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(Code number 2784)

May 31, 2023

(The start date of measures for electronic provision May 31, 2023)

**To Shareholders with Voting Rights:**

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

**NOTICE OF  
THE 20TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

The 20th Ordinary General Meeting of Shareholders of Alfresa Holdings Corporation (the “Company”) will be held for the purposes as described below.

In convening the General Meeting of Shareholders, the Company has taken measures for electronic provision and matters to be provided electronically are posted on the Company’s website.

The Company’s website

<https://www.alfresa.com/eng/ir/meeting/>

The same information is also posted on the website of the Tokyo Stock Exchange. Access the website below, enter the issue name (company name) “Alfresa” or the securities code “2784” to search, select “Basic information” and then “Documents for public inspection/PR information” to review the information.

The Tokyo Stock Exchange’s website

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

As for your attendance of the meeting in person, please consider it upon confirming the spread states of COVID-19 on the day and your health condition, etc. We kindly request that you consider exercising your voting rights in advance in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders on the matters to be provided electronically, and exercise your voting rights by 5:00 p.m. on Monday, June 26, 2023 (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 27, 2023 (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))

**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 20<sup>th</sup> Fiscal Year (April 1, 2022 – March 31, 2023)
  2. Non-consolidated Financial Statements for the Company's 20<sup>th</sup> Fiscal Year (April 1, 2022 – March 31, 2023)

**Proposals to be resolved:**

**Proposal 1:** Election of Eleven (11) Directors

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

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If any revisions have been made to matters to be provided electronically, the revisions will be posted on the Company's website and the Tokyo Stock Exchange's website.

## **Announcement on Exercise of Voting Rights:**

### **If attending the meeting in person:**

**Date and Time:** 10:00 a.m., Tuesday, June 27, 2023 (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 26, 2023 (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 26, 2023 (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."

#### **[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 27, 2023 (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.

\* The live viewing will be available in Japanese only.

### 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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| <ol style="list-style-type: none"><li>1) ID: <u>The "login ID" (15 half-width alphanumeric characters) indicated on the duplicate (right side) of the Voting Rights Exercise Form</u></li><li>2) Password: <u>The "temporary password" (six digit half-width numbers) indicated on the duplicate (right side) of the Voting Rights Exercise Form</u><br/><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></li></ol> |
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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: 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: -	7 years	100% (18 of 18 meetings)
2	[To be reelected] Seiichi Kishida	Position: Director & Deputy President Responsibilities: Assistant to the President, General Affairs, Financial Planning, Corporate Communication, Compliance & Risk Management	4 years	100% (18 of 18 meetings)
3	[To be reelected] Yusuke Fukujin	Position: Director & Deputy President Responsibilities: Ethical Pharmaceuticals Wholesaling Business, Total Supply Chain Service	3 years	100% (18 of 18 meetings)
4	[To be reelected] Shigeki Ohashi	Position: Director, Vice President & Executive Officer Responsibilities: General Manager of Group Ethical Wholesaling Business, International Business	1 year	100% (13 of 13 meetings)
5	[To be reelected] Toshiki Tanaka	Position: Director, Vice President & Executive Officer Responsibilities: Group Management Strategy, Human Resources Planning, IT / Digital Transformation (DX)	1 year	100% (13 of 13 meetings)
6	[To be reelected] Hisashi Katsuki	Position: Director Responsibilities: -	6 years	94.4% (17 of 18 meetings)
7	[To be reelected] Koichi Shimada	Position: Director Responsibilities: -	5 years	100% (18 of 18 meetings)
8	[To be reelected] [Outside Director] [Independent Director] Takashi Hara	Position: Director Responsibilities: Chairman, Corporate Governance Committee	3 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	3 years	100% (18 of 18 meetings)
10	[To be reelected] [Outside Director] [Independent Director] Toshie Takeuchi	Position: Director Responsibilities: -	3 years	100% (18 of 18 meetings)
11	[To be reelected] [Outside Director] [Independent Director] Kimiko Kunimasa	Position: Director Responsibilities: -	1 year	100% (13 of 13 meetings)


No.	Name	Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for directors	Number of shares of the Company held
1	 <p>Ryuji Arakawa</p> <p>[To be reelected]</p> <p>Date of birth: March 5, 1963 (age 60)</p> <p>Term of office at the conclusion of this general meeting: 7 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) [Significant concurrent position]</p> <p>None [Note related to candidate for Director]</p> <p>No conflict of special interest exists between the candidate and the Company.</p>	63,920
<p>[Reasons for election as candidate for Director]</p> <p>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 63)</p> <p>Term of office at the conclusion of this general meeting: 4 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</p> <p>April 2023      Director &amp; Deputy President of the Company, Assistant to the President, General Affairs, Financial Planning, Corporate Communication, 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>	7,966
<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="204 638 399 672">Yusuke Fukujin</p> <p data-bbox="212 705 391 739">[To be reelected]</p> <p data-bbox="223 761 379 862">Date of birth: June 27, 1976 (age 46)</p> <p data-bbox="191 884 411 1008">Term of office at the conclusion of this general meeting: 3 years</p> <p data-bbox="191 1041 411 1198">Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p>	<p data-bbox="430 268 550 302">April 2000</p> <p data-bbox="430 302 550 336">April 2011</p> <p data-bbox="430 358 582 392">October 2012</p> <p data-bbox="430 414 550 448">April 2014</p> <p data-bbox="430 470 582 504">October 2014</p> <p data-bbox="430 571 550 604">June 2016</p> <p data-bbox="430 627 550 660">April 2018</p> <p data-bbox="430 683 550 716">April 2019</p> <p data-bbox="430 750 550 784">June 2019</p> <p data-bbox="430 806 550 840">April 2020</p> <p data-bbox="430 862 550 896">June 2020</p> <p data-bbox="430 918 550 952">June 2020</p> <p data-bbox="430 963 550 996">April 2022</p> <p data-bbox="430 1019 550 1052">April 2023</p> <p data-bbox="430 1120 774 1153">[Significant concurrent position]</p> <p data-bbox="430 1153 1045 1187">Representative Director &amp; President of Alfresa Corporation</p> <p data-bbox="430 1187 837 1220">[Note related to candidate for Director]</p> <p data-bbox="430 1220 1220 1254">No conflict of special interest exists between the candidate and the Company.</p>	2,046,588
<p data-bbox="191 1254 686 1288">[Reasons for election as candidate for Director]</p> <p data-bbox="191 1288 1476 1460">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 [To be reelected]</p> <p>Date of birth: January 17, 1965 (age 58)</p> <p>Term of office at the conclusion of this general meeting: 1 year</p> <p>Attendance of Board of Directors' meetings: 100% (13 out of 13 meetings)</p>	<p>March 1988      Joined Showa Pharmaceuticals Co., Ltd. (currently Alfresa Pharma 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</p> <p>June 2022      Director, Vice President &amp; Executive Officer of the Company, Group Business &amp; Affiliate Control, Group Information System, Business Development &amp; International Business</p> <p>April 2023      Director, Vice President &amp; Executive Officer of the Company, General Manager of Group Ethical Wholesaling Business, 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>	5,100
<p>[Reasons for election as candidate for Director] 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 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
5	 <p>Toshiki Tanaka</p> <p>[To be reelected]</p> <p>Date of birth: June 3, 1963 (age 60)</p> <p>Term of office at the conclusion of this general meeting: 1 year</p> <p>Attendance of Board of Directors' meetings: 100% (13 out of 13 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, 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</p> <p>April 2022       Vice President &amp; Executive Officer of the Company, General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance &amp; Risk Management</p> <p>June 2022       Director, Vice President &amp; Executive Officer of the Company, General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance &amp; Risk Management</p> <p>April 2023       Director, Vice President &amp; Executive Officer of the Company, Group Management Strategy, Human Resources Planning, IT / Digital Transformation (DX) (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>	1,100
<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 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
6	 <p>Hisashi Katsuki</p> <p>[To be reelected]</p> <p>Date of birth: August 9, 1956 (age 66)</p> <p>Term of office at the conclusion of this general meeting: 6 years</p> <p>Attendance of Board of Directors' meetings: 94.4% (17 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</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>April 2023    Representative Director &amp; Chairman of Alfresa Healthcare Corporation (present)</p> <p>[Significant concurrent position] Representative Director &amp; Chairman 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>	16,992
<p>[Reasons for election as candidate for Director] Mr. Hisashi Katsuki is serving as Representative Director &amp; Chairman 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>Koichi Shimada [To be reelected]</p> <p>Date of birth: October 15, 1958 (age 64)</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>April 1982      Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)</p> <p>April 2008      Executive Officer of Alfresa Pharma Corporation, General Manager of Product Strategy Department</p> <p>June 2010      Director of Alfresa Pharma Corporation</p> <p>April 2012      Director, Vice President &amp; Executive Officer of Alfresa Pharma Corporation</p> <p>April 2014      Director, Senior Vice President &amp; Executive Officer of Alfresa Pharma Corporation</p> <p>April 2016      Director, Deputy President &amp; Executive Officer of Alfresa Pharma Corporation</p> <p>May 2016      Director of Alfresa Fine Chemical Corporation</p> <p>April 2017      President, CEO &amp; Executive Officer of Alfresa Pharma Corporation (present)</p> <p>May 2017      Director &amp; Chairman of Alfresa Fine Chemical Corporation (present)</p> <p>June 2018      Director of the Company (present)</p> <p>[Significant concurrent position] President, CEO &amp; Executive Officer of Alfresa Pharma Corporation</p> <p>[Note related to candidate for Director] No conflict of special interest exists between the candidate and the Company.</p>	2,720
<p>[Reasons for election as candidate for Director] 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 71)</p> <p>Term of office at the conclusion of this general meeting: 3 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>June 2022        Chairman, Corporate Governance Committee 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 69)</p> <p>Term of office at the conclusion of this general meeting: 3 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>June 2023      Outside Director of MEIDENSHA CORPORATION (scheduled)</p> <p>[Significant concurrent positions]</p> <p>Outside Director of Sumitomo Metal Mining Co., Ltd.</p> <p>Outside Director of MEIDENSHA CORPORATION (scheduled to assume in June 2023)</p> <p>[Note related to candidate for Outside Director]</p> <p>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. and is scheduled to serve as Outside Director of MEIDENSHA CORPORATION from June 2023; 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 68)</p> <p>Term of office at the conclusion of this general meeting: 3 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 reelected] [Outside Director] [Independent Director]</p> <p>Date of birth: January 30, 1960 (age 63)</p> <p>Term of office at the conclusion of this general meeting: 1 year</p> <p>Attendance of Board of Directors' meetings: 100% (13 out of 13 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>June 2022      Director of the Company (present)</p> <p>June 2023      Outside Director of Mitsubishi Shokuhin Co., Ltd. (scheduled)</p> <p>[Significant concurrent positions] Outside Director of Mitsubishi Shokuhin Co., Ltd. (scheduled to assume in June 2023)</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 continue 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 has designated her as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submit a notification of the appointment to the same Exchange.


Ms. Kimiko Kunimasa plans to serve as an Outside Director of Mitsubishi Shokuhin Co., Ltd. from June 2023; however, the Company has no transactions with the said company.

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

Among the five (5) current Audit & Supervisory Board Members, Mr. Seisui Kamigaki will resign from the position at the conclusion of this General Meeting of Shareholders. Accordingly, we would like to propose the election of one (1) Audit & Supervisory Board Member.

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

The candidate is as follows:

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
 <p>Hiroshi Kizaki</p> <p>[To be newly elected] [Outside Audit &amp; Supervisory Board Member] [Independent Auditor]</p> <p>Date of birth: February 2, 1959 (age 64)</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 1981      Joined Mitsubishi Corporation</p> <p>October 2000    Director and President of Mitsubishi Corporation Finance PLC</p> <p>April 2004      Assistant to Officer in charge of Corporate (in charge of personnel affairs) of Mitsubishi Corporation</p> <p>July 2008      CFO and SVP in charge of Corporate Staff Division of Mitsubishi International Corporation</p> <p>April 2011      General Manager of Consolidated IT Planning Division of Mitsubishi Corporation</p> <p>April 2012      Administrative General Manager of Global Environment &amp; Infrastructure Business Group of Mitsubishi Corporation</p> <p>June 2015      Full-time Audit &amp; Supervisory Board Member of Mitsubishi Corporation</p> <p>June 2019      Full-time Audit &amp; Supervisory Board Member of Mitsubishi Shokuhin Co., Ltd.</p> <p>March 2023     External Director of OUTSOURCING Inc. (present)</p> <p>[Significant concurrent positions] External Director of OUTSOURCING Inc.</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>—</p>
<p>[Reasons for election as candidate for Outside Audit &amp; Supervisory Board Member] Mr. Hiroshi Kizaki has a high degree of expertise in finance / accounting as a certified public accountant in addition to experience as a full-time Outside Audit &amp; Supervisory Board Member of a listed company and a wealth of experience as a manager and a practitioner in domestic and international areas. He has been elected as a candidate for Outside Audit &amp; Supervisory Board Member because we believe that he will reflect objective / neutral opinions as an expert of accounting in our audit system based on his wealth of experience and knowledge.</p>		

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

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

He is a certified public accountant and External Director of OUTSOURCING Inc.; 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 1 and 2 are approved, each candidate will be included in the insured under the said insurance contract. The Company plans to renew the insurance contract with same contents during the term of office of the candidates.

<Independence Standards for Outside Directors, etc.>

The Company elects candidates for Outside Directors, etc. who have high degree of independence.

1. Outside Directors, etc. must be financially independent from the Group.
  - (1) Outside Directors, etc. should not have received compensation (excluding remuneration to Directors, etc. paid by the Company), or monetary consideration/other properties for performed duties, transactions, etc. that exceed a certain amount directly from the Group in the past five years.

“Exceed a certain amount” is defined to be the amount of ¥10 million or more received in any one of the past five fiscal years.
  - (2) Outside Directors, etc. should not have served as Director, Officer, etc. of any one of the following entities in the past five years.
    - (i) Major business clients who account for 2% or more of the consolidated net sales of the Group or the corporate groups, to which the candidate belongs.
    - (ii) Entities that have substantial conflicts of interest with the Group, such as the Company’s independent auditing firm, etc.
    - (iii) Entities that are the Company’s major shareholders (holding 10% or more of shares issued).
    - (iv) Entities of which the Group is the major shareholder (holding 10% or more of shares issued).
2. Outside Directors, etc. shall not be the close relatives of Directors and Audit & Supervisory Board Members of the Group. “Close relatives” are defined as spouse, blood relatives within third degree of kinship, and relatives living together.
3. Furthermore, Outside Directors, etc. shall not possess any reason by which they are reasonably deemed ineligible as an independent and neutral officer.
4. Outside Directors, etc. shall ensure to satisfy the independence and neutrality criteria set forth in this Standards on an ongoing basis even after the appointment as Officer.

<Liability Limitation Agreement with Outside Directors, etc.>

In order for Outside Directors, etc., to perform their duties as expected to the fullest extent, the Company has entered into liability limitation agreements with Mr. Takashi Hara, Mr. Manabu Kinoshita, Ms. Toshie Takeuchi and Ms. Kimiko Kunimasa, 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 Ms. Kunimasa is approved in Proposal 1, the Company plans to continue the same liability limitation agreements with them. Moreover, if the election of Mr. Hiroshi Kizaki is approved in Proposal 2, the Company plans to enter into a similar liability limitation agreement with him.

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.

It also 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	DX
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	○						○	
Masakazu Ozaki	Audit & Supervisory Board Member (Standing)				○	○			
Yuji Ueda	Audit & Supervisory Board Member (Standing)					○	○		
Yoshitaka Kato	Audit & Supervisory Board Member (Outside)	○				○			
Takashi Ito	Audit & Supervisory Board Member (Outside)						○		
Hiroshi Kizaki	Audit & Supervisory Board Member (Outside)	○				○	○	○	

(Attached document)

## **Business Report**

( From April 1, 2022  
to March 31, 2023 )

### **1. The current state of the corporate group**

#### **(1) Business conditions**

##### **1) Development and performance of business**

During the consolidated fiscal year under review (April 1, 2022–March 31, 2023), the Japanese economy was weak in some areas but experienced a gradual recovery centered on personal consumption and capital investment. However, there is a risk that a downturn in overseas economies against a backdrop that includes ongoing monetary tightening could have a negative impact on Japan’s economy.

One dominating factor is the COVID-19 pandemic, which has been both prolonged and continues to have an unclear outlook going forward, despite significant progress toward controlling the situation. To fulfill our mission as part of the social infrastructure that handles life-related products amid these circumstances, the Alfresa Group is implementing countermeasures against the spread of COVID-19. Furthermore, it is working to maintain a stable supply of high-quality pharmaceuticals and other goods while ensuring the safety of its customers and employees. The Alfresa Group also formulated its new 22–24 Mid-term Management Plan: Leap into the Future “An Evolving Healthcare Consortium®” (hereinafter the 22–24 Mid-term Management Plan), and is working to achieve its stated Group management policies: (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, and (5) cultivation of a corporate culture with compliance as its highest priority.

In February 2023, we acquired all shares of Miyazaki Onsendo Shoten Co., Ltd. (head office: Isahaya City, Nagasaki Prefecture) from Onsendo Co., Ltd. (head office: Isahaya City, Nagasaki Prefecture), making it a wholly owned subsidiary. This action will serve us in our effort to reinforce our business foundation in the Kyushu area. As part of our work to create new value, we also established GEKKA WORKS Co., Ltd. (head office: Chiyoda Ward, Tokyo) to promote medical cooperation on a regional basis, and in November 2022, the company began a verification trial of “Docshiru,” a membership-based web service for doctors. Going forward, this service will help improve our activities for connecting people involved in healthcare and contribute to regional medical cooperation.

In addition, the consolidated Group company Alfresa Corporation (head office: Chiyoda Ward, Tokyo; hereinafter “Alfresa”) established Cell Resources Corporation (head office: Chiyoda Ward, Tokyo) as a subsidiary seeking to contribute to the stable supply of regenerative medicine products. Cell Resources Corporation aims to provide a steady supply of high-quality master cells to pharmaceutical companies engaged in drug discovery by establishing an allogeneic cell processing center (CPC) in Koriyama City, Fukushima Prefecture. The company has also acquired a CPC in Kawasaki City, Kanagawa Prefecture, via a business takeover, which will enable it to process autologous cells. These actions will help Cell Resources Corporation strengthen manufacturing functions in the field of regenerative medicine through the handling of both allogeneic and autologous cells.

In the consolidated fiscal year under review, net sales for the Alfresa Group increased 4.3% year on year, to ¥2,696,069 million, due to a significant increase in revenue for the Ethical Pharmaceuticals Wholesaling Business. As a result of this increase, and due to efforts to maintain our gross profit margin, gross profit increased ¥4,617 million from the previous fiscal year. However, SG&A expenses increased ¥3,559 million year on year due to increases in expenses related to transportation, repair, utilities, depreciation, and R&D, despite recording a reversal of allowance for doubtful accounts. Incorporating this increase, operating income increased 3.6% year on year, to ¥30,148 million, and ordinary profit increased 0.8% year on year, to ¥32,831 million. Profit attributable to owners of the parent decreased 19.9% year on year, to ¥25,786 million, due to factors that include posting extraordinary profit from a gain on sales of investment securities amounting to ¥9,303 million and extraordinary losses from a write-down of investment securities amounting ¥1,159 million, as well as a provision for loss on Antimonopoly Act of ¥993 million.

The Company’s consolidated subsidiary, Alfresa Corporation (Head office: Chiyoda-ku, Tokyo; hereinafter “Alfresa”) received a cease-and-desist order and a surcharge payment order based on the

Antimonopoly Act from the Japan Fair Trade Commission in March 2023, for 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.

## Business Segment Information

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

In the Ethical Pharmaceuticals Wholesaling Business segment, we have worked throughout the prolonged COVID-19 pandemic to ensure a stable supply of pharmaceuticals while making the fullest effort to deliver COVID-19 vaccines and therapeutic agents as well as generic drugs, which continue to experience shortages and supply-demand adjustments.

We are also looking to concentrate resources in specialty domains and medical products as well as to transform our business operations through digital transformation (DX). To that end, we are working to implement priority measures for this segment, which are stated in the 22–24 Mid-term Management Plan and focus on enhancing existing businesses; pursuing profitability through business reform; and achieving Groupwide optimization, efficiency, and standardization.

In November 2022, our consolidated subsidiary Tohoku Alfresa Corporation (head offices: Sendai City, Wakabayashi Ward, and Koriyama City, Fukushima Prefecture), established a new head office in Wakabayashi Ward, Sendai City, thereby transitioning to a dual head office system together with the existing head office. Establishing a head office in Sendai City, the largest city in the Tohoku region, will enable us to further improve services for customers, form stronger ties with manufacturing companies and other transaction partners, and further contribute to medical treatment in the Tohoku region.

In February 2023, Alfresa and AxisRoot Holdings, Inc. (head office: Chiyoda Ward, Tokyo) concluded an agreement for Alfresa to conduct additional investment in Axis, Inc. (head office: Chiyoda Ward, Tokyo). Axis, which previously entered a capital alliance with Alfresa, is a leader in cloud-based electronic medical records and a group company of AxisRoot Holdings. This additional investment aims to provide new value to the diversifying pharmacy business.

Despite the negative impact of the NHI drug price revisions implemented in April 2022, performance for this segment for the consolidated fiscal year under review improved due to market growth, greater demand for diagnostic reagents and other medical goods, and the end of the period imposed on Alfresa for violating the Antimonopoly Act that suspended the company from bidding upon contracts with medical institutions. For these reasons, as well as efforts to improve distribution and maintain the gross profit margin, net sales increased 4.7% year on year, to ¥2,395,358 million, and operating income increased 8.6% year on year, to ¥26,970 million.

The net sales figure includes intersegment sales of ¥16,827 million, up 6.9% year on year.

### (ii) Performance of Self-Medication Products Wholesaling Business

In the Self-Medication Products Wholesaling Business segment, we aim to achieve high profitability in our existing businesses while entering new growth domains. At the same time, we endeavor to enact the priority measures for the segment stated in the 22–24 Mid-term Management Plan, which focus on implementing initiatives aimed at achieving high profitability, enhancing Groupwide collaboration, and enhancing profitability through business reform.

In the consolidated fiscal year under review, the Self-Medication Products Wholesaling Business segment saw lower demand for products aimed at preventing COVID-19 infection and intensifying price competition with competing companies, which were factors that negatively impacted revenue. However, due to the recovery of inbound demand from the increase in overseas visitors to Japan and thorough management of operations from a profit and cost perspective, net sales increased 0.8% year on year, to ¥246,679 million, while operating income increased 12.9% year on year, to ¥2,110 million.

The net sales figure includes intersegment sales of ¥527 million, down 13.6% year on year.

(iii) Performance of Manufacturing Business

In the Manufacturing Business segment, we aim to build a foundation for the future by promoting reliable, safe, and sincere manufacturing; efforts to achieve total supply chain services; and new initiatives that utilize digital technology—priority measures for the segment stipulated in the 22–24 Mid-term Management Plan.

In December 2022, Alfresa Pharma Corporation (head office: Chuo Ward, Osaka; hereinafter “Alfresa Pharma”) and Sannova Co., Ltd. (head office: Ota City, Gunma Prefecture) concluded an agreement for an absorption-type merger with Alfresa Pharma as the surviving company, which was implemented in April 2023. The newly merged company will create new value in an effort to satisfy customers to the greatest extent and help realize the Group’s declared vision of becoming a Healthcare Consortium® that provides products and services in every health-related field.

In March 2023, Alfresa Pharma finalized a licensing agreement with K Pharma, Inc. (head office: Minato Ward, Tokyo) for domestic development and manufacturing and marketing rights of ropinirole hydrochloride as a treatment for amyotrophic lateral sclerosis (ALS). We intend to accelerate development so that we can deliver this drug to patients as soon as possible and provide them with a new option for treatment.

In the consolidated fiscal year under review, the Manufacturing Business segment enjoyed growing sales for long-listed products for which the company inherited the manufacturing and sales rights, as well as increasing demand for ALSONIC® COVID-19 Ag SARS-CoV-2 antigen rapid test kits. Meanwhile, revenue from consigned manufacturing decreased, and depreciation, amortization, and other expenses, which included a lump-sum contract payment for an ALS drug treatment, increased. As a result, net sales increased 3.6% year on year, to ¥49,041 million, and operating income decreased 77.5% year on year, to ¥420 million.

The net sales figure includes intersegment sales of ¥13,858 million, up 8.7% year on year.

(iv) Performance of Medical-related Businesses

In the Medical-Related Business segment, we aim to provide family pharmacies available for people at every stage of their lives, from preventive to terminal care. Doing so involves pursuing business growth through home care service initiatives, promoting DX-driven business reforms, and adopting pre-symptomatic illness and prevention initiatives, which are priority measures for the segment stipulated in the 22–24 Mid-term Management Plan.

In the consolidated fiscal year under review, revenue from the segment increased due to our consolidated subsidiary APOCREAT Corporation (head office: Toshima Ward, Tokyo) acquiring business from its subsidiary (a non-consolidated subsidiary) and other factors, despite a decrease in sales accompanying revisions to drug prices.

As a result, net sales for the segment increased 5.0% year on year, to ¥36,202 million, and operating income increased 80.7% year on year, to ¥330 million.

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2023 totaled ¥13,675 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

The Company’s consolidated subsidiaries, Alfresa Pharma Corporation and Sannova Co., Ltd., concluded an absorption-type merger contract in December 2022 and merged as of April 1, 2023, with Alfresa Pharma Corporation as the surviving company.

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

As of February 28, 2023, the Company acquired the shares of MIYAZAKI ONSENDO SHOTEN CO., Ltd., which operates an ethical pharmaceuticals wholesaling business, and made it into a wholly owned subsidiary.



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

Categories	The 17th fiscal year (FY2019)	The 18th fiscal year (FY2020)	The 19th fiscal year (FY2021)	The 20th fiscal year (FY2022)
Net sales (Millions of Yen)	2,698,511	2,610,427	2,585,643	2,696,069
Ordinary profit (Millions of Yen)	57,170	31,918	32,576	32,831
Profit attributable to owners of parent (Millions of Yen)	40,273	24,501	32,182	25,786
Net income per share (Yen)	190.26	115.75	153.57	127.42
Total assets (Millions of Yen)	1,351,619	1,316,658	1,303,991	1,339,852
Net assets (Millions of Yen)	474,898	489,957	471,835	488,335

- (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 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.
  3. 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	271,933

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

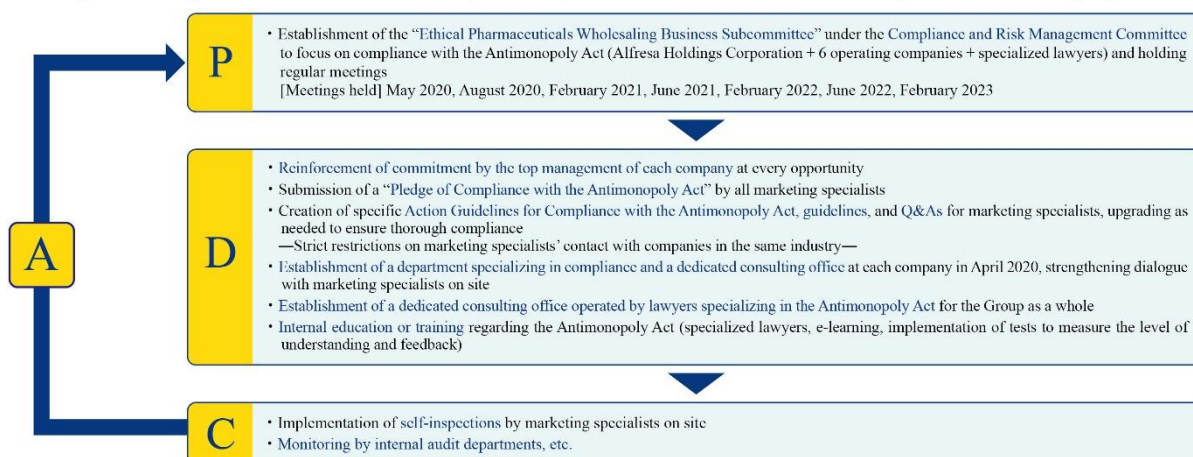
#### (4) Challenges to be addressed

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

Alfresa Corporation, the Company's consolidated subsidiary, received an on-site inspection by the Japan Fair Trade Commission for suspected violation of the Antimonopoly Act regarding bidding, etc. performed between May 20, 2016 and June 3, 2019 by National Hospital Organization (NHO) head office for pharmaceuticals procured by hospitals located in the Kyushu region operated by NHO or Japan Organization of Occupational Health and Safety (JOHAS). Subsequently, in March 2023, Alfresa Corporation received a cease-and-desist order and a surcharge payment order from the Japan Fair Trade Commission.

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:

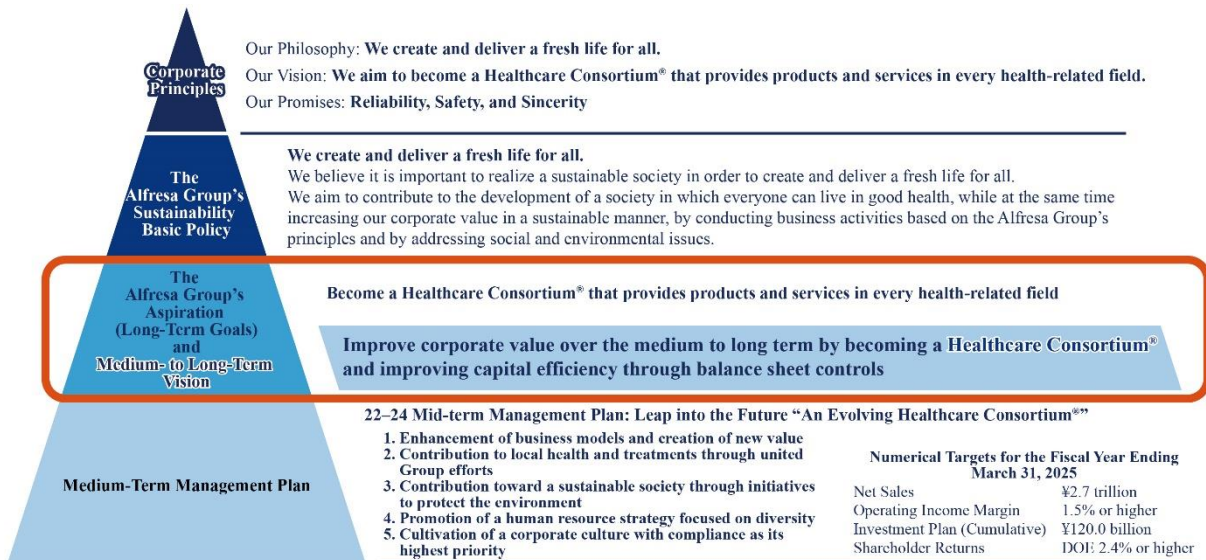
#### Repeated implementation of PDCA cycles to prevent recurrence of violating the Antimonopoly Act



- 2) Activities to increase corporate value  
 (i) Medium- to long-term vision of Alfresa Group

The latest profits have trended toward decline in line with rapid changes in the business environment, owing to factors including the implementation of the interim-year NHI drug price revisions and higher costs exemplified by rising logistics costs. In response to this environment, the Group has formulated a new medium- to long-term vision, in addition to its three-year Mid-term Management Plan, based on the Group's Principles and Basic Sustainability Policy, and aims to increase corporate value by expanding profit and seeking the improvement of capital efficiency through core, growth, and new businesses.

### Position of the Alfresa Group's Medium- to Long-Term Vision



### Overview of the Alfresa Group's Medium- to Long-Term Vision



(ii) Sustainability Basic Policy

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. We have 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.

Key Sustainability Issues (Materialities)

<b>1</b>	<b>Improving the Quality of Products and Services</b>	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.	<b>5</b>	<b>Promoting Human Resource Development</b>	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.
<b>2</b>	<b>Value Creation/Innovation</b>	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.	<b>6</b>	<b>Compliance</b>	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.
<b>3</b>	<b>Environmental Protection</b>	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.	<b>7</b>	<b>Risk Management</b>	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.
<b>4</b>	<b>Contributing to Local Communities</b>	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.	<b>8</b>	<b>Corporate Governance</b>	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.

**(5) Main business** (as of March 31, 2023)

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, 2023)

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	4-8-5 Oroshimachi, Wakabayashi-ku, Sendai, Miyagi Prefecture 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, Kandanishikicho, Chiyoda-ku, Tokyo

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

**(7) Status of employees** (as of March 31, 2023)

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	8,680 (1,666)	Decrease of 251 (Decrease of 18)
Self-Medication Products Wholesaling Business	398 (9)	Decrease of 2 (Increase of 3)
Manufacturing Business	1,383 (286)	Increase of 13 (-)
Medical-Related Business	1,187 (394)	Increase of 79 (Increase of 2)
All group companies (common)	124 (8)	Increase of 8 (Decrease of 3)
Total	11,772 (2,363)	Decrease of 153 (Decrease of 16)

(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
47	Increase of 3	43.3 years old	16.0 years

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

**(8) Main source of borrowings** (as of March 31, 2023)

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, 2023, as formulated in the 22-24 Mid-term Management Plan: Leap into the Future “An Evolving Healthcare Consortium<sup>®</sup>,” the Company’s basic policy calls for a consolidated dividend on equity (DOE) ratio of 2.4% 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 ¥29 per share, for a full-year dividend of ¥57 per share including an interim dividend paid of ¥28 per share.

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

Not applicable

## 2. Matters concerning the Company's shares

### (1) Status of shares (as of March 31, 2023)

- 1) Total number of authorized shares 540,000,000 shares
- 2) Total number of shares issued 202,840,000 shares
- 3) Number of shareholders 16,070
- 4) Major shareholders (top ten shareholders)

Name	Number of shares held (Thousands)	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,473	14.06
NORTHERN TRUST CO.(AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	12,480	6.16
Custody Bank of Japan, Ltd. (Trust Account)	10,862	5.36
Alfresa Holdings Employees Shareholders' Association	5,843	2.89
NORTHERN TRUST CO.(AVFC) RE NON TREATY CLIENTS ACCOUNT	5,662	2.80
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,447	2.69
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	3,129	1.55
NORTHERN TRUST CO.(AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	3,077	1.52

(Notes) 1. The percentage of ownership is calculated after deducting treasury stocks. Company's shares held by the officer remuneration Board Incentive Plan (BIP) trust are not included in these treasury stocks.

2. 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) Policy on cross-shareholdings

The Company has set forth the following policies regarding cross-shareholdings.

#### 1) Basic policy on cross-shareholdings

The Alfresa Group's policy on holding investment securities is to hold only shares that align with an important strategic purpose, such as maintaining and developing good business and collaboration relationships and creating new business opportunities related to realizing a Healthcare Consortium®, and reduce holdings of shares that do not have such important purposes. Each year, the Group reconfirms the operational significance of holding each investee's shares, performs a quantitative examination to determine whether the benefits and risks of holding such shares are commensurate with the capital cost, and reports the results of these reviews to the Board of Directors.

Based on this policy, the Alfresa Group sold ¥11.1 billion of shares across the Group overall during the fiscal year under review, and the balance of cross-shareholdings as of March 31, 2023, as indicated in "Status of Shareholdings" in the Securities Report, was ¥56.1 billion.

Additionally, if a company that holds shares of the Company as cross-shareholdings expresses an intent regarding such shares, such as the sale thereof, the Company will not prevent said sale, etc.

#### 2) Basic policy on the exercise of voting rights

When the Group exercises the voting rights of shares that it holds, it will do so appropriately after judging whether the exercise of voting rights will lead to an increase in the corporate value of the Group



and the medium- to long-term growth of its investee companies' corporate value.

**(3) Status of stocks delivered to Corporate Officers as consideration of the execution of duties during the fiscal year ended March 31, 2023**

There were no stocks delivered to Corporate Officers as consideration of the execution of duties during the fiscal year ended March 31, 2023.

### 3. Status of corporate officers

#### (1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2023)

Positions at the Company	Name	Responsibilities	Significant concurrent positions held
Representative Director & President	Ryuji Arakawa		
Director & Deputy President	Seiichi Kishida	Assistant to the President Financial Planning, Corporate Communication	
Director & Deputy President	Yusuke Fukujin	Ethical Pharmaceuticals Wholesaling Business	Representative Director & President of Alfresa Corporation
Director & Vice President & Executive Officer	Shigeki Ohashi	Group Administration & Affiliate Control, Business Development, International Business, Distribution Quality Supervision	
Director & Vice President & Executive Officer	Toshiki Tanaka	General Affairs, Human Resources Planning, IT / Digital Transformation (DX), 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	Takashi Hara	Chairman, Corporate Governance Committee	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
Director	Kimiko Kunimasa		
Audit & Supervisory Board Member (Standing)	Masakazu Ozaki		
Audit & Supervisory Board Member (Standing)	Yuji Ueda		
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 External Auditor of FUJIO FOOD GROUP INC.

Audit & Supervisory Board Member	Takashi Ito		Attorney at law Outside Director of JIO Corporation
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- (Notes)
1. Directors Takashi Hara, Manabu Kinoshita, Toshie Takeuchi and Kimiko Kunimasa 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 Takashi Hara, Manabu Kinoshita, Toshie Takeuchi and Kimiko Kunimasa 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, 2023, other than those described in “Significant concurrent positions held,” are as follows:
    - (1) Representative Director & President Ryuji Arakawa serves concurrently as Director at Alfresa Corporation and Alfresa Pharma Corporation.
    - (2) Director Seiichi Kishida serves concurrently as Director at Alfresa Corporation and Tohoku Alfresa Corporation.
    - (3) Director & Vice President & Executive Officer Shigeki Ohashi serves concurrently as Director at Meisho Co., Ltd. and Alfresa Healthcare Corporation.
    - (4) Director & Vice President & Executive Officer Toshiki Tanaka serves concurrently as Director at TS Alfresa Corporation and Alfresa System 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) Masakazu Ozaki serves concurrently as Audit & Supervisory Board Member at Meisho Co., Ltd., Alfresa Medical Service Corporation, and APOCREAT Corporation.
    - (7) Audit & Supervisory Board Member (Standing) Yuji Ueda serves concurrently as Audit & Supervisory Board Member at Tohoku Alfresa Corporation, Alfresa Pharma Corporation and Sannova Co., Ltd.
  6. The terms of office of Director & Chairman Taizo Kubo, Director & Deputy President Yasuki Izumi, Outside Director Yoichiro Yatsurugi, and Audit & Supervisory Board Member (Standing) Kenji Kuwayama expired, and they resigned from their positions at the conclusion of the 19th Ordinary General Meeting of Shareholders on June 28, 2022.

**(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, 2023**

- 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, 2023 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 22-24 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 19th Ordinary General Meeting of Shareholders held on June 28, 2022	Directors and Executive Officers (excluding Directors who mainly serve as Director of our subsidiary, Outside Directors, and nonresidents of Japan)	¥300 million and 200,000 shares as maximum for 3 fiscal years	8 (of which, 4 Directors and 4 Executive Officers)

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, 2023 are shown below.

Indicator	Original target	Result
Operating income margin	1.13%	1.12%
Profit margin attributable to owners of the parent	0.81%	0.96%

##### (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)	304 (40)	226 (40)	55	23	14 (5)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	77 (30)	77 (30)	–	–	6 (3)
Total	382	303	55	23	20

- (Notes)
1. Base remuneration is paid periodically every month during the tenure.
  2. Bonuses are paid once a year after the performance for each fiscal year is confirmed.
  3. Stock-based compensation (stock price-linked compensation) is paid after the performance of the mid-term management plan is confirmed.
  4. The amounts of performance-linked remuneration include provision for directors' bonuses and reversal of provision for directors' bonuses for the fiscal year ended March 31, 2023.

**(5) Matters concerning outside officers for the fiscal year ended March 31, 2023**

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, 2023

(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	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 Chairman 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.

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	Kimiko Kunimasa	Board of Directors' meetings: 100% (13 out of 13 meetings)	She delivered opinions mainly based on her 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, 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: 94.4% (17 out of 18 meetings) Audit & Supervisory Board's meetings: 100% (22 out of 22 meetings)	He delivered opinions mainly from the perspective of legal compliance as an attorney at law, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Corporate Governance Committee, and 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) Audit & Supervisory Board's meetings: 100% (22 out of 22 meetings)	He delivered opinions mainly from the perspective of a professional in finance and accounting, etc. as a certified public accountant, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Corporate Governance Committee, 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) Audit & Supervisory Board's meetings: 100% (22 out of 22 meetings)	He delivered opinions mainly from the perspective of legal compliance as an attorney at law, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Corporate Governance Committee, and 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, 2023	114
Total amount of money and other property benefits payable to the Independent Auditor by the Company and its subsidiaries	225

- (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, 2023 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.  
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 17 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, 2023)

(Millions of Yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>¥1,034,527</b>	<b>Current liabilities</b>	<b>¥825,732</b>
Cash and deposits	160,122	Trade notes and accounts payable	780,343
Trade notes receivable	11,581	Lease obligations	1,394
Accounts receivable	612,072	Income taxes payable	6,046
Merchandise and finished goods	145,349	Reserve for bonuses	7,210
Work in process	1,469	Reserve for bonuses to directors and corporate auditors	384
Raw materials and supplies	5,972	Provision for loss on Antimonopoly Act	4,937
Purchase rebates receivable	82,118	Others	25,416
Others	16,261		
Allowance for doubtful accounts	(419)		
<b>Non-current assets</b>	<b>305,325</b>	<b>Non-current liabilities</b>	<b>25,784</b>
<b>Property, plant and equipment</b>	<b>176,821</b>	Lease obligations	2,461
Buildings and structures	63,702	Deferred tax liabilities	12,054
Machinery, equipment and vehicles	14,936	Deferred tax liabilities for land revaluation	429
Tools and fixtures	3,912	Provision for share awards	73
Land	72,127	Provision for share awards for directors	90
Leased assets	2,772	Net defined benefit liabilities	8,363
Construction in progress	19,370	Asset retirement obligations	1,054
<b>Intangible assets</b>	<b>17,860</b>	Others	1,257
Goodwill	2,545	<b>Total liabilities</b>	<b>851,517</b>
Leased assets	42	<b>(Net assets)</b>	
Others	15,271	<b>Shareholders' equity</b>	<b>442,137</b>
<b>Investments and other assets</b>	<b>110,643</b>	Paid-in capital	18,454
Investment securities	91,555	Capital surplus	57,720
Long-term loans	1,834	Retained earnings	366,649
Deferred tax assets	901	Treasury stock, at cost	(686)
Net defined benefit assets	6,532	<b>Accumulated other comprehensive income</b>	<b>45,953</b>
Others	14,853	Unrealized gains on available-for-sale securities, net of taxes	47,135
Allowance for doubtful accounts	(5,033)	Unrealized gains on deferred hedge	(0)
		Revaluation reserve for land	(3,346)
		Foreign currency translation adjustments	269
		Remeasurements of defined benefit plans, net of taxes	1,895
		<b>Non-controlling interests</b>	<b>244</b>
		<b>Total net assets</b>	<b>488,335</b>
<b>Total assets</b>	<b>¥1,339,852</b>	<b>Total liabilities and net assets</b>	<b>¥1,339,852</b>

## Consolidated Statements of Income

( From April 1, 2022  
to March 31, 2023 )

(Millions of Yen)

Account title	Amount	
<b>Net sales</b>		<b>2,696,069</b>
<b>Cost of sales</b>		<b>2,503,983</b>
<b>Total deduction</b>		<b>192,085</b>
<b>Selling, general and administrative expenses</b>		<b>161,937</b>
<b>Operating income</b>		<b>30,148</b>
<b>Other income</b>		
Interest income	56	
Dividend income	1,628	
Rental income from real estate	597	
Others	840	3,122
<b>Other expenses</b>		
Interest expenses	64	
Expense for rental property	175	
Others	200	440
<b>Ordinary profit</b>		<b>32,831</b>
<b>Extraordinary profit</b>		
Gain on sales of non-current assets	107	
Gain on sales of investment securities	9,303	9,411
<b>Extraordinary loss</b>		
Loss on sale of non-current assets	17	
Loss on disposal of property, plant and equipment	131	
Loss on impairment of non-current assets	825	
Loss on devaluation of investment securities	1,159	
Loss on liquidation of subsidiaries and associates	387	
Provision for loss on Antimonopoly Act	993	
Other	134	3,650
<b>Income before income taxes and non-controlling interests</b>		<b>38,591</b>
Current	13,205	
Deferred	(402)	12,802
<b>Profit</b>		<b>25,789</b>
Profit attributable to non-controlling interests		2
Profit attributable to owners of parent		<b>25,786</b>



## Consolidated Statements of Changes in Net Assets

( From April 1, 2022  
to March 31, 2023 )

(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	¥352,015	¥ (44,625)	¥427,504
Changes during the fiscal year					
Cash dividends from retained earnings			(11,138)		(11,138)
Profit attributable to owners of parent			25,786		25,786
Treasury stock acquired				(2)	(2)
Sales of treasury stock		0		0	0
Cancellation of treasury shares		(43,940)		43,940	-
Reversal of revaluation reserve for land			(13)		(13)
Changes in items other than shareholders' equity during the fiscal year (net)					
Total changes during the fiscal year	-	(43,940)	14,634	43,938	14,632
Ending balance	¥18,454	¥57,720	¥366,649	¥ (686)	¥442,137

	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	¥44,760	¥0	¥ (3,360)	¥200	¥2,487	¥44,088	¥241	¥471,835
Changes during the fiscal year								
Cash dividends from retained earnings								(11,138)
Profit attributable to owners of parent								25,786
Treasury stock acquired								(2)
Sales of treasury stock								0
Cancellation of treasury shares								-
Reversal of revaluation reserve for land								(13)
Changes in items other than shareholders' equity during the fiscal year (net)	2,374	(0)	13	68	(591)	1,865	2	1,867
Total changes during the fiscal year	2,374	(0)	13	68	(591)	1,865	2	16,500
Ending balance	¥47,135	¥ (0)	¥ (3,346)	¥269	¥1,895	¥45,953	¥244	¥488,335

## Non-consolidated Balance Sheet

(As of March 31, 2023)

(Millions of Yen)

Account title	Amount	Account title	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>¥40,918</b>	<b>Current liabilities</b>	<b>¥14,421</b>
Cash and deposits	24,248	Accounts payable - other	193
Prepaid expenses	2	Income taxes payable	50
Short-term loans receivable from subsidiaries and affiliates	12,504	Accrued consumption taxes	10
Income taxes receivable	4,115	Deposits received from subsidiaries and affiliates	14,017
Others	46	Reserve for employees' bonuses	71
<b>Non-current assets</b>	<b>231,015</b>	Reserve for bonuses to directors and corporate auditors	55
<b>Property, plant and equipment</b>	<b>136</b>	Others	22
Buildings	90	<b>Non-current liabilities</b>	<b>704</b>
Furniture and fixtures	45	Deferred tax liabilities	662
<b>Intangible assets</b>	<b>3</b>	Provision for share awards	10
Software	3	Provision for share awards for directors	22
<b>Investments and other assets</b>	<b>230,875</b>	Provision for retirement benefits	4
Investment in securities	5,954	Others	5
Shares of subsidiaries and affiliates	211,494	<b>Total liabilities</b>	<b>15,126</b>
Investments in capital of subsidiaries and affiliates	234	<b>(Net assets)</b>	
Long-term loans receivable from subsidiaries and affiliates	12,910	<b>Shareholders' equity</b>	<b>254,920</b>
Long-term prepaid expenses	3	<b>Common stock</b>	<b>18,454</b>
Guarantee deposits	167	<b>Capital surplus</b>	<b>122,748</b>
Other	110	Legal capital surplus	58,542
		Other capital surplus	64,205
		<b>Retained earnings</b>	<b>114,490</b>
		Other retained earnings	114,490
		Retained earnings brought forward	114,490
		<b>Treasury stock, at cost</b>	(772)
		<b>Valuation and translation   adjustments</b>	<b>1,886</b>
		Unrealized gain on available- for-sale securities, net of taxes	1,886
		<b>Total net assets</b>	<b>256,806</b>
<b>Total assets</b>	<b>¥271,933</b>	<b>Total liabilities and net assets</b>	<b>271,933</b>

## Non-consolidated Statements of Income

( From April 1, 2022  
to March 31, 2023 )

(Millions of Yen)

Account title	Amount	
<b>Operating revenue</b>		
<b>Dividend income</b>	20,037	
<b>Group management income</b>	2,130	22,167
<b>Operating expenses</b>		
<b>General and administrative expenses</b>		2,046
<b>Operating income</b>		<b>20,120</b>
<b>Other income</b>		
<b>Interest income</b>	75	
<b>Interest on securities</b>	4	
<b>Dividend income</b>	153	
<b>Others</b>	5	240
<b>Other expenses</b>		
<b>Interest expenses</b>	1	
Loss on investments in investment partnerships	20	
Other	0	22
<b>Ordinary profit</b>		<b>20,338</b>
<b>Extraordinary loss</b>		
Loss on disposal of property, plant and equipment	12	
Loss on devaluation of investment securities	50	62
<b>Income before income taxes and non-controlling interests</b>		<b>20,275</b>
Current	3	
Deferred	(125)	(121)
<b>Profit</b>		<b>20,397</b>

## Non-consolidated Statements of Changes in Net Assets

( From April 1, 2022  
to March 31, 2023 )

(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	105,232	105,232	(53,451)	245,663	1,951	1,951	247,615
Changes during the fiscal year											
Cash dividends from retained earnings					(11,138)	(11,138)		(11,138)			(11,138)
Profit					20,397	20,397		20,397			20,397
Treasury stock acquired							(2)	(2)			(2)
Sales of treasury stock			0	0			0	0			0
Cancellation of treasury shares			(52,680)	(52,680)			52,680	-			-
Changes in items other than shareholders' equity during the fiscal year (net)									(65)	(65)	(65)
Total changes during the fiscal year	-	-	(52,680)	(52,680)	9,258	9,258	52,678	9,256	(65)	(65)	9,190
Ending balance	18,454	58,542	64,205	122,748	114,490	114,490	(772)	254,920	1,886	1,886	256,806

## Audit Report of the Accounting Audit Concerning Consolidated Financial Statements

### Independent Auditor's Report

May 13, 2023

To the Board of Directors of Alfresa Holdings Corporation

#### KPMG AZSA LLC

Tokyo Office

Designated Limited Liability Partner

Engagement Partner

Designated Limited Liability Partner

Engagement Partner

Designated Limited Liability Partner

Engagement Partner

Certified Public

Accountant

Certified Public

Accountant

Certified Public

Accountant

Satoshi Hosoya

Takashi Watanabe

Naoki Saito

#### 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, 2022 through March 31, 2023.

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, 2023

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 20th fiscal year from April 1, 2022 through March 31, 2023.

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 20th fiscal year from April 1, 2022 to March 31, 2023, 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, 2023, and set out priority auditing tasks, namely the development of human resources to respond to the changing business environment and the establishment and operation of a risk management framework. 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, 2023.

## 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 March 2023, a consolidated subsidiary of the Company received a cease-and-desist order and a surcharge payment order based on the Antimonopoly Act from the Japan Fair Trade Commission.

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, 2023

Alfresa Holdings Corporation

Audit & Supervisory Board

Audit & Supervisory Board Member (Standing)	Masakazu Ozaki	[Seal]
Audit & Supervisory Board Member (Standing)	Yuji Ueda	[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]

## 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 (except for leased assets)
    - (a) Buildings and structures: 2 to 60 years
    - (b) Machinery, equipment and vehicles: 2 to 23 years
    - (c) Tools and fixtures: 2 to 20 years
  - (B) Intangible assets (except for leased assets)
    - (a) Software for internal use: The straight-line method is used on the basis of the internal usable period of five years.
    - (b) Other intangible assets: The straight-line method
  - (C) Leased assets
    - (a) Leased assets concerning finance lease transactions involving transfer of ownership: The identical depreciation method applied on self-owned non-current assets is used.
    - (b) Leased assets concerning finance lease transactions without involving transfer of ownership: Subject to depreciation by the straight-line method over the lease period assuming residual value at nil.
  - (D) Long-term prepaid expenses: Subject to amortization by the straight-line method over the period in which benefits of the expenditure are extended.
- 3) Accounting standards for major reserves
- (A) Allowance for doubtful accounts: The allowance for potential losses of unrecoverable trade receivables, loans receivable and others are provided based on the historical default rate for outstanding receivables in general and the amounts deemed necessary in consideration of the recoverability in individual cases for specific receivables with higher possibility of default.
  - (B) Allowance for bonuses: The allowance for bonuses is provided for the estimated amounts, which the Company and its consolidated 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 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, 2023

Provision for loss on Antimonopoly Act	¥4,937 million
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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 an amount equivalent to the payment of a penalty for breach of contracts related to the event in which Alfresa Corporation, a consolidated subsidiary, received a cease-and-desist order and a surcharge payment order based on the Antimonopoly Act from the Japan Fair Trade Commission for violating the Antimonopoly Act in bidding for supply of ethical pharmaceuticals.

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 ended March 31, 2023, such as incurrence of additional losses or reversal of the provision.

## 3. Notes on consolidated balance sheet

(1) Assets pledged as collateral and secured liabilities

1) Assets pledged as collateral

	(Millions of Yen)
Cash and deposits	¥109
Merchandise and finished goods	58
Buildings and structures	16
Land	406
Investment in securities	20,328
Other (Investments and other assets)	49
Total	¥20,967

2) Secured liabilities

	(Millions of Yen)
Trade notes and accounts payable	¥19,003
Total	¥19,003

(2) Accumulated depreciation of property, plant and equipment      ¥102,178 million

(3) Guarantee obligations

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

	(Millions of Yen)
Specialty Medical Distribution Corporation	¥13,191
<u>Total</u>	<u>¥13,191</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 ¥ (923) million

#### 4. Notes on consolidated statements of changes in net assets

##### (1) Matters concerning the number of stock issued

Type of shares	Number of shares as of April 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2023
Common stock	235,017 thousand shares	– thousand shares	32,177 thousand shares	202,840 thousand shares

(Notes) A decrease of 32,177 thousand shares in common stock issued is due to cancellation of treasury shares.

##### (2) Matters concerning the number of treasury stock

Type of shares	Number of shares as of April 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2023
Common stock	32,648 thousand shares	1 thousand shares	32,177 thousand shares	471 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, 2023).

2. An increase of 1 thousand shares in treasury stock is due to the purchase of fractional shares upon the request thereof. A decrease of 32,177 thousand shares in treasury stock is due to cancellation of 32,177 thousand shares and 0 thousand shares in 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 16, 2022	Common stock	¥5,468 million	¥27	March 31, 2022	June 7, 2022
Board of Directors' meeting held on November 7, 2022	Common stock	¥5,670 million	¥28	September 30, 2022	December 6, 2022

(Notes) 1. Total dividends based on the resolution of the Board of Directors' meeting held on May 16, 2022 include ¥4 million dividends paid for the Company shares held in the officer remuneration BIP trust account.

2. Total dividends based on the resolution of the Board of Directors' meeting held on November 7, 2022 include ¥4 million dividends paid for the Company shares held in the officer remuneration BIP trust account.

###### 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 15, 2023	Common stock	Retained earnings	¥5,873 million	¥29	March 31, 2023	June 6, 2023

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

## 5. Notes on financial instruments

### (1) Matters concerning the current state of financial instruments

#### 1) Policies for financial instruments

The Group finances necessary funds mainly by bank loans according to the capital investment plan. Temporary excess funds are operated by highly stable financial instruments such as short-term bank deposits etc., and the Companies finance short-term operating capital by bank loans. Derivative transactions are only utilized to hedge the following risks and it is our policy not to enter into derivative transactions for speculative purpose.

#### 2) Details of financial instruments and their risks

Operating receivables such as trade notes and accounts receivable, and monetary claims such as purchase rebates receivable are exposed to credit risk of customers. Some of the operating receivables are dominated in foreign currencies and they are exposed to foreign currency fluctuation risk.

Investment securities mainly consist of securities of companies in which a business relationship has been established, or securities of companies in which a business and capital tie-up has been formed. These are exposed to market fluctuation risk.

Long-term loans mainly consist of construction assistance fund receivable at each business location and they are exposed to credit risk.

Operating payables such as trade notes and accounts payable are due within one year. Some of the operating payables relating to imports of raw materials etc. are dominated in foreign currencies and are exposed to foreign currency fluctuation risk.

Long-term debt and finance lease obligations are mainly used for the purpose of financing capital investments. A part of these are exposed to interest fluctuation risk.

Regarding derivative transactions, the Group utilizes foreign currency forward contracts to hedge foreign currency fluctuation risk of operating receivables and payables dominated in foreign currencies.

#### 3) Risk management of financial instruments

##### (A) Credit risk management (risk of default by the counterparties etc.)

Consolidated subsidiaries follow sales management rules, monitor the customers' credit conditions periodically and manage the due date and balance per customer with respect to operating receivables and long-term loans. They keep track of the adverse financial conditions of our customers in the early stage to mitigate the bad debt.

##### (B) Market risk management (risk of foreign currency fluctuations and interests etc.)

Regarding the operating receivables and payables dominated in foreign currencies, some of the consolidated subsidiaries principally utilize foreign currency forward contracts to hedge future foreign currency fluctuation risk. Order and management of foreign currency forward contracts is based on the trade operation rules, and it is performed and reported by actual demand basis.

For investment securities, the Company regularly reviews the fair value and issuers' financial condition and readjusts their portfolio on an ongoing basis considering the business relationship with counterparties.

##### (C) Liquidity risk management associated with financing (risk of default at the due dates)

The Company operates group cash management system (CMS) as a genuine holding company, and optimizes Company-wide financing and operating of funds.

The departments in charge at consolidated subsidiaries prepare and update the cash management plan appropriately based on the reports from each department and manage liquidity risk by maintaining liquidity.

#### 4) Supplemental information on fair value of financial instruments

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, 2023 are as follows:  
(Millions of Yen)

Category	Book value	Fair value	Difference
Investment securities	¥84,096	¥84,096	¥-

(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:

Category	Book value
Unlisted securities	¥7,074

3. Information is not included 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 ¥385 million.



## (3) The redemption schedule for monetary claims and securities with maturity after March 31, 2023

(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	¥160,122	¥-	¥-	¥-
Trade notes receivable	11,581	-	-	-
Accounts receivable	612,072	-	-	-
Purchase rebates receivable	82,118	-	-	-
Investment securities				
Available-for-sale securities with maturities				
Corporate bonds	-	400	100	-
Total	¥865,894	¥400	¥100	¥-

## (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	¥83,611	¥-	¥-	¥83,611
Corporate bonds	¥-	484	-	484
Total	¥83,611	¥484	¥-	¥84,096

## 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 is measured at a price reasonably determined by using market price information (Statistical Prices for OTC Bond Transactions, etc.), and classified into Level 2.

**6. 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.

## 7. Notes on revenue recognition

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

#### 1) Ethical Pharmaceuticals Wholesaling Business

(Millions of Yen)

	Amount
Ethical pharmaceuticals	¥2,441,778
Diagnostic regents	140,482
Medical devices, etc.	160,591
Others	48,222
Inter-segment sales	(412,542)
Sales to external customers	¥2,378,531

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

(Millions of Yen)

	Amount
OTC pharmaceuticals	¥135,830
Supplements, health food, food products, etc.	54,243
Others	56,606
Inter-segment sales	(527)
Sales to external customers	¥246,152

#### 3) Manufacturing Business

(Millions of Yen)

	Amount
Ethical pharmaceuticals	¥21,024
Diagnostic regents	3,164
Medical devices, etc.	6,479
Pharmaceutical ingredients	6,674
Consigned manufacturing	10,108
Others	2,483
Inter-segment sales	(14,751)
Sales to external customers	¥35,183

#### 4) Medical-Related Business

(Millions of Yen)

	Amount
Dispensing fees	¥35,723
Others	479
Inter-segment sales	(0)
Sales to external customers	¥36,202

### (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.

**8. Notes on per share information**

(1) Net assets per share	¥2,411.89
(2) Net income per share	¥127.42

(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 153 thousand shares.

**9. 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.

## 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: 3 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 non-consolidated balance sheet

- (1) Accumulated depreciation of property, plant and equipment ¥110 million
- (2) Monetary claims and obligations with respect to subsidiaries and affiliates are as follows.
  - 1) Short-term monetary claims ¥12,485 million
  - 2) Long-term monetary claims ¥12,240 million
  - 3) Short-term monetary obligations ¥14,072 million

### 3. Notes on non-consolidated statements of income

Amount of transactions with subsidiaries and affiliates

(1) Operating revenue (Dividend income)	¥20,037 million
(2) Operating revenue (Group management income)	¥2,130 million
(3) Operating expenses	¥39 million
(4) Amount of transactions other than operating transactions	¥74 million

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

Matters concerning the number of treasury stock

Type of shares	Number of shares as of April 1, 2022	Increase during the fiscal year	Decrease during the fiscal year	Number of shares as of March 31, 2023
Common stock	32,648 thousand shares	1 thousand shares	32,177 thousand shares	471 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, 2023).

2. An increase of 1 thousand shares in treasury stock is due to the purchase of fractional shares upon the request thereof. A decrease of 32,177 thousand shares in treasury stock is due to cancellation of 32,177 thousand shares and 0 thousand shares in stock transfers arising from the sale of fractional shares upon the request thereof.

## 5. Notes on tax effect accounting

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

(Millions of Yen)

1) Deferred tax assets	
Disallowed accrued enterprise tax	¥12
Disallowed allowance for bonuses	25
Provision for retirement benefits	1
Disallowed loss on valuation of shares of subsidiaries and affiliates	2,071
Disallowed loss on valuation of investments in capital of subsidiaries and affiliates	152
Disallowed loss on devaluation of investment securities	417
Losses Carried Forward	191
Other	193
Subtotal of deferred tax assets	<u>3,066</u>
Valuation allowance	<u>(2,891)</u>
Total deferred tax assets	174
2) Deferred tax liabilities	
Unrealized gains on securities	(817)
Other	(19)
Total deferred tax liabilities	<u>(836)</u>
Net deferred tax liabilities	¥ (662)

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

Statutory tax rate	30.6 %
(Adjustments)	
Permanently non-deductible expenses such as entertainment expenses	0.1 %
Permanently non-taxable revenues such as dividend income	(30.3)%
Non-deductible bonuses to directors and audit & supervisory board members	0.1 %
Inhabitant tax per capita basis	0.0 %
Changes in valuation allowance	<u>(1.1)%</u>
Effective tax rate after the application of the tax effect accounting	(0.6)%

## 6. Notes on related party transactions

Subsidiaries and affiliated companies, etc.

Type	Name of company, etc.	Amount of capital or amount of contribution (Millions of Yen)	Description of business	Ratio of ownership of voting rights, etc. (%)	Relationship with related parties	Description of transactions	Amounts of transactions (Millions of Yen)	Account title	Balance at end of the fiscal year (Millions of Yen)
Subsidiaries	Alfresa Corporation	4,000	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	30,082	-	-
	Tohoku Alfresa Corporation	104	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	3,003	-	-
	Alfresa Medical Service Corporation	450	Ethical pharmaceuticals wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds received	3,746	Deposits received from subsidiaries and affiliates	6,172
	Alfresa Healthcare Corporation	499	Self-medication products wholesaling	100.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	3,476	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	11,043	Loans receivable from subsidiaries and affiliates	10,725
						Funds received	4,629	Deposits received from subsidiaries and affiliates	5,232
	Alfresa System Corporation	150	Operation, maintenance and development of information system	51.0	Conclusion of group management contracts Concurrent positions held by officers	Funds loaned	4,929	Loans receivable from subsidiaries and affiliates	4,999

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, 2023. Payment and receipt of interests are reasonably determined in consideration of market interest rates.



## 7. Notes on per share information

(1) Net assets per share	¥1,269.01
(2) Net income per share	¥100.79

(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 153 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.