engagement Partner	Accountant	

#### 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, 2021 through March 31, 2022.

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.

#### Other Statements

Other statements consist of the business report and the accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are also responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for the other statements.

Our audit opinion on the consolidated financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the consolidated financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

#### 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, 2022

To the Board of Directors of Alfresa Holdings Corporation

KPMG AZSA LLC		
Tokyo Office		
Designated Limited Liability Partner	Certified Public	Satoshi Hosoya
Engagement Partner	Accountant	
Designated Limited Liability Partner	Certified Public	Takashi Watanabe
Engagement Partner	Accountant	
Designated Limited Liability Partner	Certified Public	Naoki Saito
Engagement Partner	Accountant	

#### 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 19th fiscal year from April 1, 2021 through March 31, 2022.

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.

#### Other Statements

Other statements consist of the business report and the accompanying supplementary schedules. Management is responsible for the preparation and disclosure of the other statements. Audit & Supervisory Board Members and the Audit & Supervisory Board are also responsible for monitoring the execution of Directors' duties related to designing and operating the reporting process for the other statements.

Our audit opinion on the financial statements does not include the other statements, and we express no opinion on the other statements.

Our responsibility in the audit of the financial statements is to read the other statements carefully and, in the course of that reading, to consider whether there are material differences between the other statements and the financial statements or our knowledge obtained in the audit, and to pay attention to whether there is any indication of material errors in the other statements besides such material differences.

If, based on the work we have performed, we determine that there are material errors in the other statements, we are required to report those facts.

We have no other matters to report in respect to the other statements.

#### 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 19th fiscal year from April 1, 2021 to March 31, 2022, 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, 2022, and set out a priority auditing task, namely the assurance of appropriateness of governance within the corporate group and COVID-19 prevention measures. 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, 2022.



## 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, in June 2021, a consolidated subsidiary of the Company was sentenced by the Tokyo District Court to a fine of ¥250 million for violating the Antimonopoly Act in relation to bids for supplying ethical pharmaceuticals. In March 2022, the same subsidiary received a cease-and-desist order and a surcharge payment order based on the Antimonopoly Act from the Japan Fair Trade Commission.

In addition, as stated in the Business Report, in November 2021, a consolidated subsidiary of the Company received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding the bidding, etc. for pharmaceuticals procured by hospitals located in Kyushu region.

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 16, 2022

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]