Translation

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Tokyo, June 9, 2023
Alfresa Holdings Corporation

Our view on proxy voting recommendations made by ISS

Alfresa Holdings Corporation (hereafter "the Company") recognizes that Institutional Shareholder Services, Inc. (hereafter "ISS"), a proxy advisory company, has issued a report on June 6th, 2023 recommending shareholders to vote against one of the candidates in the Proposal 1 "Election of Eleven (11) Directors" in our 20th Ordinary General Meeting of Shareholders to be held on June 27, 2023. The Company respectfully disagrees with ISS's analysis of the current situation and with their vote recommendation for Proposal 1.

We would like to take this opportunity to present further context around Proposal 1 and to explain why support for this resolution is in the best interest of all shareholders. We sincerely ask our shareholders and investors to read the Notice of the 20th Ordinary General Meeting of Shareholders and the contents hereof to fully understand the relevant proposal.

1. Recommendations made by ISS

ISS notes that the Company's consolidated subsidiary, Alfresa Corporation (head office: Chiyoda-ku, Tokyo; hereafter "Alfresa"), was ordered to pay a fine of JPY 175 million by the Japan Fair Trade Commission (hereafter "JFTC) for violation of the Antimonopoly Act on March 30th, 2022 regarding its bidding to supply ethical pharmaceuticals to the Japan Community Health care Organization (hereafter "JCHO"). In addition, on March 24th, 2023, Alfresa was ordered to pay a fine of JPY 50 million by JFTC for violation of the Antimonopoly Act regarding its bidding to supply ethical pharmaceuticals to hospitals located in the Kyushu region operated by the National Hospital Organization or the Japan Organizational of Occupational Health and Safety (NHO/JOHAS).

In the report, ISS insisted that "such a recurrence could be attributable to lack of compliance and appropriate governance practice at the company, and the nominee, as the president, should ultimately be held responsible for that." As a result, ISS is recommending a vote against the re-election of Ryuji Arakawa (Representative Director & President, candidate #1).

2. The Company's Opinion

(1) Background of Violation of the Antimonopoly Act

On November 27th, 2019, Alfresa received an on-site inspection by JFTC for a suspected violation of the Antimonopoly Act regarding bidding for ethical pharmaceuticals procured by JCHO from 2016 to 2018. On March 30th, 2022, Alfresa received a cease and desist order and was ordered to pay a fine by JFTC for the JCHO case.

Additionally, on November 9th, 2021, Alfresa received an on-site inspection by JFTC for a suspected violation of the Antimonopoly Act regarding bidding for ethical pharmaceuticals to NHO/JOHAS hospitals in the Kyushu region from May 20th, 2016 to June 3rd, 2019. On March 24th, 2023, Alfresa received a cease and desist order and was ordered to pay a fine by JFTC for the NHO/JOHAS case.

	Bidding period	JFTC on-site inspection	Date Cease and desist order and fine were issued
JCHO case	From 2016 to 2018	Nov. 27th, 2019	March 30th, 2022
NHO/JOHAS case	From May 2016 to June 2019	Nov. 9th, 2021	March 24th, 2023

(2) Alfresa Group's Recurrence Prevention Measures

In May 2020 and December 2020, Alfresa group announced the following measures to prevent this issue from recurring.

1) Reform the management structure in the Company and Alfresa

After the above cases, the Company reorganized its management structure including replacement of the representative directors and president in the Company and Alfresa as well as an increase of the number of outside directors from three to four and an increase of the number of standing audit & supervisory board members from one to two. In addition, the Company assigned an executive officer in charge of compliance. Furthermore, individual directors in the Company and Alfresa agreed to voluntary return a portion of their remuneration.

2) Reinforce the functions of the Nomination and Remuneration Committee for Directors and Executive Officers chaired by an independent outside director

The Company set up the nomination and remuneration committee for directors and executive officers, which is an advisory body with an independent outside director as the chair. This committee mainly deliberates the appointment and dismissal of the Company's directors and executive officers and their remuneration. The scope of this committee was partially amended on April 1, 2020 to include deliberations on the appointment and dismissal of directors and executive officers at Alfresa.

3) Establish the Risk Management Subcommittee which should hold regular meetings

After the Company established a subcommittee of the Compliance & Risk Management Committee for its consolidated subsidiaries in the Ethical pharmaceutical wholesaling business in May 2020, the subcommittee made efforts to invite attorneys who are antitrust experts to the regular meetings, share relevant compliance and risk information, and strengthen its strict compliance with Antimonopoly Act.

4) Use various publications to build compliance awareness

The Company has been raising this topic in various company publications including business reports, an integrated report, and an internal Group magazine. We continue our aim of strengthening our governance practices and promoting compliance awareness among executives and employees in the Group.

5) Alfresa group subsidiaries' Recurrence prevention measures

Alfresa Corporation and other subsidiaries in the ethical pharmaceutical wholesaling business segment are carrying out the following governance enhancement measures to strengthen their strict compliance with Antimonopoly Act.

a) Declaration and internal dissemination of compliance policies by top management in subsidiaries
b) Development of a code of conduct for salespersons, etc.
c) Creation of specific compliance departments and dedicated counselling hotlines for the Antimonopoly Act
d) Enhancement of in-house education and training programs relating to the Antimonopoly Act
e) Monitoring compliance with the Antimonopoly Act by internal audit departments

(3) Our view on proxy voting recommendations made by ISS

The bidding periods for both the JCHO and the NHO/JOHAS cases related to the Antimonopoly Act lasted from 2016 to 2019. Since the Company announced the group's recurrence prevention measures in 2020, there have been no cases of suspected violation of Antimonopoly act by the Company, Alfresa, or any other Alfresa group companies.

Based on the above, the Company believes that ISS's claim that "such a recurrence (NHO/JOHAS cases) could be attributable to lack of compliance and appropriate governance practice at the company" is not a fair assessment of the situation. The Company has made significant efforts develop and implement the recurrence prevention measures announced in 2020 as well as renewal and strengthening of the management structure. That a second fine was levied in relation to incidents that occurred from May 2016 to June 2019 is not a reflection of the Company's current governance and compliance practices which have been in place for over three years. We therefore disagree with ISS's assessment that there is a "lack of compliance and appropriate governance practice at the company". As a result, we disagree with ISS's assessment that "the nominee (President Arakawa) should ultimately be held responsible for that"..

Since President Arakawa took his current position of Representative Director and President in June 2020, he has been active in promoting measures to enhance the Company's and the Group's corporate governance. In addition, he has taken lead role in establishing the Group's 22-24 mid-term management plan announced in May 2022 as well as the Group's Medium- to Long-term vision announced on May 2023. President Arakawa is nominated for re-election as top management to strongly drive the Company towards Medium- to Long-term improvement of corporate value after the consultation of the nomination and remuneration committee for directors and executive officers chaired by an independent outside director.
The Company believes that voting-down President Arakawa would go against shareholders' and investors' interests for sustainable shareholder value creation of the company.

We sincerely ask our shareholders and investors consider our views above carefully and to make informed and deliberate voting decisions.

About the Alfresa Group
The Alfresa Group is a leader in the Japanese healthcare industry and is dedicated to making its corporate

philosophy, "we create and deliver a fresh life for all," come true through a wide range of business lines, including ethical pharmaceuticals wholesaling, OTC pharmaceuticals wholesaling, pharmaceutical manufacturing, and operating dispensing pharmacies. Alfresa Holdings Corporation (TSE:2784) reported its consolidated revenue of ¥2.6 trillion (US$20 billion) for the fiscal year ended March 31, 2023. For more information, please see: https://www.alfresa.com/eng/