

Translation

Notice: This document is an excerpt translation of the original Japanese document and is for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Tokyo, October 28, 2020
Alfresa Holdings Corporation

Notice regarding Basic Agreement on Intra-Group Reorganization in the Medical-Related Business

Two wholly owned subsidiaries Apollo Medical Holdings Inc. (hereafter, “Apollo Medical”) and Nihon Apoch CO., LTD. (hereafter, “Nihon Apoch”) which operate dispensing pharmacies have concluded a basic agreement with Chunichi Pharmacy Corporation (hereafter, “Chunichi Pharmacy”), a wholly owned subsidiary of Alfresa Corporation (hereafter, “Alfresa”) and a sub-subsidiary of the Company, which operates dispensing pharmacies, on an absorption-type merger with Apollo Medical as the merging company, and the Company approved the conclusion of this merger in the Board of Directors meeting today.

Prior to this merger, Alfresa schedules to hold an extraordinary general shareholders meeting on November 6, 2020 and will resolve a dividend in kind to allot wholly owned Chunichi Pharmacy shares to the Company as a dividend of surplus. With this transaction, the Company will acquire all the shares of Chunichi Pharmacy and make it a wholly owned subsidiary.

I. Transfer of a Sub-Subsidiary via Payment of Dividend in Kind from Alfresa, a Wholly Owned Subsidiary, to the Company

1. Reason for Dividend in Kind and Transfer of Sub-Subsidiary

The Alfresa Group is advancing the optimal allocations of the Group’s management resources. As part of these efforts, the Company’s wholly owned subsidiary Alfresa is scheduled to hold an extraordinary general shareholders meeting on November 6, 2020 and will resolve a dividend in kind of the shares of Chunichi Pharmacy, the Company’s sub-subsidiary, to the Company as a dividend of surplus with other retained earnings as the underlying asset.

With this transaction, the Company will acquire all the shares of Chunichi Pharmacy from Alfresa and make it a directly wholly owned subsidiary.

2. Type of Dividend Property to Be Allotted to the Company and Total Book Value (Scheduled)

Contents of assets other than money	Quantity	Book Value
Ordinary shares of Chunichi Pharmacy	576,000 shares	61,355,000 yen

3. Matters Concerning the Allotment of the Dividend Property to the Company

All of the dividend property is scheduled to be allotted to the Company, which holds 100% of the voting rights of Alfresa as of its extraordinary general shareholders meeting on November 6, 2020.

4. Effective Date of the Dividend of Surplus to Be Allotted to the Company (Scheduled)

Alfresa's extraordinary general shareholders meeting on November 6, 2020

5. Outline of a Company Implementing the Dividend in Kind (as of March 31, 2020)

(1) Corporate name	Alfresa Corporation
(2) Business description	Wholesaling of ethical pharmaceuticals, medical devices, diagnostics reagents, nursing care products, health food, and over-the-counter (OTC) pharmaceuticals
(3) Month of establishment	August 1945
(4) Head office	7, Kanda-Mitoshirocho, Chiyoda-ku ,Tokyo
(5) Name and title of representative	Yusuke Fukujin, Representative Director & President
(6) Paid-in Capital	4,000 million yen
(7) Net sales in fiscal year ended March 31, 2020	2,177,497 million yen
(8) Accounting period	April 1 to March 31
(9) Major shareholders and their holding ratio	Alfresa Holdings Corporation 100%

II. Absorption-Type Merger of Two Wholly Owned Subsidiaries and a Sub-Subsidiary

1. Purpose of the Merger

The Alfresa Group is expanding its business in the health field and reinforcing efforts at the Community-based Integrated Care System toward realizing a healthcare consortium under the 2019-21 Mid-term Management Plan *The Challenge of Further Growth "Together with Health, Together with Communities."*

The "Vision for Patient-centered Pharmacies" released by Ministry of Health, Labour and Welfare positions family pharmacies as a key player in the Community-based Integrated Care System. The Group's dispensing pharmacy business aims at becoming indispensable pharmacies for communities, and needs the enhancement of the business foundation and more efficient operation to achieve it.

With the absorption-type merger and management integration of the three companies Apollo Medical, Nihon Apoch, and Chunichi Pharmacy which head office locates in Tokyo, Saitama, and Aichi,

respectively, the Alfresa Group aims to realize the optimal allocation of management resources, to further reinforce its compliance as well as to create new value for its customers.

2. Outline of the Merger (Summary of basic agreement)

(1) Schedule

-Meeting of Board of Directors to approve the basic agreement:	October 28, 2020
The followings are upcoming related events (scheduled)	
-Extraordinary general shareholders meeting at Alfresa to resolve dividend of surplus:	November 6, 2020
-Merger contract conclusion:	January 27, 2021
-Meeting of Board of Directors to approve the merger contract conclusion:	January 27, 2021
-Extraordinary general shareholders meeting to approve the merger at Apollo Medical ^{*1} , Nihon Apoch, and Chunichi Pharmacy:	March, 2021
-Effective date of merger contract:	April 1, 2021

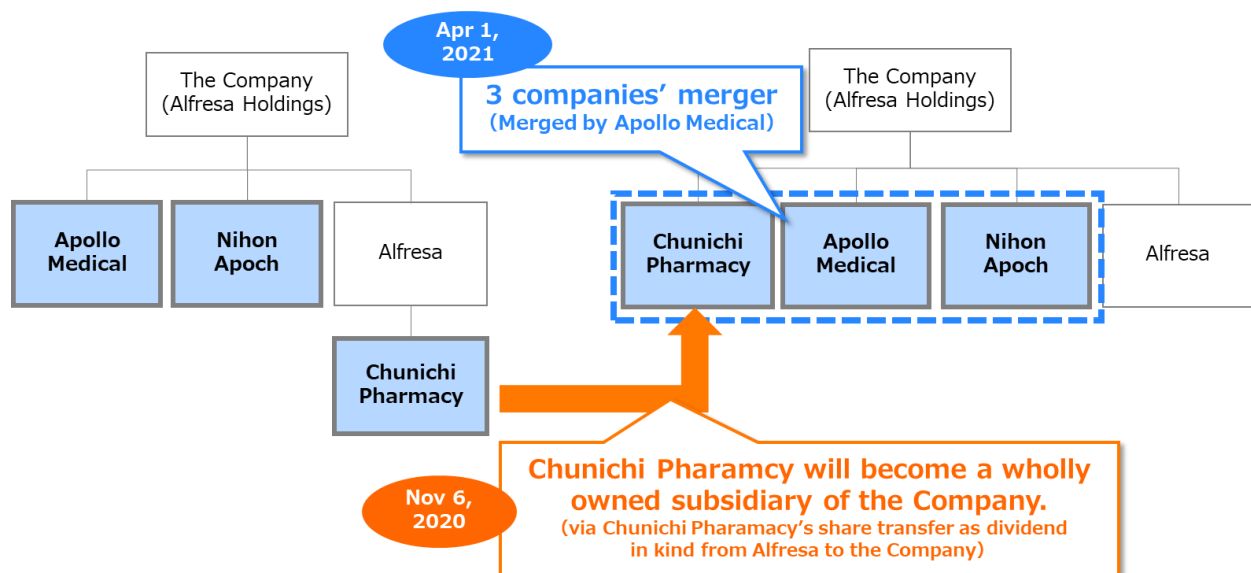
(2) Method of the Merger

This is an absorption-type merger among Apollo Medical as the merging company and Nihon Apoch and Chunichi Pharmacy as the merged companies.

(3) Allotment upon the Merger

Because it is a merger among the Company's wholly owned subsidiaries, neither shares nor money will be allotted upon the merger.

3. Reorganization Scheme



4. Outline of the Merging and Merged Companies (as of March 31, 2020)

	Merging Company	Merged Company	Merged Company
(1) Corporate name	Apollo Medical Holdings Inc.	Nihon Apoch CO., LTD.	Chunichi Pharmacy Corporation
(2) Business description	Operating dispensing pharmacies, etc.	Operating dispensing pharmacies, etc.	Operating dispensing pharmacies, etc.
(3) Month of establishment	March, 1991	September, 1995	March, 1966
(4) Head office	2-45-8, Minami-Otsuka, Toshima-ku, Tokyo	6-20, Wakitahoncho, Kawagoe, Saitama	3-7-9, Sakae, Naka-ku, Nagoya, Aichi
(5) Name and title of representative	Tomohide Tsuzuku, Representative Director & President	Kazuhiro Inutake, Representative Director & Chairman Shizuhisa Kanemoto, Representative Director & President	Yukio Kimura, President
(6) Paid-in Capital	403 million yen	270 million yen	20 million yen
(7) No. of shares issued	5,377	5,000	576,000
(8) Net sales in fiscal year ended March 31, 2020	20,102 million yen	15,606 million yen	1,922 million yen
(9) Accounting period	April 1 to March 31	April 1 to March 31	April 1 to March 31
(10) Major shareholders and their holding ratio	Alfresa Holdings Corporation 100%	Alfresa Holdings Corporation 100%	Alfresa 100%

5. Conditions after the Merger

The corporate name, address of head office, representative, etc. of the merging company are scheduled to be changed after the merger, but these have not been decided at present. The Company will announced them once it decides.

6. Impact on Financial Results

The Company estimates that the financial impact in fiscal year 2020 by this merger will be minimal.

*1. This merger is categorized as a simplified absorption-type merger for Apollo Medical Holdings Inc. Therefore, the main agenda at Apollo Medical Holdings Inc.' extraordinary general shareholders meeting on March 2021 is an amendment of articles of incorporation of Apollo Medical Holdings Inc.

About **Alfresa Group**

The Alfresa Group is a leader in Japanese healthcare industry which is dedicated to make its corporate philosophy “we create and deliver a fresh life for all” come true through a wide range of business lines including ethical pharmaceutical wholesaling, OTC pharmaceuticals wholesaling, pharmaceutical manufacturing, and operating dispensing pharmacies. Alfresa Holdings Corporation (TSE:2784) reported its consolidated revenue of ¥2.7 trillion (US\$25 billion) for the fiscal year ended March 31, 2020. For more information, please see: <https://www.alfresa.com/eng/index.html>