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(Code number 2784)  
June 6, 2016

**To Shareholders with Voting Rights:**

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

## **NOTICE OF THE 13TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 13th Ordinary General Meeting of Shareholders of Alfresa Holdings Corporation (the “Company”). The meeting will be held for the purposes as described below.

**If you are unable to attend the meeting, you can exercise your voting rights either by indicating your vote for or against the proposal on the enclosed Voting Rights Exercise Form and returning it or by accessing the website for voting rights exercise described on the Voting Rights Exercise Form and exercising via the electromagnetic method such as via the Internet, etc. Please review the following Reference Documents for the General Meeting of Shareholders, and exercise your voting rights by 5:00 p.m. on Monday, June 27, 2016 (JST).**

**1. Date and Time:** 10:00 a.m., Tuesday, June 28, 2016 (JST)

**2. Place:** Fuji room, 4th Floor, Hotel Grand Arc Hanzomon  
1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan

**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 13th Fiscal Year (April 1, 2015 - March 31, 2016)
  2. Non-consolidated Financial Statements for the Company’s 13th Fiscal Year (April 1, 2015 - March 31, 2016)

**Proposals to be resolved:**

- Proposal 1:** Election of 11 Directors  
**Proposal 2:** Election of Two (2) Substitute Audit & Supervisory Board Members

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If any revisions have been made to the Reference Documents for the General Meeting of Shareholders, Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, the revisions will be posted on the Company’s website (<http://www.alfresa.com/>).

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

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

**Date and Time:** 10:00 a.m., Tuesday, June 28, 2016 (JST) (Reception starts at 9:00 a.m.)

Please submit the enclosed 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 venue. (Provision 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 exercising your rights by mail:**

**Voting Deadline:** 5:00 p.m., Monday, June 27, 2016 (JST)

Please mark your vote for or against the proposals on the enclosed Voting Rights Exercise Form and return it so that it is received by the voting deadline.

If there is no indication of your vote for or against the proposals, it shall be deemed as an indication of the vote for the proposals.

### **If exercising your rights via the Internet:**

**Voting Deadline:** 5:00 p.m., Monday, June 27, 2016 (JST)

Please access the designated website (<http://www.evot.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. Moreover, if you exercise your voting rights more than once, using computer, smartphone or mobile phone, 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 shareholders. Similarly, mobile phone charges such as packet transmission charges etc. shall be borne by the shareholders.

#### **[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 the platform for the electronic exercise of voting rights 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.                                                                                                                                                                                                                                                                       |
| Please call the number below if you have questions about how to use a computer, smartphone, or mobile phone to exercise your voting rights on this website.<br>Stock Transfer Agency Division (Help Desk), Mitsubishi UFJ Trust and Banking Corporation<br>Phone: 0120-173-027 (9:00 a.m. to 9:00 p.m. (JST), toll free) |

## **Business Report**

( From April 1, 2015  
to March 31, 2016 )

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

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

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

During the fiscal year ended March 31, 2016, the Japanese economy underwent a moderate recovery despite some signs of weakness, such as slowdowns in exports due to sluggish economic growth of the emerging countries and resource-producing countries, as well as flat personal consumption.

The Alfresa Group continued to focus its efforts on its medium- to long-term vision of achieving a Healthcare Consortium during the fiscal year ended March 31, 2016, as the final year of “13–15 Medium-term Management Plan—*The Challenge of Reform ~Uniting to Climb New Peaks~*.”

For the fiscal year ended March 31, 2016, net sales were ¥2,576,405 million, up 6.4% year on year, operating income increased by 54.9% year on year to ¥45,289 million, ordinary profit increased by 42.3% year on year to ¥55,489 million and profit attributable to owners of parent was up 52.6% year on year to ¥34,975 million.

In addition, the Company acquired ¥14,999 million (6,984 thousand shares) in treasury stock during the fiscal year ended March 31, 2016 in order to further increase shareholder value by carrying out flexible capital policy.

The results for each business segment for the fiscal year ended March 31, 2016 are as follows.

##### **(i) Financial results of the Ethical Pharmaceuticals Wholesaling Business**

In the Ethical Pharmaceuticals Wholesaling Business segment, the market for ethical pharmaceuticals grew by 8.3% (estimates by CRECON Research & Consulting Inc.). This was due to the absence of the effects of reduced demand from the consumption tax rate hike, as well as progress toward category changes to products with drug creation premiums and generic drugs and expansion of anti-viral and anti-cancer drugs using new mechanisms and influenza vaccines. Under these conditions, in the Ethical Pharmaceuticals Wholesaling Business segment, the Alfresa Group actively worked to promote distribution reforms, which are the industry's highest common priority issue, as well as to achieve high-quality growth and further strengthen its business foundation.

In April 2015, the Company merged two wholly-owned subsidiaries, SEIWA SANGYO CO., LTD. and Tokiwa Yakuhin Co., Ltd., launching operations as the new company TS Alfresa Corporation (head office: Nishi-ku, Hiroshima). Additionally, Alfresa Corporation (head office: Chiyoda-ku, Tokyo) executed an absorption-type merger with Alfresa Nikken Sangyo Corporation (head office: Gifu, Gifu Prefecture) effective April 1, 2016, signed an agreement with TS Alfresa Corporation to take over its ethical pharmaceuticals wholesaling business in the Kyushu area in July 2016, and signed an agreement with CS YAKUHIN CO., LTD. (head office: Naka-ku, Nagoya), a company that is engaged in sales in the Tokai region, to merge in October 2016. Our aim is to further improve customer satisfaction by strengthening our business foundation with a structure that can meet a broad range of customer needs in each region.

Following the launch of operations of the Osaka Distribution Center (Kita-ku, Osaka) in September 2015, Alfresa Corporation began operations of the Kyoto Pharmaceuticals Center (Fushimi-ku, Kyoto) in May 2016. The both centers are located in the hearts of Osaka and Kyoto, where many medical institutions are concentrated. The centers will continue to contribute to local healthcare as core facilities for safe and reliable pharmaceutical distribution closely tied to the local community.

In March 2016, Alfresa Corporation signed a contract with TOMITA Pharmaceutical Co., Ltd. (head office: Chuo-ku, Kumamoto) and Moroo Co., Ltd. (head office: Chuo-ku, Sapporo) to transfer the shares of its wholly-owned subsidiary Specialty Medical Distribution Corporation (head office: Chiyoda-ku, Tokyo), which conducts business of distributing drugs and medical devices for rare diseases, to them. Through this share transfer agreement, the Group will partner with TOMITA Pharmaceutical Co., Ltd. and Moroo Co., Ltd. to meet the needs of patients, medical institutions, pharmaceutical manufacturers, and other customers nationwide who require specialty pharmaceuticals.

Performance for this segment for the fiscal year ended March 31, 2016 consisted of net sales of ¥2,290,783 million (3.9% increase year on year) and operating income of ¥40,997 million (49.2% increase year on year). Net sales include intersegment sales of ¥11,858 million (¥43 million for the previous fiscal year).

##### **(ii) Financial results of the Self-Medication Products Wholesaling Business**

In the Self-Medication Products Wholesaling Business segment, net sales increased as a result of strong performance by products such as over-the-counter drugs and health foods, especially in the first half, due to the absence of the effects

of reduced demand from the consumption tax rate hike and inbound demand from the increase of foreign tourists, as well as our consolidation of Mogi Pharmaceutical Co., Ltd. (head office: Chuo-ku, Tokyo). We also strengthened our profit management of each product and focused on sales of highly profitable products, such as nutritional supplements.

Performance for this segment for the fiscal year ended March 31, 2016 consisted of net sales of ¥244,869 million (22.5% increase year on year) and operating income of ¥1,281 million (363.4% increase year on year). Net sales include intersegment sales of ¥778 million (41.8% increase year on year).

(iii) Financial results of the Manufacturing Business

In the Manufacturing Business segment, Alfresa Fine Chemical Corporation (head office: Akita, Akita Prefecture), which commenced business in April 2015, began production of active pharmaceutical ingredients (API). We also took over the business of manufacturing and sale of pharmaceuticals, etc. of Sannova Co., Ltd. (head office: Ota, Gunma Prefecture), which is a consolidated subsidiary of Eisai Co., Ltd. (head office: Bunkyo-ku, Tokyo), and began operations in April 2016 as a subsidiary of the Company. Sannova Co., Ltd. has equipment capable of producing pharmaceuticals in a wide range of formulations using sophisticated production and quality control systems. It is mainly performing contracted manufacture of pharmaceuticals for the companies of the Eisai Group.

In September 2015, Alfresa Pharma Corporation (head office: Chuo-ku, Osaka) launched sales of its ALSONIC® series of new rapid diagnosis kits. These kits feature the ability to rapidly detect influenza virus antigens etc. Additionally, in March 2016, the Company gained approval for the manufacture and sale of Sabril® 500mg powder, an antiepilepsy drug developed jointly with Sanofi K.K.

Performance for this segment for the fiscal year ended March 31, 2016 consisted of net sales of ¥31,548 million (21.2% increase year on year) and operating income of ¥1,803 million (37.0% increase year on year). Net sales include intersegment sales of ¥9,477 million (1.3% increase year on year).

(iv) Financial results of Medical-Related Business

With the aim of realizing a Healthcare Consortium, in the fiscal year ended March 31, 2006, we established a new Medical-Related Business segment, and Apollo Medical Holdings Inc. (head office: Toshima-ku, Tokyo) and Nihon Apoch CO., LTD. (head office: Kawagoe, Saitama Prefecture), both of which are engaged in the dispensing pharmacy business, have been consolidated. We will work to grow our business domains relating to medical care and health in the Medical-Related Business segment.

Performance for this segment for the fiscal year ended March 31, 2016 consisted of net sales of ¥31,316 million and operating income of ¥1,113 million.

2) Capital expenditure

Capital expenditure for the Alfresa Group for the fiscal year ended March 31, 2016 totaled ¥14,461 million. The main expenditures were for construction expenses for distribution centers at subsidiaries and new establishment and renovation etc. of business sites.

3) Fund procurement

There was no matter requiring disclosure regarding fund procurement for the fiscal year ended March 31, 2016.

4) Business transfers, absorption-type splits or incorporation-type splits

There was no matter requiring disclosure regarding business transfers, absorption-type splits or incorporation-type splits for the fiscal year ended March 31, 2016.

5) Transfers of other companies' businesses to the corporate group

There was no matter requiring disclosure regarding transfers of other companies' businesses to the corporate group for the fiscal year ended March 31, 2016.

6) Succession to rights and obligations regarding businesses of other judicial persons, etc. due to an absorption-type merger or an absorption-type split

SEIWA SANGYO CO., LTD. and Tokiwa Yakuhin Co., Ltd., the Company's two subsidiaries, executed an absorption-type merger on April 1, 2015, with SEIWA SANGYO CO., LTD. as the surviving company and Tokiwa Yakuhin Co., Ltd. as the absorbed company, and changed the trade name of the surviving company to TS Alfresa Corporation.

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

Alfresa Pharma Corporation, the Company's subsidiary, acquired the shares of Alfresa Fine Chemical Corporation, which conducts business of manufacturing active pharmaceutical ingredients, on April 1, 2015, and turned the company into a wholly-owned subsidiary. In addition, the Company acquired additional 750 shares of common stock in Nihon

Apoch CO., LTD., the Company's consolidated subsidiary, in March 2016, resulting in ownership interest of 66.0 %.

**(2) Assets and profits and losses for the last three fiscal years**

| Categories                                 |                      | The 10th fiscal year<br>(FY2012) | The 11th fiscal year<br>(FY2013) | The 12th fiscal year<br>(FY2014) | The 13th fiscal year<br>(FY2015) |
|--------------------------------------------|----------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Net sales                                  | (Millions<br>of Yen) | 2,387,511                        | 2,504,504                        | 2,421,162                        | 2,576,405                        |
| Ordinary profit                            | (Millions<br>of Yen) | 32,279                           | 44,561                           | 38,985                           | 55,489                           |
| Profit attributable to<br>owners of parent | (Millions<br>of Yen) | 20,771                           | 25,566                           | 22,922                           | 34,975                           |
| Net income per share                       | (Yen)                | 97.48                            | 115.51                           | 102.48                           | 158.99                           |
| Total assets                               | (Millions<br>of Yen) | 1,189,241                        | 1,169,546                        | 1,220,781                        | 1,253,494                        |
| Net assets                                 | (Millions<br>of Yen) | 283,956                          | 305,436                          | 354,123                          | 368,727                          |

- (Notes)
1. Net income per share is calculated using the average number of shares outstanding during the fiscal year. The average number of shares outstanding during the fiscal year is calculated by the number of shares after deducting the number of treasury stock.
  2. The Company implemented a four-for-one stock split of its common stock on October 1, 2014. Net income per share has been calculated on the assumption that this stock split was implemented at the beginning of the fiscal year ended March 31, 2013 (the 10th fiscal year).

**(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<br>(Millions of Yen) | Voting rights ratio<br>(%) | Main business                                                                                |
|-------------------------------------|-----------------------------------|----------------------------|----------------------------------------------------------------------------------------------|
| Alfresa Corporation                 | 4,000                             | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| Shikoku Alfresa Corporation         | 161                               | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| TS Alfresa Corporation              | 1,144                             | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| Meisho Co., Ltd.                    | 395                               | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| Odashima Limited                    | 30                                | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| CS YAKUHIN CO., LTD.                | 890                               | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| RYUYAKU CO., LTD.                   | 44                                | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| Alfresa Nikken Sangyo Corporation   | 190                               | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| Kowa Pharmaceuticals Co., Ltd.      | 104                               | 100.0                      | Ethical Pharmaceuticals<br>Wholesaling Business                                              |
| Alfresa Medical Service Corporation | 450                               | 100.0                      | Medical Materials<br>Wholesaling and Supply<br>Processing and Distribution<br>(SPD) Business |
| Alfresa Healthcare Corporation      | 499                               | 100.0                      | Self-Medication Products<br>Wholesaling Business                                             |
| Mogi Pharmaceutical Co., Ltd.       | 10                                | 100.0<br>(100.0)           | Self-Medication Products<br>Wholesaling Business                                             |
| Alfresa Pharma Corporation          | 1,000                             | 100.0                      | Manufacturing Business                                                                       |
| Alfresa Fine Chemical Corporation   | 400                               | 100.0<br>(100.0)           | Manufacturing Business                                                                       |
| QINGDAO NESCO MEDICAL CO., LTD.     | 300<br>(Registered capital)       | 100.0<br>(100.0)           | Manufacturing Business                                                                       |
| Apollo Medical Holdings Inc.        | 403                               | 68.1<br>(0.6)              | Management of Dispensing<br>Pharmacy                                                         |
| Nihon Apoch CO., LTD.               | 270                               | 66.0                       | Management of Dispensing<br>Pharmacy                                                         |
| Alfresa System Corporation          | 150                               | 51.0                       | Operation, Maintenance and<br>Development of Information<br>System                           |

- (Notes) 1. Figures in parentheses ( ) in the voting rights ratio column represent the percentage of voting rights held by subsidiaries of the Company.
2. SEIWA SANGYO CO., LTD. and Tokiwa Yakuhin Co., Ltd. executed an absorption-type merger on April 1, 2015, with SEIWA SANGYO CO., LTD. as the surviving company and Tokiwa Yakuhin Co., Ltd. as the absorbed company, and changed the trade name of the surviving company to TS Alfresa Corporation.
3. Alfresa Corporation and Alfresa Nikken Sangyo Corporation executed an absorption-type merger on April 1, 2016, with Alfresa Corporation as the surviving company and Alfresa Nikken Sangyo Corporation as the absorbed company.

3) Status of specified wholly-owned subsidiaries as of the end of the fiscal year

| Company name        | Address                                  | Total carrying amount<br>(Millions of Yen) | Amount of total assets of the Company<br>(Millions of Yen) |
|---------------------|------------------------------------------|--------------------------------------------|------------------------------------------------------------|
| Alfresa Corporation | 7, Kanda-Mitoshirocho, Chiyoda-ku, Tokyo | 85,001                                     | 230,144                                                    |

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

**(4) Challenges to be addressed**

The Alfresa Group has established Group's principles of "Our Philosophy," "Our Vision," and "Our Promises." In order to realize our Group's principles, we have established a medium-term management plan, "16-18 Mid-term Management Plan—*Break Through to Tomorrow*." The plan, which will run through the fiscal year ending March 31, 2019, states our Group management policies (Challenge 3) as follows: (1) Unite the Group to strengthen businesses; (2) Expand the health and medical-related business domains; and (3) Transform business models ahead of changes in the environment. We will endeavor to increase our corporate value by steadily implementing the measures in this plan.

[Group management policies (Challenge 3)]

(1) Unite the Group to strengthen businesses

Amid a comprehensive effort for medical institutions, dispensing pharmacies, and manufacturers etc., we will work to increase the penetration of the Alfresa Group brand by capitalizing on the synergy of the Group, joining together the strengths of each business segment.

(2) Expand the health and medical-related business domains

We will invest our management resources with a focus on the health and medical-related business domains, in order to strengthen our unique business model centered on the ethical pharmaceuticals supply chain.

(3) Transform business models ahead of changes in the environment

We will transform each business segment ahead of changes in the business environment, and advance efforts to enhance our profit base and expand our business. We will also leverage the expertise we have cultivated with our strong business models in Japan to develop our business internationally, with a focus on Asia.

In the fiscal year ending March 31, 2017, the Ethical Pharmaceuticals Wholesaling Business is expected to be impacted by factors such as an average 7.8% drop in the Japan's National Health Insurance (NHI) drug prices as a result of a medical fee revision in April 2016. As the number-one wholesaler of ethical pharmaceuticals, we will work to further strengthen the business foundation ahead of changes to the environment, with thorough efforts to promote distribution reforms, which continues to be the industry's highest common priority issue.

In the Self-Medication Products Wholesaling Business segment, we will build a strong business foundation with efforts to differentiate ourselves from other companies by enhancing our merchandizing and marketing capabilities. We will expand high-quality, high valued-added health foods, foods with health claims, and other exclusive products, thoroughly implement high value-added proposal-type marketing activities, and increase customer satisfaction.

In the Manufacturing Business segment, we will strengthen our production system and make strategic investments to expand our business. In April 2015, the Company consolidated Alfresa Fine Chemical Corporation, which manufactures active pharmaceutical ingredients (API). In addition, in the fiscal year ending March 31, 2017, Sannova Co., Ltd., which conducts contracted manufacture of pharmaceuticals and other products with advanced production and quality-control systems, has been consolidated. With these additions to the Group, we will expand the scale of our business and make capital investments to grow our production capacity.

In the Medical-Related Business segment, although we expect impact from revisions to dispensing fee and NHI drug prices, we will work to increase our corporate value by strengthening the business foundations of Apollo Medical Holdings, Inc. and Nihon Apoch CO., LTD., which operate dispensing pharmacy businesses.

**(5) Main business** (as of March 31, 2016)

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, 2016)

|                                     |                      |                                                                   |
|-------------------------------------|----------------------|-------------------------------------------------------------------|
| 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                |
| Odashima Limited                    | Head office          | 2-18, Kuko-minami, Hanamaki, Iwate Prefecture                     |
| CS YAKUHIN CO., LTD.                | Head office          | 3-2-26, Marunouchi, Naka-ku, Nagoya                               |
| RYUYAKU CO., LTD.                   | Head office          | 5-6-5, Makiminato, Urasoe-shi, Okinawa Prefecture                 |
| Alfresa Nikken Sangyo Corporation   | Head office          | 4-20, Imamachi, Gifu, Gifu Prefecture                             |
| Kowa Pharmaceuticals Co., Ltd.      | Head office          | 1-46-1, Kikutamachi Oroshi, Koriyama, Fukushima Prefecture        |
| Alfresa Medical Service Corporation | Head office          | 1-12-1, Uchikanda, Chiyoda-ku, Tokyo                              |
| Alfresa Healthcare Corporation      | Head office          | 3-11-5, Nihonbashi-Honcho, Chuo-ku, Tokyo                         |
| Mogi Pharmaceutical Co., Ltd.       | Head office          | 3-11-5, Nihonbashi-Honcho, Chuo-ku, Tokyo                         |
| Alfresa Pharma Corporation          | Head office          | 2-2-9, Koku-machi, Chuo-ku, Osaka                                 |
|                                     | Plant                | Shouocho, Katsuta-gun, Okayama Prefecture; Noda, Chiba Prefecture |
| Alfresa Fine Chemical Corporation   | Head office<br>Plant | 1-10-1, Mukaihama, Akita, Akita Prefecture                        |
| Apollo Medical Holdings Inc.        | Head office          | 2-45-8, Minamiotsuka, Toshima-ku, Tokyo                           |
| Nihon Apoch CO., LTD.               | Head office          | 6-20, Wakitahoncho, Kawagoe, Saitama Prefecture                   |
| Alfresa System Corporation          | Head office          | 1-1-3, Otemachi, 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, 2016)

## 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  | 9,684<br>(2,218)    | Decrease of 249<br>(Decrease of 96)              |
| Self-Medication Products Wholesaling Business | 429<br>(26)         | Increase of 36<br>(Increase of 3)                |
| Manufacturing Business                        | 816<br>(221)        | Increase of 83<br>(Increase of 48)               |
| Medical-Related Business                      | 773<br>(299)        | Increase of 548<br>(Increase of 161)             |
| All group companies (common)                  | 86<br>(4)           | Increase of 4<br>(Decrease of 2)                 |
| Total                                         | 11,788<br>(2,768)   | Increase of 422<br>(Increase of 114)             |

- (Notes)
1. The number of employees represents the number of employed workers, and the number of temporary workers is shown in the parentheses ( ).
  2. The number of employees increased by 422 from the end of the previous fiscal year. The main reason for this is that Alfresa Fine Chemical Corporation and Apollo Medical Holdings Inc. became consolidated subsidiaries of the Company on April 1, 2015.

## 2) Status of employees of the Company

| Number of employees | Changes from the end of the previous fiscal year | Average age    | Average service years |
|---------------------|--------------------------------------------------|----------------|-----------------------|
| 38                  | Decrease of 3                                    | 47.7 years old | 9.1 years             |

- (Notes)
1. The number of employees shown above does not include two Executive Officers.
  2. For employees of the Company who are seconded from Alfresa Corporation, the average service years includes their service years while at respective companies.

**(8) Main source of borrowings** (as of March 31, 2016)

Not applicable

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

With the aim of realizing a Healthcare Consortium, the Alfresa Group has been working on the expansion of medical and health-related products and services. To this end, a new segment, the medical-related business, has been established from the fiscal year ended March 31, 2016.

Apollo Medical Holdings Inc. (head office: Toshima-ku, Tokyo) and Nihon Apoch CO., LTD. (head office: Kawagoe, Saitama Prefecture), both of which are engaged in the dispensing pharmacy business, have been consolidated from the fiscal year ended March 31, 2016.

## 2. The current state of the Company

### (1) Status of shares (as of March 31, 2016)

- |                                              |                    |
|----------------------------------------------|--------------------|
| 1) Total number of authorized shares         | 540,000,000 shares |
| 2) Total number of shares issued             | 235,017,600 shares |
| 3) Number of shareholders                    | 10,340             |
| 4) Major shareholders (top ten shareholders) |                    |

| Name                                                                                                                                                                 | Number of shares held (Thousands) | Percentage of ownership (%) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------|
| Alfresa Holdings Employees Shareholders' Association                                                                                                                 | 6,248                             | 2.88                        |
| Japan Trustee Services Bank, Ltd. (Trust Account)                                                                                                                    | 6,098                             | 2.81                        |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                                                                                                 | 5,485                             | 2.53                        |
| Eisai Co., Ltd.                                                                                                                                                      | 4,602                             | 2.12                        |
| NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS                                                                                                         | 4,233                             | 1.95                        |
| Trust & Custody Services Bank, Ltd. as trustee for DAIICHI SANKYO COMPANY, LIMITED Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd. | 3,908                             | 1.80                        |
| STATE STREET BANK AND TRUST COMPANY 505225                                                                                                                           | 3,621                             | 1.67                        |
| DAIICHI SANKYO COMPANY, LIMITED                                                                                                                                      | 3,202                             | 1.48                        |
| MELLON BANK. N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION                                                                                                  | 3,131                             | 1.44                        |
| Astellas Pharma Inc.                                                                                                                                                 | 2,906                             | 1.34                        |

- (Notes)
1. The Company holds treasury stocks of 18,337,555 shares, but is excluded from the above major shareholders.
  2. The percentage of ownership is calculated after deducting treasury stocks.
  3. Shares owned by Trust & Custody Services Bank, 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 Trust & Custody Services Bank, Ltd. The voting rights attached to these shares are to be exercised upon instructions of the DAIICHI SANKYO COMPANY, LIMITED.

## (2) Status of corporate officers

### 1) Status of Directors and Audit & Supervisory Board Members (as of March 31, 2016)

| Positions at the Company                            | Name               | Responsibilities                                                                             | Significant concurrent positions held                                                                                       |
|-----------------------------------------------------|--------------------|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Director, Honorary Chairman                         | Kunio Fukujin      |                                                                                              | Representative Director & Chairman of Alfresa Corporation                                                                   |
| Representative Director & President                 | Denroku Ishiguro   |                                                                                              |                                                                                                                             |
| Representative Director & Deputy President          | Yasuo Takita       | General Management                                                                           | Representative Director & President of Kowa Pharmaceuticals Co., Ltd.                                                       |
| Representative Director & Deputy President          | Hiroyuki Kanome    | Pharmaceutical Wholesaling Business                                                          | Representative Director & President of Alfresa Corporation                                                                  |
| Director, Deputy President                          | Hidetomi Takahashi | Diagnostic Reagents & Medical Equipment                                                      | Representative Director & Chairman of TS Alfresa Corporation                                                                |
| Director, Deputy President                          | Shozo Hasebe       | General Management, Corporate Administration                                                 | Representative Director & Chairman of Alfresa Healthcare Corporation                                                        |
| Director, Deputy President                          | Taizo Kubo         | Group Business & Affiliate Control, Group Information System, Hospital & Dispensing Pharmacy |                                                                                                                             |
| Director, Senior Vice President & Executive Officer | Shunichi Miyake    | Financial Planning, Public and Investor Relations, General Affairs                           |                                                                                                                             |
| Director, Vice President & Executive Officer        | Yasuki Izumi       | Business Development, International Business                                                 |                                                                                                                             |
| Director                                            | Tsuneo Shinohara   |                                                                                              |                                                                                                                             |
| Director                                            | Kazuko Kimura      |                                                                                              | Ph.D., Professor, Drug Management and Policy, Institute of Medical, Pharmaceutical and Health Sciences, Kanazawa University |
| Director                                            | Kimiko Terai       |                                                                                              | Ph.D., Professor, Faculty of Economics, Keio University                                                                     |
| Audit & Supervisory Board Member (Standing)         | Kenji Kuwayama     |                                                                                              |                                                                                                                             |
| Audit & Supervisory Board Member                    | Nobuyoshi Yamada   |                                                                                              | Attorney at law                                                                                                             |
| Audit & Supervisory Board Member                    | Yuji Noguchi       |                                                                                              | Certified Public Accountant                                                                                                 |
| Audit & Supervisory Board Member                    | Seisui Kamigaki    |                                                                                              | Attorney at law                                                                                                             |

- (Notes)
1. SEIWA SANGYO CO., LTD. and Tokiwa Yakuhin Co., Ltd. executed an absorption-type merger on April 1, 2015, with SEIWA SANGYO CO., LTD. as the surviving company and Tokiwa Yakuhin Co., Ltd. as the absorbed company, and changed the trade name of the surviving company to TS Alfresa Corporation.
  2. Directors Kazuko Kimura and Kimiko Terai are Outside Directors.
  3. Audit & Supervisory Board Members Nobuyoshi Yamada, Yuji Noguchi and Seisui Kamigaki are Outside Audit & Supervisory Board Members.
  4. Audit & Supervisory Board Member Yuji Noguchi is a certified public accountant and has considerable knowledge in finance and accounting.

5. The Company has registered Directors Kazuko Kimura and Kimiko Terai and Audit & Supervisory Board Member Yuji Noguchi as independent officers as provided for under the provisions of Tokyo Stock Exchange, Inc.
6. Principal positions held concurrently by Directors and Audit & Supervisory Board Members for the fiscal year ended March 31, 2016, other than those described in “Significant concurrent positions held” are as follows:
  - Representative Director & President Denroku Ishiguro serves concurrently as Director at Alfresa Corporation, RYUYAKU CO., LTD. and Alfresa Fine Chemical Corporation.
  - Representative Director Yasuo Takita serves concurrently as Director at TS Alfresa Corporation and Odashima Limited.
  - Representative Director Hiroyuki Kanome serves concurrently as Director at Alfresa Pharma Corporation.
  - Director Shozo Hasebe serves concurrently as Director at Kowa Pharmaceuticals Co., Ltd.
  - Director Taizo Kubo serves concurrently as Director at Alfresa Pharma Corporation, CS YAKUHIN CO., LTD., Alfresa Nikken Sangyo Corporation and Alfresa System Corporation.
  - Director Shunichi Miyake serves concurrently as Director at Apollo Medical Holdings Inc. and as Audit & Supervisory Board Member at Nihon Aepoch CO., LTD.
  - Director Yasuki Izumi serves concurrently as Director at Meisho Co., Ltd.
  - Director Tsuneo Shinohara serves concurrently as Director at Nihon Aepoch CO., LTD.
  - Audit & Supervisory Board Member Kenji Kuwayama serves concurrently as Audit & Supervisory Board Member at Meisho Co., Ltd., Odashima Limited and Alfresa Medical Service Corporation.
  - Audit & Supervisory Board Member Nobuyoshi Yamada serves concurrently as Outside Auditor at Chuoh Pack Industry Co., Ltd.
  - Audit & Supervisory Board Member Seisui Kamigaki serves concurrently as Outside Audit & Supervisory Board Member at Mitsubishi Shokuhin Co., Ltd., Outside Director and Member of the Audit Committee at YONDOSHI HOLDINGS INC. and Outside Director at Universal Entertainment Corporation.

2) The outline of the liability limitation agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each Outside Director and Outside Audit & Supervisory Board Member to limit their liability for damages as provided for by Article 423, Paragraph 1 of said Act. The amount of limitation of liability for damages under the agreement is the amount provided for by Article 425, Paragraph 1 of said Act.

3) Total amount of remuneration, etc. to Directors and Audit & Supervisory Board Members

| Categories                                                                                 | Number of persons paid | Amount of remuneration<br>(Millions of Yen) |
|--------------------------------------------------------------------------------------------|------------------------|---------------------------------------------|
| Directors<br>(of which, Outside Directors)                                                 | 13<br>(3)              | 376<br>(17)                                 |
| Audit & Supervisory Board Members<br>(of which, Outside Audit & Supervisory Board Members) | 4<br>(3)               | 47<br>(27)                                  |
| Total                                                                                      | 17                     | 424                                         |

- (Notes)
1. The amount of remuneration to Directors does not include salaries for services rendered as employees by Directors who also serve as employees.
  2. The maximum aggregate amount of remuneration to Directors (not including salaries for services rendered as employees by Directors who also serve as employees) was set at ¥600 million per year by a resolution of the 3rd Ordinary General Meeting of Shareholders held on June 29, 2006.
  3. The maximum aggregate amount of remuneration to Audit & Supervisory Board Members was set at ¥120 million per year by a resolution of the 3rd Ordinary General Meeting of Shareholders held on June 29, 2006.
  4. The amount of remuneration includes provision for directors' bonuses for the fiscal year ended March 31, 2016 of ¥84 million (for ten Directors).
  5. The above includes one Outside Director who retired upon expiration of his term of office at the conclusion of the 12th Ordinary General Meeting of Shareholders held on June 25, 2015.

4) Matters concerning outside officers

(i) Relationship between the Company and significant organizations where officers concurrently hold positions

- a. Outside Director Kazuko Kimura currently serves as Professor of Kanazawa University. The Company pays part of expenses incurred for the joint research with Kanazawa University as consignment research expenses. In addition, a consolidated subsidiary of the Company sells ethical pharmaceuticals, etc. to Kanazawa University Hospital as one of the wholesalers, but the transaction value accounts for only a small percentage of consolidated net sales of the Company. Moreover, she has no conflict with the Independence Standards for Outside Directors, etc. established by the Company, and there is no fact that the relevant transaction partner is involved in the business management of the Group companies.
- b. Outside Director Kimiko Terai currently serves as Professor of Keio University. A consolidated subsidiary of the Company sells ethical pharmaceuticals, etc. to Keio University Hospital as one of the wholesalers and provides logistics management service within the hospital, but the transaction value accounts for only a small percentage of consolidated net sales of the Company. Moreover, she has no conflict with the Independence Standards for Outside Directors, etc. established by the Company, and there is no fact that the relevant transaction partner is involved in the business management of the Group companies.
- c. Outside Audit & Supervisory Board Member Yuji Noguchi had worked for Asahi Shinwa & Co., which is currently KPMG AZSA LLC, the Company's Independent Auditor; however, as it has been more than 20 years since his resignation, there is no influence on the Company on the ground that he belonged to the Independent Auditor in the past. Moreover, there is no property paid to him other than remuneration as Audit & Supervisory Board Member.

(ii) Principal activities during the fiscal year ended March 31, 2016

- a. Director Kazuko Kimura attended 17 meetings out of 18 meetings of the Board of Directors held during the fiscal year ended March 31, 2016. She delivered opinions from a broad perspective mainly based on her deep insights and extensive experiences concerning pharmaceuticals, etc., and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
- b. Director Kimiko Terai attended 11 out of 13 meetings of the Board of Directors held after her assumption of office on June 25, 2015. She delivered opinions mainly from the perspective of a professional in economics and business administration, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary.
- c. Audit & Supervisory Board Member Nobuyoshi Yamada attended all 18 meetings of the Board of Directors and all 19 meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2016. 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.
- d. Audit & Supervisory Board Member Yuji Noguchi attended all 18 meetings of the Board of Directors and all 19 meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2016. 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.
- e. Audit & Supervisory Board Member Seisui Kamigaki attended 17 meetings out of 18 meetings of the Board of Directors and all 19 meetings of the Audit & Supervisory Board held during the fiscal year ended March 31, 2016. 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.

**(3) Independent Auditor**

1) Name KPMG AZSA LLC

2) Amount of remuneration, etc.

|                                                                                                                          | Amount paid<br>(Millions of Yen) |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| Amount of remuneration, etc. of the Independent Auditor for the fiscal year ended March 31, 2016                         | 114                              |
| Total amount of money and other property benefits payable to the Independent Auditor by the Company and its subsidiaries | 255                              |

(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. Meisho Co., Ltd., a subsidiary of the Company, receives an accounting audit by an auditing firm different from the Company's Independent Auditor.

3. 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, 2016 shown above is the total of these audit fees.

3) Details of non-audit services

The Company entrusts the Independent Auditor with provision of services other than those provided for in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit services), including financial investigation, etc., and pays compensation for such services.

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.

#### **(4) 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.

##### **(i) Framework for ensuring that Directors' duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation**

- a. 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.
- b. 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.
- c. 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.
- d. The Company shall appoint outside Directors, ensuring the objectivity and neutrality of its management supervisory function.
- e. 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.

##### **(ii) 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.

##### **(iii) Regulations and other frameworks for managing risk of loss**

- a. 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.
- b. 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.

##### **(iv) Framework for ensuring the Directors' duties are performed in an efficient manner**

- a. 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.
- b. The executive officer system ensures a clear separation between Directors' duties and executive officers' business execution functions.
- c. The Board of Directors and the Executive Committee shall meet regularly to rapidly and properly make decisions.
- d. 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.

##### **(v) Framework for ensuring that employees' duties are performed in compliance with relevant laws and regulations and with the Company's Articles of Incorporation**

- a. 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.
- b. 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.
- c. The Company shall establish Compliance Consultation Offices, and endeavor to secure information while protecting the rights of informants.
- d. The Audit Department shall conduct internal audits regarding the status of compliance with relevant laws and the Company's internal regulations, etc.

- (vi) Framework for ensuring the appropriateness of operations at the corporate group comprising the Company and its subsidiaries
  - a. Framework for reporting to the Company concerning performance of duties by Directors, etc. of the Company's subsidiaries
    - (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.
  - b. Regulations and other frameworks for managing risk of loss at the Company's subsidiaries  
The Company shall put in place and work to strengthen the Group's information management and risk management frameworks.
  - c. Framework for ensuring the duties of Directors, etc. are performed in an efficient manner at the Company's subsidiaries
    - (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.
  - d. Framework for ensuring that the duties are performed in compliance with relevant laws and regulations and with the Articles of Incorporation by Directors, etc. and employees of the Company's subsidiaries
    - (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
  - a. 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.
  - b. Framework for enabling Directors, etc. and employees of subsidiaries of the Company, or persons who received reports from such people to report to Audit & Supervisory Board Members  
The details of reports submitted to the Group-wide Compliance Consulting Office shall be reported to Audit & Supervisory Board Members regularly or when necessary.
- 11) Framework for ensuring that a person who made a report stipulated in the preceding paragraph will not be treated unfavorably on the grounds of making such a report  
The Company shall establish a strict information management system concerning a person who made a report to Audit & Supervisory Board Members and the details of such report.



- 12) Items regarding the policy on procedures for making an advance payment or reimbursement on expenses incurred by Audit & Supervisory Board Members in association with performance of their duties and processing of other expenses and obligations incurred in association with performance of said duties  
A certain amount of budget shall be secured to disburse expenses, etc. incurred by Audit & Supervisory Board Members in performing their duties.
- 13) Other frameworks for ensuring that audits performed by the Audit & Supervisory Board Members can be conducted effectively
- a. 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.
  - b. 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
- (i) Compliance framework
    - a. In line with the Alfresa Group's principles, the Company has established Compliance Guidelines and is working to thoroughly enforce compliance through the Group Compliance Committee, training, and other means.
    - b. The status of operation of the Compliance Consultation Offices established at the Company and each Group company is reported to the Group Compliance Committee, Directors, and Audit & Supervisory Board Members etc. regularly or when necessary.
    - c. 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.
  - (ii) Risk management framework
    - a. 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.
    - b. The Group has formulated a Business Continuity Plan (BCP) and various disaster manuals, with the aim of putting in place a system to enable prompt and stable supply of pharmaceuticals, etc. in the event of a large-scale disaster. In addition, through the Risk Management Promotion Committee, the Company is working to reinforce the risk management framework within the Group.
    - c. 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.
  - (iii) Management of the Group companies
    - a. 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.
    - b. Based on the Alfresa Group's medium-term management plan and fiscal year plans, the Company manages the progress and reports regularly to the Board of Directors. In addition, the Company holds meetings of its Group Management Committee, Business Strategy Committee, and other committees by role, or function, on a regular basis.
  - (iv) Performance of duties by Directors
    - a. The Company properly manages documents concerning Directors' performance of duties based on laws and regulations and the Company's internal regulations.
    - b. With the executive officer system, a separation between Directors' duties and executive officers' business execution functions is clarified to ensure the efficient decision-making.
    - c. The Company held 18 meetings of the Board of Directors, determined prescribed important matters, received reports on the performance of duties by Directors and conducted supervision. In addition, the Company held 20 meetings of the Executive Committee to deliberate and make decision on other important matters. At the meetings of the Board of Directors, etc., thorough discussions were held on important decision-making and reporting matters concerning the Company and each Group company, including business trend and investment projects, based on the business analysis materials and materials from professional fields, whereby the management oversight function is exercised.
  - (v) Performance of duties by Audit & Supervisory Board Members
    - a. 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.

- b. 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.
- c. 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.
- d. Audit & Supervisory Board Members have meetings with the Company's management including Representative Director & President, exchange opinions and share information with Audit & Supervisory Board Members etc. of the Group companies as appropriate, and a meeting of the Group-wide Audit & Supervisory Board Committee is held semiannually in principle.
- e. 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.
- f. 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.

**(5) Policy concerning decision on cash dividends from retained earnings, etc.**

The Company considers return of profits to shareholders as one of its priority policies. The Company plans to determine the amount of return of profits based on its consolidated financial results in total consideration of factors such as strengthening of financial position, stability of management bases and future business development, with a target of dividend on equity (DOE) ratio at 2%.

In accordance with the partial amendment to the Articles of Incorporation approved by the 3rd Ordinary General Meeting of Shareholders held on June 29, 2006, the Board of Directors determines the cash dividends from retained earnings, etc. of the Company.

Based on the above policy, the Company plans to pay a year-end dividend of ¥17 per share, for a full-year dividend of ¥33 per share including an interim dividend paid of ¥16 per share.

(Note) Amounts presented in this business report are rounded down to the nearest million yen.

## Consolidated Balance Sheet

(As of March 31, 2016)

(Millions of Yen)

| Account title                        | Amount            | Account title                                                                       | Amount            |
|--------------------------------------|-------------------|-------------------------------------------------------------------------------------|-------------------|
| <b>(Assets)</b>                      |                   | <b>(Liabilities)</b>                                                                |                   |
| <b>Current assets</b>                | <b>¥965,135</b>   | <b>Current liabilities</b>                                                          | <b>¥835,512</b>   |
| Cash and deposits                    | 118,174           | Trade notes and accounts payable                                                    | 795,006           |
| Trade notes and accounts receivable  | 612,182           | Short-term debt                                                                     | 679               |
| Marketable securities                | 42,000            | Lease obligations                                                                   | 1,775             |
| Merchandise and finished goods       | 129,816           | Income taxes payable                                                                | 12,628            |
| Work in process                      | 572               | Allowance for bonuses                                                               | 7,887             |
| Raw materials and supplies           | 2,882             | Allowance for bonuses to directors and audit & supervisory board members            | 372               |
| Deferred tax assets                  | 6,558             | Allowance for sales rebates                                                         | 43                |
| Purchase rebates receivable          | 51,483            | Allowance for returned unsold goods                                                 | 822               |
| Others                               | 1,809             | Others                                                                              | 16,296            |
| Allowance for doubtful accounts      | (343)             | <b>Non-current liabilities</b>                                                      | <b>49,254</b>     |
| <b>Non-current assets</b>            | <b>288,359</b>    | Long-term debt                                                                      | 1,309             |
| <b>Property, plant and equipment</b> | <b>130,489</b>    | Lease obligations                                                                   | 3,347             |
| Buildings and structures             | 50,133            | Deferred tax liabilities                                                            | 24,093            |
| Machinery, equipment and vehicles    | 7,417             | Deferred tax liabilities for land revaluation                                       | 446               |
| Tools and fixtures                   | 2,325             | Allowance for loss on debt guarantee                                                | 87                |
| Land                                 | 64,727            | Allowance for directors' and audit & supervisory board members' retirement benefits | 62                |
| Leased assets                        | 4,070             | Net defined benefit liabilities                                                     | 17,762            |
| Construction in progress             | 1,815             | Asset retirement obligations                                                        | 698               |
| <b>Intangible assets</b>             | <b>14,952</b>     | Others                                                                              | 1,446             |
| Goodwill                             | 7,337             | <b>Total liabilities</b>                                                            | <b>884,766</b>    |
| Leased assets                        | 593               | <b>(Net assets)</b>                                                                 |                   |
| Others                               | 7,022             | <b>Shareholders' equity</b>                                                         | <b>311,342</b>    |
| <b>Investments and other assets</b>  | <b>142,917</b>    | Paid-in capital                                                                     | 18,454            |
| Investment securities                | 125,409           | Capital surplus                                                                     | 103,121           |
| Long-term loans                      | 2,269             | Retained earnings                                                                   | 205,784           |
| Deferred tax assets                  | 986               | Treasury stock, at cost                                                             | (16,017)          |
| Net defined benefit assets           | 2,958             | <b>Accumulated other comprehensive income</b>                                       | <b>55,199</b>     |
| Others                               | 16,299            | Unrealized gains on securities, net of taxes                                        | 59,546            |
| Allowance for doubtful accounts      | (5,006)           | Deferred gains or losses on hedges, net of taxes                                    | (13)              |
|                                      |                   | Unrealized gain or loss on revaluation of land                                      | (4,143)           |
|                                      |                   | Foreign currency translation adjustments                                            | 175               |
|                                      |                   | Remeasurements of defined benefit plans                                             | (364)             |
|                                      |                   | <b>Non-controlling interests</b>                                                    | <b>2,185</b>      |
|                                      |                   | <b>Total net assets</b>                                                             | <b>368,727</b>    |
| <b>Total assets</b>                  | <b>¥1,253,494</b> | <b>Total liabilities and net assets</b>                                             | <b>¥1,253,494</b> |

## Consolidated Statements of Income

( From April 1, 2015  
to March 31, 2016 )

(Millions of Yen)

| Account title                                       | Amount |                   |
|-----------------------------------------------------|--------|-------------------|
| <b>Net sales</b>                                    |        | <b>¥2,576,405</b> |
| <b>Cost of sales</b>                                |        | <b>2,379,166</b>  |
| Reversal of allowance for returned unsold goods     | 777    |                   |
| Allowance for returned unsold goods                 | 822    | (44)              |
| <b>Gross profit</b>                                 |        | <b>197,194</b>    |
| <b>Selling, general and administrative expenses</b> |        | <b>151,905</b>    |
| <b>Operating income</b>                             |        | <b>45,289</b>     |
| <b>Other income</b>                                 |        |                   |
| Interest income                                     | 205    |                   |
| Dividend income                                     | 2,390  |                   |
| Information fees received                           | 5,962  |                   |
| Others                                              | 2,386  | 10,944            |
| <b>Other expenses</b>                               |        |                   |
| Interest expenses                                   | 121    |                   |
| Commission fee                                      | 170    |                   |
| Provision of allowance for doubtful accounts        | 17     |                   |
| Equity in losses of affiliates                      | 171    |                   |
| Rent expenses on real estate                        | 160    |                   |
| Others                                              | 102    | 744               |
| <b>Ordinary profit</b>                              |        | <b>55,489</b>     |
| <b>Extraordinary profit</b>                         |        |                   |
| Gain on sales of non-current assets                 | 177    |                   |
| Gain on sales of investment securities              | 259    |                   |
| Compensation income                                 | 82     | 519               |
| <b>Extraordinary loss</b>                           |        |                   |
| Loss on sales of non-current assets                 | 265    |                   |
| Loss on disposal of non-current assets              | 433    |                   |
| Loss on impairment of non-current assets            | 883    |                   |
| Loss on devaluation of investment securities        | 127    |                   |
| Merger expenses                                     | 139    |                   |
| Special retirement expenses                         | 15     |                   |
| Others                                              | 47     | 1,913             |
| <b>Income before income taxes</b>                   |        | <b>54,094</b>     |
| Income, residential and enterprise taxes            | 18,572 |                   |
| Income tax adjustments                              | 141    | 18,714            |
| <b>Net income</b>                                   |        | <b>35,380</b>     |
| Profit attributable to non-controlling interests    |        | 405               |
| <b>Profit attributable to owners of parent</b>      |        | <b>¥34,975</b>    |

## Consolidated Statements of Changes in Net Assets

( From April 1, 2015  
to March 31, 2016 )

(Millions of Yen)

|                                                                                                 | Shareholders' equity |                 |                   |                |                            |
|-------------------------------------------------------------------------------------------------|----------------------|-----------------|-------------------|----------------|----------------------------|
|                                                                                                 | Paid-in capital      | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Beginning balance                                                                               | ¥18,454              | ¥103,799        | ¥177,061          | ¥(1,006)       | ¥298,308                   |
| Changes during the fiscal year                                                                  |                      |                 |                   |                |                            |
| Cash dividends from retained earnings                                                           |                      |                 | (7,094)           |                | (7,094)                    |
| Profit attributable to owners of parent                                                         |                      |                 | 34,975            |                | 34,975                     |
| Purchase of treasury stock                                                                      |                      |                 |                   | (15,010)       | (15,010)                   |
| Disposal of treasury stock                                                                      |                      | 0               |                   | 0              | 0                          |
| Change in scope of consolidation                                                                |                      |                 | 879               |                | 879                        |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders |                      | (678)           |                   |                | (678)                      |
| Disposition of unrealized gain or loss on revaluation of land                                   |                      |                 | (37)              |                | (37)                       |
| Others                                                                                          |                      |                 | 0                 |                | 0                          |
| Changes in items other than shareholders' equity during the fiscal year (net)                   |                      |                 |                   |                |                            |
| Total changes during the fiscal year                                                            | —                    | (678)           | 28,722            | (15,010)       | 13,033                     |
| Ending balance                                                                                  | ¥18,454              | ¥103,121        | ¥205,784          | ¥(16,017)      | ¥311,342                   |

|                                                                                                 | 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                                                                               | ¥56,512                                      | ¥2                                               | ¥(4,211)                                       | ¥205                                     | ¥1,701                                  | ¥54,210                                      | ¥1,603                    | ¥354,123         |
| Changes during the fiscal year                                                                  |                                              |                                                  |                                                |                                          |                                         |                                              |                           |                  |
| Cash dividends from retained earnings                                                           |                                              |                                                  |                                                |                                          |                                         |                                              |                           | (7,094)          |
| Profit attributable to owners of parent                                                         |                                              |                                                  |                                                |                                          |                                         |                                              |                           | 34,975           |
| Purchase of treasury stock                                                                      |                                              |                                                  |                                                |                                          |                                         |                                              |                           | (15,010)         |
| Disposal of treasury stock                                                                      |                                              |                                                  |                                                |                                          |                                         |                                              |                           | 0                |
| Change in scope of consolidation                                                                |                                              |                                                  |                                                |                                          |                                         |                                              |                           | 879              |
| Change in treasury shares of parent arising from transactions with non-controlling shareholders |                                              |                                                  |                                                |                                          |                                         |                                              |                           | (678)            |
| Disposition of unrealized gain or loss on revaluation of land                                   |                                              |                                                  |                                                |                                          |                                         |                                              |                           | (37)             |
| Others                                                                                          |                                              |                                                  |                                                |                                          |                                         |                                              |                           | 0                |
| Changes in items other than shareholders' equity during the fiscal year (net)                   | 3,034                                        | (15)                                             | 67                                             | (29)                                     | (2,066)                                 | 988                                          | 581                       | 1,570            |
| Total changes during the fiscal year                                                            | 3,034                                        | (15)                                             | 67                                             | (29)                                     | (2,066)                                 | 988                                          | 581                       | 14,604           |
| Ending balance                                                                                  | ¥59,546                                      | ¥(13)                                            | ¥(4,143)                                       | ¥175                                     | ¥(364)                                  | ¥55,199                                      | ¥2,185                    | ¥368,727         |

## 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: 18 companies

b. Names of principal consolidated subsidiaries: Alfresa Corporation

Alfresa Pharma Corporation

Alfresa Fine Chemical Corporation and Apollo Medical Holdings Inc. have been included in the scope of consolidation from the fiscal year ended March 31, 2016. This is because Alfresa Fine Chemical Corporation became a wholly-owned subsidiary of the Company by the acquisition of shares, and for Apollo Medical Holdings Inc., its materiality increased.

Tokiwa Yakuhin Co., Ltd., which was the Company's consolidated subsidiary, has been excluded from the scope of consolidation due to the extinction by an absorption-type merger, with SEIWA SANGYO CO., LTD. as the surviving company. As of April 1, 2015, SEIWA SANGYO CO., LTD changed its trade name to TS Alfresa Corporation.

##### 2) Non-consolidated subsidiaries

a. Names of principal non-consolidated subsidiaries:

Alfresa Shinohara Chemicals 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:

a. The number of non-consolidated subsidiaries and affiliated companies accounted for by the equity method:

1 company

b. Name of principal company, etc.: HANSHIN Dispensing Pharmacy Holdings Co., Ltd.

##### 2) Non-consolidated subsidiaries and affiliated companies not accounted for by the equity method

a. Names of principal companies, etc.: Alfresa Shinohara Chemicals 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

- Securities with fair values: Stated at fair values based on market prices, etc., at the end of the fiscal year (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)

- Securities without fair values: Stated at cost as determined by using moving-average method

b. Valuation standards and method of inventories

(A) Consolidated domestic subsidiaries

Merchandise and finished goods, work in process, raw materials and supplies: Stated at cost as determined principally by using gross average method (Balance sheet amounts are calculated by writing down the book value of assets based on a decline in profitability)

(B) Consolidated overseas subsidiaries

Finished goods, work in process, raw materials: Stated at cost as determined by using moving-average method (Balance sheet amounts are calculated by writing down the book value of assets based on a decline in profitability)

c. Valuation standards and method of derivatives

- Derivatives: Stated at fair values

2) Depreciation method for significant depreciable assets

- a. Property, plant and equipment  
(except for leased assets):

Depreciation is computed using the declining-balance method mainly at the Company and its consolidated domestic subsidiaries and the straight-line method at consolidated overseas subsidiaries. Buildings (excluding auxiliary facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method at the Company and its consolidated domestic subsidiaries.

The useful life is mainly as follows:

|                                    |               |
|------------------------------------|---------------|
| Buildings and structures:          | 2 to 60 years |
| Machinery, equipment and vehicles: | 2 to 23 years |
| Tools and fixtures:                | 2 to 34 years |

- b. Intangible assets (except for leased assets)

- (A) Software for internal use:  
(B) Other intangible assets:

The straight-line method is used on the basis of the internal usable period of five years.  
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.

Of finance lease transactions without involving transfer of ownership, lease transactions which commenced on or before March 31, 2008 are subject to the same accounting treatment as applied to normal lease transactions.

- 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 is 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 domestic 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 domestic 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. Allowance for sales rebates:

The allowance for sales rebates is provided for future payment of sales rebates for accounts receivable at fiscal year-end based upon actual rebates experienced in the past at certain consolidated subsidiaries.

- e. Allowance for returned unsold goods:

The allowance for returned unsold goods is provided based upon the estimated loss from future sales returns at certain consolidated subsidiaries.

- f. Allowance for loss on debt guarantee:

Allowance for loss on debt guarantee is provided in an estimated amount based on the financial position and solvency of parties guaranteed by certain consolidated subsidiaries.

- g. Allowance for directors' and audit & supervisory board members' retirement benefits:

The allowance for directors' and audit & supervisory board members' retirement benefits is provided based upon certain consolidated subsidiaries' internal criteria.

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 of foreign currency forward contracts is omitted as they are all based on the prospective purchase schedule with high possibility of fulfillment of the contracts.

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 (10 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. 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.

c. Amortization of goodwill

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

d. Accounting treatment of consumption tax, etc.

The tax exclusion method is applied.

## 2. Notes on the changes in accounting policies

(Application of the Accounting Standard etc, for Business Combinations)

Effective from the fiscal year ended March 31, 2016, the Company has adopted the “Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the “Business Combinations Accounting Standard”), the “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the “Consolidated Financial Statements Accounting Standard”), and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013, hereinafter the “Business Divestitures Accounting Standard”) and other standards. Accordingly, the accounting methods have been changed such that the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and that acquisition-related costs are recorded as expenses for the consolidated fiscal year in which they are incurred. The Company also has changed the accounting method with respect to a business combination occurring on or after the beginning of the fiscal year ended March 31, 2016 as follows: If the allotment of acquisition cost is adjusted due to the finalization of the tentative accounting treatment in the following fiscal year of the fiscal year when the business combination occurred, the amount of effect of such adjustment on the beginning balance of the fiscal year of the adjustment is separately recorded and the beginning balance reflecting such effect is presented. Furthermore, the Company has changed the presentation of net income and other related items, as well as the presentation of minority interests to non-controlling interests.

The Business Combinations Accounting Standard and other standards have been applied in accordance with the transitional treatments stipulated in Paragraph 58-2 (4) of Business Combinations Accounting Standard, Paragraph 44-5 (4) of Consolidated Financial Statements Accounting Standard, and Paragraph 57-4 (4) of Business Divestitures Accounting Standard, and they have been prospectively applied from the beginning of the fiscal year ended March 31, 2016 into the future.

As a result of this application, operating income, ordinary profit, and income before income taxes for the fiscal year ended March 31, 2016 decreased by ¥55 million respectively, and capital surplus as of the end of the fiscal year ended March 31, 2016 decreased by ¥678 million.



### 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                    | ¥429              |
| Merchandise and finished goods       | 74                |
| Buildings and structures             | 1,612             |
| Land                                 | 2,236             |
| Investment securities                | 7,724             |
| Other (Investments and other assets) | 114               |
| <b>Total</b>                         | <b>¥12,192</b>    |

##### 2) Secured liabilities

|                                  | (Millions of Yen) |
|----------------------------------|-------------------|
| Trade notes and accounts payable | ¥14,242           |
| Short-term debt                  | 519               |
| Long-term debt                   | 1,056             |
| <b>Total</b>                     | <b>¥15,818</b>    |

#### (2) Accumulated depreciation of property, plant and equipment    ¥80,745 million

#### (3) Guarantee obligations

The Company provides guarantees to the following affiliates with respect to their borrowings, etc., from financial institutions.

|                              | (Millions of Yen) |
|------------------------------|-------------------|
| Y.K. Kofuku Shoji            | ¥341              |
| K.K. Hiroshima Chuo Yakkyoku | 218               |
| PHARMACY LINK                | 69                |
| Other                        | 2                 |
| <b>Total</b>                 | <b>¥632</b>       |

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

|                                   | (Millions of Yen) |
|-----------------------------------|-------------------|
| Buildings and structures          | ¥379              |
| Machinery, equipment and vehicles | 180               |
| Land                              | 270               |
| Other (Intangible assets)         | 45                |
| <b>Total</b>                      | <b>¥876</b>       |

#### (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.

##### 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).

|                                                                                                               |                  |
|---------------------------------------------------------------------------------------------------------------|------------------|
| Date of land revaluation                                                                                      | March 31, 2002   |
| Difference between the fair value of the revaluated land at year end and its book value after the revaluation | ¥(2,382) 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<br>as of April 1, 2015 | Increase during the fiscal<br>year | Decrease during the fiscal<br>year | Number of shares<br>as of March 31, 2016 |
|----------------|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------------|
| Common stock   | 235,017 thousand shares                 | – thousand shares                  | – thousand shares                  | 235,017 thousand shares                  |

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

| Type of shares | Number of shares<br>as of April 1, 2015 | Increase during the fiscal<br>year | Decrease during the fiscal<br>year | Number of shares<br>as of March 31, 2016 |
|----------------|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------------|
| Common stock   | 11,348 thousand shares                  | 6,989 thousand shares              | 0 thousand shares                  | 18,337 thousand shares                   |

(Note) Increase of 6,989 thousand shares in the number of treasury stock is accounted for by increases of 6,984 thousand shares due to acquisition by a resolution of the Board of Directors and 5 thousand shares associated with a purchase of odd-lot shares of less than one unit. Decrease of 0 thousand shares in the number of treasury stock is associated with the share transfer due to a sale of odd-lot shares of less than one unit.

##### (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 11, 2015     | Common stock   | ¥3,578 million  | ¥16                | March 31, 2015     | June 10, 2015    |
| Board of Directors' meeting held on November 5, 2015 | Common stock   | ¥3,516 million  | ¥16                | September 30, 2015 | December 4, 2015 |

###### 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 11, 2016 | Common stock   | Retained earnings   | ¥3,683 million  | ¥17                | March 31, 2016 | June 10, 2016  |

## 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.

Marketable securities mainly consist of highly secure negotiable deposits.

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 of the Company 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 as a genuine holding company, optimizes Company-wide financing and operating of funds, and prepares for liquidity risk by setting the commitment line.

The departments in charge at consolidated subsidiaries of the Company 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

In addition to the values based on market prices, fair values of financial instruments include values which are reasonably calculated in case market prices do not exist. As the calculation of those values 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, 2016 are as follows:

(Millions of Yen)

|                                                    | Book value (*) | Fair value (*) | Difference |
|----------------------------------------------------|----------------|----------------|------------|
| 1) Cash and deposits                               | ¥118,174       | ¥118,174       | ¥—         |
| 2) Trade notes and accounts receivable             | 612,182        | 612,182        | —          |
| 3) Purchase rebates receivable                     | 51,483         | 51,483         | —          |
| 4) Marketable securities and investment securities | 157,320        | 157,320        | —          |
| 5) Trade notes and accounts payable                | [795,006]      | [795,006]      | —          |
| 6) Derivative transactions                         | [19]           | [19]           | —          |

(\*) Those posted in liabilities are shown in brackets.

(Note 1) Matters related to the valuation method for financial instruments and securities and derivative transactions

1) Cash and deposits, 2) Trade notes and accounts receivable and 3) Purchase rebates receivable

The book value is deemed as the fair value since they are scheduled to be settled in a short period of time.

4) Marketable securities and investment securities

Fair value of stocks is based on the price on share exchanges and that of bonds is based on the price on bond markets or price presented by the counterparty financial institutions. Regarding negotiable deposits, the book value is deemed as the fair value since they are scheduled to be settled in a short period of time.

5) Trade notes and accounts payable

The book value is deemed as the fair value since they are scheduled to be settled in a short period of time.

6) Derivative transactions

Derivative transactions are foreign currency forward contracts, and the price quoted by the counterparty financial institutions is stated. Foreign currency forward contracts which are subject to the appropriation treatment are accounted for together with the accounts receivable or accounts payable designated as a hedged item. Thus, their fair value is included in the aforementioned fair value of 2) Trade notes and accounts receivable or 5) Trade notes and accounts payable.

(Note 2) Book value of financial instruments that have extreme difficulty in determining fair value

(Millions of Yen)

| Category            | Book value |
|---------------------|------------|
| Unlisted securities | ¥10,088    |

The above stocks do not have market value and thus their fair values are not disclosed, as it is extremely difficult to determine the fair value.

(Note 3) Fair values of long-term loans, short-term debt, lease obligations (current liabilities), long-term debt, and lease obligations (non-current liabilities) are immaterial, and thus are not stated herein.

## (3) The redemption schedule for monetary claims and securities with maturity after March 31, 2016

(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                               | ¥118,174                | ¥—                                    | ¥—                                     | ¥—                  |
| Trade notes and accounts receivable             | 611,830                 | 351                                   | —                                      | —                   |
| Marketable securities and investment securities |                         |                                       |                                        |                     |
| Available-for-sale securities with maturities   |                         |                                       |                                        |                     |
| (1) Bonds (corporate bonds)                     | 10                      | 1,204                                 | —                                      | —                   |
| (2) Negotiable deposit                          | 42,000                  | —                                     | —                                      | —                   |
| (3) Commercial paper                            | 2                       | —                                     | —                                      | —                   |
| Total                                           | ¥772,017                | ¥1,555                                | ¥—                                     | ¥—                  |

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

## (1) Matters concerning the current state of rental properties

Certain consolidated subsidiaries own office buildings, including land, for rent in Okinawa and other areas.

Certain office buildings for rent are presented as the real estate partially used as investment and rental properties.

## (2) Matters concerning fair value of rental properties

(Millions of Yen)

|                                                                | Book value          |                                                     |                      | Fair value as of March 31, 2016 |
|----------------------------------------------------------------|---------------------|-----------------------------------------------------|----------------------|---------------------------------|
|                                                                | As of April 1, 2015 | Changes during the fiscal year ended March 31, 2016 | As of March 31, 2016 |                                 |
| Investment and rental properties                               | ¥5,640              | ¥(393)                                              | ¥5,246               | ¥6,004                          |
| Real estate partially used as investment and rental properties | 4,022               | (601)                                               | 3,421                | 2,465                           |

(Note 1) Book value is shown as acquisition costs less accumulated depreciation and impairment losses.

(Note 2) As for changes during the fiscal year ended March 31, 2016, increase for the fiscal year is due mainly to increase from the changes in the scope of consolidation (¥719 million), while decrease for the fiscal year is due mainly to decrease in rental assets due to conversion (¥832 million).

(Note 3) Fair value as of March 31, 2016 is primarily calculated based on the “real estate appraisal standards” (including for those adjusted by index). If the evaluation or the index which is considered to reflect market value appropriately does not change materially from the acquisition date from a third party or the last time they were evaluated, the Company utilizes the evaluation or the amount adjusted by index.

Income and expenses related to investment and rental properties and real estate partially used as investment and rental properties for the fiscal year ended March 31, 2016 are as follows:

(Millions of Yen)

|                                                                | Rental income | Rental expenses | Difference | Other (gain or loss on sale, etc.) |
|----------------------------------------------------------------|---------------|-----------------|------------|------------------------------------|
| Investment and rental properties                               | ¥288          | ¥203            | ¥85        | ¥145                               |
| Real estate partially used as investment and rental properties | 71            | 137             | (66)       | —                                  |

(Note) Other includes gain or loss on sale and impairment losses, and is recorded as extraordinary profit or extraordinary loss.

## 7. Notes on per share information

|                          |           |
|--------------------------|-----------|
| (1) Net assets per share | ¥1,691.63 |
| (2) Net income per share | ¥158.99   |

## 8. Notes on significant subsequent event

(Acquisition of shares of Sannova Co., Ltd. making it a wholly-owned subsidiary)

On April 1, 2016, based on the contract with Eisai Co., Ltd. concluded on December 18, 2015, the Company acquired all the shares of a succeeding company in an absorption-type split (Currently, its trade name is Sannova Co., Ltd., and hereinafter, "Sannova"), which took over the pharmaceutical manufacturing and marketing business of Sannova Co., Ltd. (Headquarters: Ota, Gunma Prefecture, Current trade name: Sunsho Pharmaceutical Co., Ltd.), a consolidated subsidiary of Eisai Co., Ltd.

Overview of the business combination

|                                         |                                                                                             |
|-----------------------------------------|---------------------------------------------------------------------------------------------|
| (1) Name of the acquired company        | Sannova Co., Ltd.                                                                           |
| (2) Description of the business         | Research, development, manufacturing and marketing of pharmaceuticals and quasi-drugs, etc. |
| (3) Purpose of the business combination |                                                                                             |

Under the highly sophisticated production system and quality control system as a consolidated subsidiary of the Eisai Group, Sannova owns production facilities which are able to flexibly produce pharmaceuticals in broad range of dosage form including granules, powders, tablets, liquid medicine, ointment, cream, and lotion etc. Sannova will continue to engage in contract manufacturing of pharmaceuticals mainly of the Eisai Group companies in a stable manner. Moreover, in conjunction with manufacturing capability of Alfresa Pharma Corporation of Alfresa Group, which engages in manufacturing, import and export, and marketing of pharmaceuticals, diagnostic reagents, medical devices as well as raw materials of pharmaceuticals, we will expand our production capability for the contract manufacturing business within the Group to further improve revenue base of the pharmaceutical manufacturing business.

|                                                            |                                                    |
|------------------------------------------------------------|----------------------------------------------------|
| (4) Date of the business combination                       | April 1, 2016                                      |
| (5) Legal form of the business combination                 | Acquisition of shares                              |
| (6) Company name after the business combination            | Sannova Co., Ltd.                                  |
| (7) Percentage of voting rights acquired                   | 100%                                               |
| (8) Principle reason for determining the acquiring company |                                                    |
|                                                            | The Company acquired shares by cash consideration. |

## 9. Additional information

(Adjustments to the amounts of deferred tax assets and deferred tax liabilities associated with changes in the rates of income tax, etc.)

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act on Partial Revision, etc. of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet on March 29, 2016, and consequently the rates of income tax, etc., are scheduled to be reduced from the fiscal year beginning on or after April 1, 2016. Accordingly, the statutory tax rate utilized for the measurement of deferred tax assets and deferred tax liabilities are reduced from the hitherto applied 33.1% to 30.9% for the temporary difference expected to be eliminated in the period from April 1, 2016 to March 31, 2018 and to 30.6% for the temporary difference expected to be eliminated in the fiscal year beginning on April 1, 2018 onward.

Due to these changes in statutory tax rate, deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥59 million, while income tax adjustments and unrealized gains on securities, net of taxes increased by ¥940 million and ¥1,000 million, respectively.

In addition, revaluation of deferred tax liabilities decreased by ¥29 million and unrealized gain or loss on revaluation of land increased by the same amount.

(Note) Amounts presented in consolidated balance sheet, consolidated statements of income, consolidated statements of changes in net assets and notes to consolidated financial statements are rounded down to the nearest million yen.

## **Non-consolidated Balance Sheet**

(As of March 31, 2016)

(Millions of Yen)

| Account title                                               | Amount          | Account title                                                            | Amount          |
|-------------------------------------------------------------|-----------------|--------------------------------------------------------------------------|-----------------|
| <b>(Assets)</b>                                             |                 | <b>(Liabilities)</b>                                                     |                 |
| <b>Current assets</b>                                       | <b>¥28,597</b>  | <b>Current liabilities</b>                                               | <b>¥11,471</b>  |
| Cash and deposits                                           | 14,885          | Accounts payable - other                                                 | 93              |
| Prepaid expenses                                            | 1               | Income taxes payable                                                     | 29              |
| Deferred tax assets                                         | 36              | Accrued consumption taxes                                                | 3               |
| Loans receivable from subsidiaries and affiliates           | 11,095          | Deposits received from subsidiaries and affiliates                       | 11,213          |
| Income taxes receivable                                     | 2,545           | Allowance for bonuses                                                    | 31              |
| Others                                                      | 32              | Allowance for bonuses to directors and audit & supervisory board members | 84              |
|                                                             |                 | Others                                                                   | 15              |
| <b>Non-current assets</b>                                   | <b>201,547</b>  | <b>Non-current liabilities</b>                                           | <b>931</b>      |
| <b>Property, plant and equipment</b>                        | <b>27</b>       | Deferred tax liabilities                                                 | 931             |
| Buildings                                                   | 22              | <b>Total liabilities</b>                                                 | <b>12,402</b>   |
| Furniture and fixtures                                      | 5               | <b>(Net assets)</b>                                                      |                 |
| <b>Intangible assets</b>                                    | <b>10</b>       | <b>Shareholders' equity</b>                                              | <b>215,631</b>  |
| Software                                                    | 10              | <b>Paid-in capital</b>                                                   | <b>18,454</b>   |
| <b>Investments and other assets</b>                         | <b>201,509</b>  | <b>Capital surplus</b>                                                   | <b>175,428</b>  |
| Investment securities                                       | 8,058           | Legal capital surplus                                                    | 58,542          |
| Shares of subsidiaries and affiliates                       | 184,202         | Other capital surplus                                                    | 116,885         |
| Investments in capital of subsidiaries and affiliates       | 264             | <b>Retained earnings</b>                                                 | <b>46,592</b>   |
| Long-term loans receivable from subsidiaries and affiliates | 8,776           | Other retained earnings                                                  | 46,592          |
| Long-term prepaid expenses                                  | 7               | Retained earnings brought forward                                        | 46,592          |
| Guarantee deposits                                          | 199             | <b>Treasury stock, at cost</b>                                           | <b>(24,843)</b> |
|                                                             |                 | <b>Valuation and translation adjustments</b>                             | <b>2,110</b>    |
|                                                             |                 | Unrealized gains on securities, net of taxes                             | 2,110           |
|                                                             |                 | <b>Total net assets</b>                                                  | <b>217,742</b>  |
| <b>Total assets</b>                                         | <b>¥230,144</b> | <b>Total liabilities and net assets</b>                                  | <b>¥230,144</b> |

## Non-consolidated Statements of Income

( From April 1, 2015  
to March 31, 2016 )

(Millions of Yen)

| Account title                                              | Amount  |                |
|------------------------------------------------------------|---------|----------------|
| <b>Operating revenue</b>                                   |         |                |
| Dividend income                                            | ¥12,307 |                |
| Group management income                                    | 1,540   | 13,848         |
| <b>Operating expenses</b>                                  |         |                |
| General and administrative expenses                        |         | 1,632          |
| <b>Operating income</b>                                    |         | <b>12,216</b>  |
| <b>Other income</b>                                        |         |                |
| Interest income                                            | 93      |                |
| Interest on securities                                     | 41      |                |
| Dividend income                                            | 157     |                |
| Others                                                     | 1       | 293            |
| <b>Other expenses</b>                                      |         |                |
| Interest expenses                                          | 9       |                |
| Commission fee                                             | 170     | 180            |
| <b>Ordinary profit</b>                                     |         | <b>12,329</b>  |
| <b>Extraordinary profit</b>                                |         |                |
| Gain on sales of investment securities                     |         | 1              |
| <b>Extraordinary loss</b>                                  |         |                |
| Loss on disposal of non-current assets                     | 0       |                |
| Loss on valuation of shares of subsidiaries and affiliates | 4       | 4              |
| <b>Income before income taxes</b>                          |         | <b>12,326</b>  |
| Income, residential and enterprise taxes                   | 3       |                |
| Income tax adjustments                                     | (5)     | (2)            |
| <b>Net income</b>                                          |         | <b>¥12,328</b> |



## Non-consolidated Statements of Changes in Net Assets

( From April 1, 2015  
to March 31, 2016 )

(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 |                |                            |                                              |                                             |                  |
|                                                                               |                      |                       |                       |                       | Retained earnings brought forward |                         |                |                            |                                              |                                             |                  |
| Beginning balance                                                             | ¥18,454              | ¥58,542               | ¥116,885              | ¥175,428              | ¥41,359                           | ¥41,359                 | ¥(9,832)       | ¥225,408                   | ¥2,057                                       | ¥2,057                                      | ¥227,466         |
| Changes during the fiscal year                                                |                      |                       |                       |                       |                                   |                         |                |                            |                                              |                                             |                  |
| Cash dividends from retained earnings                                         |                      |                       |                       |                       | (7,094)                           | (7,094)                 |                | (7,094)                    |                                              |                                             | (7,094)          |
| Net income                                                                    |                      |                       |                       |                       | 12,328                            | 12,328                  |                | 12,328                     |                                              |                                             | 12,328           |
| Purchase of treasury stock                                                    |                      |                       |                       |                       |                                   |                         | (15,010)       | (15,010)                   |                                              |                                             | (15,010)         |
| Disposal of treasury stock                                                    |                      |                       | 0                     | 0                     |                                   |                         | 0              | 0                          |                                              |                                             | 0                |
| Changes in items other than shareholders' equity during the fiscal year (net) |                      |                       |                       |                       |                                   |                         |                |                            | 52                                           | 52                                          | 52               |
| Total changes during the fiscal year                                          | —                    | —                     | 0                     | 0                     | 5,233                             | 5,233                   | (15,010)       | (9,776)                    | 52                                           | 52                                          | (9,723)          |
| Ending balance                                                                | ¥18,454              | ¥58,542               | ¥116,885              | ¥175,428              | ¥46,592                           | ¥46,592                 | ¥(24,843)      | ¥215,631                   | ¥2,110                                       | ¥2,110                                      | ¥217,742         |

## Notes to Non-consolidated Financial Statements

### 1. Notes to matters concerning significant accounting policies

#### (1) Valuation standards and method of assets

- 1) Shares of subsidiaries and affiliates: Stated at cost as determined by using moving-average method
- 2) Available-for-sale securities
- a. Securities with fair values: Stated at fair values based on market prices, etc., at the end of the fiscal year (all valuation differences are reported as a component of net assets while cost of disposal is calculated by the moving-average method)
- b. Securities without fair values: Stated at cost as determined by using moving-average method

#### (2) Depreciation method for non-current assets

- 1) Property, plant and equipment: Depreciation is computed using the declining-balance method.  
The useful life is mainly as follows:  
Buildings: 8 to 18 years  
Furniture and fixtures: 5 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.

#### (4) Other matters forming the basis of preparation of non-consolidated financial statements

- Accounting treatment of consumption tax, etc.: The tax exclusion method is applied for the accounting treatment of consumption tax and local consumption tax.

### 2. Notes on non-consolidated balance sheet

- (1) Accumulated depreciation of property, plant and equipment ¥97 million
- (2) Monetary claims and obligations with respect to subsidiaries and affiliates are as follows.
- 1) Short-term monetary claims ¥11,096 million
- 2) Long-term monetary claims ¥8,776 million
- 3) Short-term monetary obligations ¥11,230 million

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

#### Amount of transactions with subsidiaries and affiliates

- (1) Operating revenue (Dividend income) ¥12,307 million
- (2) Operating revenue (Group management income) ¥1,540 million
- (3) Operating expenses ¥15 million
- (4) Amount of transactions other than operating transactions ¥101 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<br>as of April 1, 2015 | Increase during the fiscal<br>year | Decrease during the fiscal<br>year | Number of shares<br>as of March 31, 2016 |
|----------------|-----------------------------------------|------------------------------------|------------------------------------|------------------------------------------|
| Common stock   | 11,348 thousand shares                  | 6,989 thousand shares              | 0 thousand shares                  | 18,337 thousand shares                   |

(Note) Increase of 6,989 thousand shares in the number of treasury stock is accounted for by increases of 6,984 thousand shares due to acquisition by a resolution of the Board of Directors and 5 thousand shares associated with a purchase of odd-lot shares of less than one unit. Decrease of 0 thousand shares in the number of treasury stock is associated with the share transfer due to a sale of odd-lot shares of less than one unit.

## 5. Notes on tax effect accounting

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

(Millions of Yen)

|                                                                                       |         |
|---------------------------------------------------------------------------------------|---------|
| (Deferred tax assets)                                                                 |         |
| Disallowed accrued enterprise tax                                                     | ¥8      |
| Disallowed allowance for bonuses                                                      | 9       |
| Disallowed loss on valuation of shares of subsidiaries and affiliates                 | 1,570   |
| Disallowed loss on valuation of investments in capital of subsidiaries and affiliates | 152     |
| Disallowed loss on devaluation of investment securities                               | 10      |
| Other                                                                                 | 27      |
| Subtotal of deferred tax assets                                                       | 1,778   |
| Valuation allowance                                                                   | (1,740) |
| Total deferred tax assets                                                             | 38      |
| (Deferred tax liabilities)                                                            |         |
| Unrealized gains on securities                                                        | 916     |
| Other                                                                                 | 17      |
| Total deferred tax liabilities                                                        | 933     |
| Net deferred tax liabilities                                                          | ¥(895)  |

### (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                                                                                          | 33.1%   |
| (Adjustments)                                                                                               |         |
| Permanently non-deductible expenses such as entertainment expenses                                          | 0.1%    |
| Permanently non-taxable revenues such as dividend income                                                    | (33.1)% |
| Valuation allowance                                                                                         | (0.4)%  |
| Non-deductible bonuses to directors and audit & supervisory board members                                   | 0.2%    |
| Inhabitant tax per capita basis                                                                             | 0.0%    |
| Non-deductible contribution                                                                                 | 0.1%    |
| Downward revision to deferred tax assets as of the end of the period due to a change in corporate tax rates | 0.0%    |
| Other                                                                                                       | 0.0%    |
| Effective tax rate after the application of the tax effect accounting                                       | (0.0)%  |

### (3) Adjustments to the amounts of deferred tax assets and deferred tax liabilities associated with changes in the rates of income tax, etc.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and "Act on Partial Revision, etc. of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet on March 29, 2016, and consequently the rates of income tax, etc., are scheduled to be reduced from the fiscal year beginning on or after April 1, 2016. Accordingly, the statutory tax rate utilized for the measurement of deferred tax assets and deferred tax liabilities are reduced from the hitherto applied 33.1% to 30.9% for the temporary difference expected to be eliminated in the period from April 1, 2016 to March 31, 2018 and to 30.6% for the temporary difference expected to be eliminated in the fiscal year beginning on April 1, 2018 onward.

Due to these changes in statutory tax rate, deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥49 million, and income tax adjustments increased by ¥1 million. In addition, unrealized gains on securities, net of taxes increased by ¥51 million.

## 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<br>Concurrent positions held by officers | Dividends (Note 1)               | 9,101                                     | —                                                  |                                                     |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Group management income (Note 2) | 1,005                                     | —                                                  |                                                     |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Funds received (Note 3)          | 7,323                                     | Deposits received from subsidiaries and affiliates | 5,000                                               |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Payment of interests (Note 3)    | 5                                         | Other (Current liabilities)                        | 1                                                   |
|              | Alfresa Pharma Corporation          | 1,000                                                         | Pharmaceutical manufacturing                                 | 100.0                                         | Conclusion of group management contracts<br>Concurrent positions held by officers | Funds received (Note 3)          | 680                                       | Deposits received from subsidiaries and affiliates | 622                                                 |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Payment of interests (Note 3)    | 0                                         | Other (Current liabilities)                        | 0                                                   |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Funds loaned (Note 3)            | 6,802                                     | Loans receivable from subsidiaries and affiliates  | 6,300                                               |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Receipt of interests (Note 3)    | 52                                        | Other (Current assets)                             | 0                                                   |
|              | Alfresa Healthcare Corporation      | 499                                                           | Self-medication products wholesaling                         | 100.0                                         | Conclusion of group management contracts<br>Concurrent positions held by officers | Funds loaned (Note 3)            | 7,017                                     | Loans receivable from subsidiaries and affiliates  | 9,000                                               |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Receipt of interests (Note 3)    | 15                                        | Other (Current assets)                             | 1                                                   |
|              | Alfresa Medical Service Corporation | 450                                                           | Ethical pharmaceuticals wholesaling                          | 100.0                                         | Conclusion of group management contracts<br>Concurrent positions held by officers | Funds received (Note 3)          | 2,641                                     | Deposits received from subsidiaries and affiliates | 2,878                                               |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Payment of interests (Note 3)    | 1                                         | Other (Current liabilities)                        | 0                                                   |
|              | Meisho Co., Ltd.                    | 395                                                           | Ethical Pharmaceuticals Wholesaling                          | 100.0                                         | Conclusion of group management contracts<br>Concurrent positions held by officers | Funds received (Note 3)          | 2,476                                     | Deposits received from subsidiaries and affiliates | 2,011                                               |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Payment of interests (Note 3)    | 1                                         | Other (Current liabilities)                        | 0                                                   |
|              | Alfresa System Corporation          | 150                                                           | Operation, Maintenance and Development of Information System | 51.0                                          | Conclusion of group management contracts<br>Concurrent positions held by officers | Funds loaned (Note 3)            | 3,511                                     | Loans receivable from subsidiaries and affiliates  | 4,471                                               |
|              |                                     |                                                               |                                                              |                                               |                                                                                   | Receipt of interests (Note 3)    | 16                                        | —                                                  |                                                     |

Terms of transactions and policies etc. for the determination thereof

- (Note 1) Dividends are determined subject to consultations based on the amount calculated in consideration of the net income of subsidiaries, or dividends paid by the Group.
- (Note 2) Regarding group management income, the Company, as a holding company, receives from each consolidated subsidiary an appropriate amount that covers the Company's management expenses.
- (Note 3) Funds received and loaned are related to CMS (Cash Management System), and payment and receipt of interests are reasonably determined in consideration of market interest rates. Amounts of transactions are stated at the average balance of deposits and loans during the fiscal year ended March 31, 2016.
- (Note 4) Amounts of transactions are presented exclusive of consumption tax, etc.

**7. Notes on per share information**

|                          |           |
|--------------------------|-----------|
| (1) Net assets per share | ¥1,004.90 |
| (2) Net income per share | ¥56.04    |

(Note) Amounts presented in non-consolidated balance sheet, non-consolidated statements of income, non-consolidated statements of changes in net assets and notes to non-consolidated financial statements are rounded down to the nearest million yen.

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

### Independent Auditor's Report

May 10, 2016

To the Board of Directors of Alfresa Holdings Corporation

#### KPMG AZSA LLC

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

Hiroshi Tawara [Seal]

Shigeru Katsuragi [Seal]

Hiroaki Hashimoto [Seal]

We have audited the consolidated financial statements of Alfresa Holdings Corporation for the consolidated fiscal year from April 1, 2015 to March 31, 2016, which comprise the consolidated balance sheet as at March 31, 2016, the consolidated statements of income and consolidated statements of changes in net assets for the year then ended, and notes to consolidated financial statements in accordance with the provisions of Article 444, Paragraph 4 of the Companies Act of Japan.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits from an independent standpoint. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected and applied depend on our judgment based on the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies applied by management, the methods of their application and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the consolidated financial statements.

We have judged that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the corporate group comprises Alfresa Holdings Corporation and its consolidated subsidiaries as at March 31, 2016, and their financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Interest

There are no interests between Alfresa Holdings Corporation and KPMG AZSA LLC or its engagement partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## Audit Report of the Accounting Audit Concerning Non-consolidated Financial Statements

### Independent Auditor's Report

May 10, 2016

To the Board of Directors of Alfresa Holdings Corporation

#### KPMG AZSA LLC

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

Hiroshi Tawara [Seal]

Shigeru Katsuragi [Seal]

Hiroaki Hashimoto [Seal]

We have audited the non-consolidated financial statements of Alfresa Holdings Corporation for the 13th fiscal year from April 1, 2015 to March 31, 2016, which comprise the non-consolidated balance sheet as at March 31, 2016, the non-consolidated statements of income and non-consolidated statements of changes in net assets for the year then ended, notes to non-consolidated financial statements and supplementary schedules in accordance with the provisions of Article 436, Paragraph 2, Item 1 of the Companies Act of Japan.

Management's Responsibility for the Non-consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements and supplementary schedules in accordance with accounting principles generally accepted in Japan, and for the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements and supplementary schedules that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated financial statements and supplementary schedules based on our audits from an independent standpoint. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the non-consolidated financial statements and supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements and supplementary schedules. The audit procedures selected and applied depend on our judgment based on the assessment of the risks of material misstatement of the non-consolidated financial statements and supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies applied by management, the methods of their application and the reasonableness of accounting estimates made by management, as well as examining the overall presentation of the non-consolidated financial statements and supplementary schedules.

We have judged that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Audit Opinion

In our opinion, the non-consolidated financial statements and supplementary schedules present fairly, in all material respects, the financial position as at March 31, 2016 and the financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Interest

There are no interests between Alfresa Holdings Corporation and KPMG AZSA LLC or its engagement partners that should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## 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 13th fiscal year from April 1, 2015 to March 31, 2016, 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

The Audit & Supervisory Board established policies and plans of audits, etc., for the fiscal year ended March 31, 2016, and set out priority tasks, namely audits on the status of progress of management policies of 13–15 Medium-term Management Plan in its final year, and audits related to compliance with laws relating to labor and response to amendments thereof. 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.

Each Audit & Supervisory Board Member, in compliance with 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 policies and plans of audits, etc. In addition, 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.

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.

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, 2016.



## 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.

### (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 11, 2016

Alfresa Holdings Corporation

Audit & Supervisory Board

|                                                |                  |        |
|------------------------------------------------|------------------|--------|
| Audit & Supervisory Board<br>Member (Standing) | Kenji Kuwayama   | [Seal] |
| Audit & Supervisory Board<br>Member (Outside)  | Nobuyoshi Yamada | [Seal] |
| Audit & Supervisory Board<br>Member (Outside)  | Yuji Noguchi     | [Seal] |
| Audit & Supervisory Board<br>Member (Outside)  | Seisui Kamigaki  | [Seal] |

## Reference Documents for the General Meeting of Shareholders

### Proposals and References

#### Proposal 1: Election of 11 Directors

The terms of office of all Directors (12 Directors) will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we would like to propose the election of 11 Directors.

The candidates are as follows:

| No. | Name                                                                      | Current position and responsibilities in the Company                                                                                 |
|-----|---------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
| 1   | [Reelected] Denroku Ishiguro                                              | Position: Representative Director & Chairman<br>Responsibilities: -                                                                  |
| 2   | [Reelected] Hiroyuki Kanome                                               | Position: Representative Director & Deputy Chairman<br>Responsibilities: -                                                           |
| 3   | [Reelected] Taizo Kubo                                                    | Position: Representative Director & President<br>Responsibilities: -                                                                 |
| 4   | [Reelected] Shunichi Miyake                                               | Position: Director, Senior Vice President & Executive Officer<br>Responsibilities: Financial Planning and General Affairs            |
| 5   | [Reelected] Yasuki Izumi                                                  | Position: Director, Vice President & Executive Officer<br>Responsibilities: Group Business & Affiliate Control, Business Development |
| 6   | [Reelected] Shozo Hasebe                                                  | Position: Director, Deputy President<br>Responsibilities: General Management, Corporate Administration                               |
| 7   | [Reelected] Tsuneo Shinohara                                              | Position: Director<br>Responsibilities: -                                                                                            |
| 8   | [Newly elected] Koichi Masunaga                                           | Position: -<br>Responsibilities: -                                                                                                   |
| 9   | [Newly elected] Ryuji Arakawa                                             | Position: -<br>Responsibilities: -                                                                                                   |
| 10  | [Reelected]<br>[Outside Director]<br>[Independent Director] Kazuko Kimura | Position: Director<br>Responsibilities: Chairman, Nomination and Remuneration Committee for Directors and Executive Officers         |
| 11  | [Reelected]<br>[Outside Director]<br>[Independent Director] Kimiko Terai  | Position: Director<br>Responsibilities: Chairman, Corporate Governance Committee                                                     |

| 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>Denroku Ishiguro</p> <p>[Reelected]</p> <p>Date of birth:<br/>May 4, 1951</p> <p>Attendance of Board of Directors' meetings:<br/>100% (18 out of 18 meetings)</p> | <p>December 1979    Joined Meiki Co., Ltd. (currently Meisho Co., Ltd.)</p> <p>December 1989    Representative Director &amp; President of Meiki Co., Ltd.</p> <p>April 1998        Representative Director &amp; Deputy President of Kasamatsu Meiki Co., Ltd. (currently Meisho Co., Ltd.)</p> <p>December 2000   Representative Director &amp; President of Kasamatsu Meiki Co., Ltd.</p> <p>June 2005        Director of the Company</p> <p>April 2006        Representative Director of Meisho Co., Ltd.</p> <p>July 2006        Director, Vice President &amp; Executive Officer of the Company, responsible for Business Strategies</p> <p>April 2007        Director, Senior Vice President &amp; Executive Officer of the Company, responsible for Business Strategies</p> <p>June 2007        Representative Director &amp; President of Alfresa Corporation</p> <p>April 2008        Director, Deputy President of the Company</p> <p>April 2009        Representative Director &amp; President of the Company</p> <p>April 2016        Representative Director &amp; Chairman of Sannova Co., Ltd. (present)</p> <p>April 2016        Representative Director &amp; Chairman of the Company (present)</p> <p>[Significant concurrent position]<br/>Representative Director &amp; Chairman of Sannova Co., Ltd.</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 1,700                                |
| <p>[Reasons for election as candidate for Director]</p> <p>Mr. Denroku Ishiguro has shown solid performance and results as the Company's Representative Director in our efforts to realize the Healthcare Consortium vision through two medium-term management plans: 10-12 Medium-term Management Plan and 13-15 Medium Term Management Plan. 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 |
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| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>Hiroyuki Kanome</p> <p>[Reelected]</p> <p>Date of birth:<br/>January 1, 1951</p> <p>Attendance of Board of Directors' meetings:<br/>94.4% (17 out of 18 meetings)</p> | <p>April 1972      Joined Fukujin Co., Ltd. (currently Alfresa Corporation)</p> <p>June 1998      Director of Fukujin Co., Ltd.</p> <p>June 2000      Managing Director of Fukujin Co., Ltd.</p> <p>June 2002      Director, Vice President &amp; Executive Officer of Fukujin Co., Ltd.</p> <p>June 2003      Director, Senior Vice President &amp; Executive Officer of Fukujin Co., Ltd.</p> <p>June 2006      Director, Deputy President of Alfresa Corporation</p> <p>June 2008      Representative Director &amp; Deputy President of Alfresa Corporation.</p> <p>April 2009      Representative Director &amp; President of Alfresa Corporation</p> <p>June 2009      Director, Deputy President of the Company, Group Sales Promotion</p> <p>July 2011      Director, Deputy President of the Company, Pharmaceutical Business Promotion</p> <p>June 2012      Representative Director &amp; Deputy President of the Company, Pharmaceutical Wholesaling Business</p> <p>April 2016      Representative Director &amp; Chairman of Alfresa Corporation (present)</p> <p>April 2016      Representative Director &amp; Deputy Chairman of the Company (present)</p> <p>[Significant concurrent position]<br/>Representative Director &amp; Chairman of Alfresa Corporation</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 111,500                              |
| <p>[Reasons for election as candidate for Director]</p> <p>Mr. Hiroyuki Kanome has played a leading role as a driving force in the Alfresa Group as a whole in the push to complete the distribution reforms that are the highest-priority challenge for the Ethical Pharmaceuticals Wholesaling Business. Additionally, having served as Representative Director of Alfresa Corporation, he is deeply familiar with the general operations of the Company and its operating companies. 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 |
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| 3                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p>Taizo Kubo</p> <p>[Reelected]</p> <p>Date of birth: August 11, 1955</p> <p>Attendance of Board of Directors' meetings: 100% (18 out of 18 meetings)</p> | <p>March 1979      Joined Fukujin Co., Ltd. (currently Alfresa Corporation)</p> <p>June 2000      Director of Fukujin Co., Ltd., General Manager of Sales Planning Department</p> <p>June 2002      Director, Vice President &amp; Executive Officer of Fukujin Co., Ltd.</p> <p>April 2006      Vice President &amp; Executive Officer of the Company, Group Administration and Affiliate Control, Internal Control</p> <p>June 2006      Director, Vice President &amp; Executive Officer of the Company, Group Administration and Affiliate Control, Internal Control</p> <p>April 2008      Director, Senior Vice President &amp; Executive Officer of the Company, Group Administration and Affiliate Control, Internal Control</p> <p>April 2009      Representative Director &amp; President of Shikoku Alfresa Corporation</p> <p>June 2012      Director of the Company</p> <p>April 2013      Director, Senior Vice President &amp; Executive Officer of the Company, Group Business &amp; Affiliate Control, Group Information System</p> <p>June 2015      Director, Deputy President of the Company, Group Business &amp; Affiliate Control, Group Information System, Hospital &amp; Dispensing Pharmacy</p> <p>April 2016      Representative Director &amp; President of the Company (present)</p> <p>[Significant concurrent position]</p> <p>None</p> <p>[Note related to candidate for Director]</p> <p>No conflict of special interest exists between the candidate and the Company.</p> |  | 75,100                               |
| <p>[Reasons for election as candidate for Director]</p> <p>Mr. Taizo Kubo played a leading role in the formulation of the 16-18 Mid-term Management Plan, building on his wealth of experience in the Company and its operating companies. He has shown leadership in the effort to realize the Healthcare Consortium vision in accordance with the Alfresa Group Corporate Principles. 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 |
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| 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <p>Shunichi Miyake</p> <p>[Reelected]</p> <p>Date of birth:<br/>February 1, 1954</p> <p>Attendance of Board of Directors' meetings:<br/>100% (18 out of 18 meetings)</p> | <p>April 1976      Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)</p> <p>April 2003      Executive Officer of AZWELL Inc. (currently Alfresa Pharma Corporation)</p> <p>October 2004    Executive Officer of Alfresa Corporation</p> <p>April 2006      Executive Officer of the Company, General Manager of Financial Planning Department, Office Manager of Public and Investor Relations Office</p> <p>April 2008      Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of Financial Planning Department</p> <p>April 2009      Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of Financial Planning Department, Office Manager of Public and Investor Relations Office</p> <p>June 2010      Director, Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of Financial Planning Department, Office Manager of Public and Investor Relations Office</p> <p>April 2012      Director, Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations</p> <p>July 2012      Director, Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of General Affairs Department</p> <p>April 2013      Director, Senior Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Manager of General Affairs Department</p> <p>July 2014      Director, Senior Vice President &amp; Executive Officer of the Company, Financial Planning, Public and Investor Relations, General Affairs</p> <p>April 2016      Director, Senior Vice President &amp; Executive Officer of the Company, Financial Planning and General Affairs (present)</p> <p>[Significant concurrent position]<br/>None</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 15,320                               |
| <p>[Reasons for election as candidate for Director]<br/>As Director in charge of Financial Planning and General Affairs, Mr. Shunichi Miyake has played a leading role in the creation of consolidated financial statements and other documents, based on his appropriate knowledge of finance and accounting. He also has a wealth of experience and a proven track record that includes a central position in Public and Investor Relations activities. 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 |
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| 5                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Yasuki Izumi</p> <p>[Reelected]</p> <p>Date of birth:<br/>January 28, 1956</p> <p>Attendance of Board of Directors' meetings:<br/>100% (18 out of 18 meetings)</p> | <p>April 1978      Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)</p> <p>October 2006    General Manager of Group Administration and Affiliate Control Department of the Company</p> <p>April 2010      Executive Officer of the Company, General Manager of Group Administration and Affiliate Control Department and General Affairs Department</p> <p>June 2012      Executive Officer of the Company, Group Business &amp; Affiliate Control, General Manager of Business Development Department</p> <p>October 2012    Vice President &amp; Executive Officer of the Company, Group Business &amp; Affiliate Control, General Manager of Business Development Department</p> <p>April 2013      Vice President &amp; Executive Officer of the Company, Business Development, General Manager of Business Development Department</p> <p>April 2014      Vice President &amp; Executive Officer of the Company, Business Development, International Business, General Manager of Business Development Department</p> <p>June 2014      Director, Vice President &amp; Executive Officer of the Company, Business Development, International Business, General Manager of Business Development Department</p> <p>April 2015      Director, Vice President &amp; Executive Officer of the Company, Business Development, International Business</p> <p>April 2016      Director, Vice President &amp; Executive Officer of the Company, Group Business &amp; Affiliate Control, Business Development (present)</p> <p>[Significant concurrent position]<br/>None</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 10,880                               |
| <p>[Reasons for election as candidate for Director]<br/>Mr. Yasuki Izumi has a wealth of experience and proven track record, including expanding our business domains, building corporate partnerships, strengthening our international business with a focus on Asia, and strengthening our business-development functions as Director responsible for Group Business &amp; Affiliate Control and Business Development. 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 |
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| 6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Shozo Hasebe</p> <p>[Reelected]</p> <p>Date of birth:<br/>July 22, 1950</p> <p>Attendance of Board of Directors' meetings:<br/>100% (18 out of 18 meetings)</p> | <p>April 1973      Joined Saitama Bank, Ltd. (currently Saitama Resona Bank, Limited)</p> <p>June 2002      Senior Managing Director of Taishodo Co., Ltd.</p> <p>June 2004      Representative Director &amp; President of Taishodo Co., Ltd.</p> <p>October 2004   Executive Officer of the Company, General Manager of Public and Investor Relations Department</p> <p>April 2005      Vice President &amp; Executive Officer of the Company, General Manager of Public and Investor Relations Department</p> <p>April 2006      Vice President &amp; Executive Officer of the Company, Business Development, Financial Planning, General Manager of Business Development Department</p> <p>June 2006      Director, Vice President &amp; Executive Officer of the Company, Business Development, Financial Planning, General Manager of Business Development Department</p> <p>April 2007      Director, Vice President &amp; Executive Officer of the Company, Business Development, Financial Planning</p> <p>April 2008      Director, Senior Vice President &amp; Executive Officer of the Company, Business Development</p> <p>April 2009      Director, Senior Vice President &amp; Executive Officer of the Company, Business Development, Corporate Administration</p> <p>April 2010      Director, Senior Vice President &amp; Executive Officer of the Company, Corporate Administration</p> <p>June 2012      Director, Deputy President of the Company, Corporate Administration</p> <p>April 2013      Director, Deputy President of the Company, General Management, Corporate Administration (present)</p> <p>May 2014      Representative Director &amp; Chairman of Alfresa Healthcare Corporation (present)</p> <p>[Significant concurrent position]<br/>Representative Director &amp; Chairman of Alfresa Healthcare Corporation</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 75,400                               |
| <p>[Reasons for election as candidate for Director]<br/>Mr. Shozo Hasebe has a wealth of knowledge and experience and a proven track record in a wide range of fields, including involvement in general operations as Director responsible for Corporate Administration, from a financial standpoint as well as enhancing corporate compliance and governance. 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 |
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| 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Tsuneo Shinohara</p> <p>[Reelected]</p> <p>Date of birth:<br/>December 28, 1949</p> <p>Attendance of Board of Directors' meetings:<br/>100% (18 out of 18 meetings)</p> | <p>March 1972      Joined Fukujin Co., Ltd. (currently Alfresa Corporation)</p> <p>June 2001      Director of Fukujin Co., Ltd.</p> <p>June 2003      Director, Vice President &amp; Executive Officer of Fukujin Co., Ltd.</p> <p>July 2007      Director, Senior Vice President &amp; Executive Officer of Alfresa Corporation</p> <p>June 2010      Director of the Company</p> <p>April 2013      Director, Deputy President of the Company, Hospital &amp; Dispensing Pharmacy</p> <p>June 2015      Director, Deputy President of Nihon Apoch CO., LTD. (present)</p> <p>June 2015      Director of the Company (present)</p> <p>[Significant concurrent position]</p> <p>None</p> <p>[Note related to candidate for Director]</p> <p>No conflict of special interest exists between the candidate and the Company.</p> |  | 49,300                               |
| <p>[Reasons for election as candidate for Director]</p> <p>Mr. Tsuneo Shinohara has played a significant role that includes highly effective supervision of management of the Company, including making opinions and suggestions based on his wealth of experience and deep knowledge of the Ethical Pharmaceuticals Wholesaling 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 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Koichi Masunaga</p> <p>[Newly elected]</p> <p>Date of birth:<br/>May 16, 1955</p> | <p>March 1978      Joined Fukujin Co., Ltd. (currently Alfresa Corporation)</p> <p>June 2002      Executive Officer of Fukujin Co., Ltd.</p> <p>September 2003      Executive Officer of the Company, General Manager of Management Strategy Department</p> <p>April 2006      Executive Officer of the Company, General Manager of Group Administration and Affiliate Control Department</p> <p>July 2006      Executive Officer of Alfresa Corporation</p> <p>October 2008      Vice President &amp; Executive Officer of Alfresa Corporation</p> <p>June 2010      Director, Vice President &amp; Executive Officer of Alfresa Corporation</p> <p>April 2013      Director, Senior Vice President &amp; Executive Officer of Alfresa Corporation</p> <p>April 2016      Representative Director &amp; President of Alfresa Corporation (present)</p> <p>[Significant concurrent position]<br/>Representative Director &amp; President of Alfresa Corporation</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 37,200                               |
| <p>[Reasons for election as candidate for Director]<br/>Mr. Koichi Masunaga has served as Vice President &amp; Executive Officer and Senior Vice President &amp; Executive Officer of our key subsidiary Alfresa Corporation. Currently he plays a central role in the Group as Representative Director, and he is deeply familiar with the general operations of the operating companies. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p> |                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                      |

Note: Mr. Koichi Masunaga is a new candidate for Director.

| 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 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 9                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <p>Ryuji Arakawa</p> <p>[Newly elected]</p> <p>Date of birth:<br/>March 5, 1963</p> | <p>April 1987      Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)</p> <p>April 1999      Joined CS YAKUHIN CO., LTD.</p> <p>June 2000      Director of CS YAKUHIN CO., LTD.</p> <p>June 2005      Managing Director of CS YAKUHIN CO., LTD.</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.</p> <p>April 2009      Representative Director &amp; President of CS YAKUHIN CO., LTD.</p> <p>[Significant concurrent position]</p> <p>Representative Director &amp; President of CS YAKUHIN CO., LTD.</p> <p>[Note related to candidate for Director]</p> <p>No conflict of special interest exists between the candidate and the Company.</p> | 61,920                               |
| <p>[Reasons for election as candidate for Director]</p> <p>Mr. Ryuji Arakawa served as Managing Director and Senior Vice President &amp; Executive Officer of CS YAKUHIN CO., LTD., which operates in the Tokai region. He has been serving as Representative Director of said company since April 2009, and he is deeply familiar with the general operations of the Company and its operating companies. He has been elected as a candidate for Director because he can be expected to capitalize on his wealth of experience and knowledge at the Board of Directors, to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.</p> |                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                      |

Note: Mr. Ryuji Arakawa is a new candidate for Director.

| 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 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>Kazuko Kimura</p> <p>[Reelected]<br/>[Outside Director]<br/>[Independent Director]</p> <p>Date of birth:<br/>May 1, 1951</p> <p>Attendance of Board of Directors' meetings:<br/>94.4% (17 out of 18 meetings)</p> | <p>April 1976      Joined the Ministry of Health and Welfare (currently Ministry of Health, Labour and Welfare)</p> <p>April 1986      Senior Examination Specialist, Recruitment Bureau, National Personnel Authority</p> <p>October 1991    Deputy Director, Food Sanitation Division, Environmental Health Bureau, Ministry of Health and Welfare</p> <p>April 1996      Reviewer, Evaluation and Licensing Division, Pharmaceutical Affairs Bureau, Ministry of Health and Welfare</p> <p>July 1996      Ph.D., Scientist, Drug Management and Policy, World Health Organization (WHO)</p> <p>July 1999      Manager, Organization for Pharmaceutical Safety and Research</p> <p>April 2000      Ph.D., Professor, Drug Management and Policy, Institute of Medical, Pharmaceutical and Health Sciences, Kanazawa University (present)</p> <p>June 2013      Director of the Company (present)</p> <p>[Significant concurrent positions]<br/>Ph.D., Professor, Drug Management and Policy, Institute of Medical, Pharmaceutical and Health Sciences, Kanazawa University</p> <p>[Note related to candidate for Director]<br/>No conflict of special interest exists between the candidate and the Company.</p> | -                                    |
| <p>[Reasons for election as candidate for Director]<br/>In addition to her practical experiences in administration in the pharmaceutical field and in international organization, Dr. Kazuko Kimura is an academic expert who is currently working on education and research for contributing to the improvement of promotion, quality and rational use of pharmaceuticals from international perspectives. We therefore consider that she will continue to provide her opinions from a broad perspective to reflect on the management of the Company based on her deep knowledge and abundant experiences regarding pharmaceuticals and other fields. 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> |                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                      |

- Notes: 1. Dr. Kazuko Kimura meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director.
2. The Company has designated Dr. Kazuko Kimura as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.
3. The term of Dr. Kazuko Kimura's office as Outside Director will be three years at the conclusion of this General Meeting of Shareholders.
4. The Company stipulated in Article 30 of its current Articles of Incorporation that the Company may enter into an agreement with non-executive directors to limit their liability for damages arising from negligence in the performance of their duties in order for the non-executive directors to fulfill the roles expected of them. Based on this, Dr. Kazuko Kimura has entered into the liability limitation agreement with the Company, and the maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act. If the reappointment of Dr. Kazuko Kimura is approved, the liability limitation agreement described above is planned to be continued.

| 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 |
|-----|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 11  | Kimiko Terai                                                              | April 2002                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Ph.D., Associate Professor, Faculty of Business Administration, Hosei University                                                                                                                            | -                                    |
|     | [Reelected]<br>[Outside Director]<br>[Independent Director]               | April 2007<br>April 2008<br>April 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Ph.D., Visiting Researcher, University of California, Irvine<br>Ph.D., Professor, Faculty of Business Administration, Hosei University<br>Ph.D., Professor, Faculty of Economics, Keio University (present) |                                      |
| 11  | Date of birth: July 31, 1962                                              | April 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Ph.D., Adjunct Professor, Faculty of Business Administration, Hosei University                                                                                                                              | -                                    |
|     | Attendance of Board of Directors' meetings: 84.6% (11 out of 13 meetings) | April 2013<br>June 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Ph.D., Adjunct Professor, Keio Law School<br>Director of the Company (present)                                                                                                                              |                                      |
|     |                                                                           | [Significant concurrent positions]<br>Ph.D., Professor, Faculty of Economics, Keio University                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                             |                                      |
|     |                                                                           | [Note related to candidate for Director]<br>No conflict of special interest exists between the candidate and the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                             |                                      |
|     |                                                                           | [Reasons for election as candidate for Director]<br>In addition to her high-level insight and wide experiences as an economist, Dr. Kimiko Terai is an academic expert specialized in the financial field including social security system. We therefore consider that she will continue to provide her opinions from a broad perspective to reflect on the management of the Company based on her professional knowledge and experiences. 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. |                                                                                                                                                                                                             |                                      |

Notes: 1. Dr. Kimiko Terai meets the "Independence Standards for Outside Directors, etc." of the Company as a candidate for Outside Director.

2. The Company has designated Dr. Kimiko Terai as an independent director as prescribed by Tokyo Stock Exchange, Inc. and submitted a notification of the appointment to the same Exchange.
3. The term of Dr. Kimiko Terai's office as Outside Director will be one year at the conclusion of this General Meeting of Shareholders.
4. The Company stipulated in Article 30 of its current Articles of Incorporation that the Company may enter into an agreement with non-executive directors to limit their liability for damages arising from negligence in the performance of their duties in order for the non-executive directors to fulfill the roles expected of them. Based on this, Dr. Kimiko Terai has entered into the liability limitation agreement with the Company, and the maximum amount of liability for damages pursuant to the agreement is the amount prescribed in Article 425, Paragraph 1 of the Companies Act. If the reappointment of Dr. Kimiko Terai is approved, the liability limitation agreement described above is planned to be continued.

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

The Company requests the election of two (2) Substitute Audit & Supervisory Board Members, in accordance with Article 329, Paragraph 3 of the Companies Act, in order to prepare for the event of an unexpected shortfall in the number of Audit & Supervisory Board Members prescribed in laws and regulations.

Of the candidates for Substitute Audit & Supervisory Board Member, the Company proposes that Mr. Hiroshi Takeuchi be elected as a candidate for substitute Audit & Supervisory Board Member for Audit & Supervisory Board Member (Standing) Kenji Kuwayama, and Mr. Kenzo Nagai be elected as substitute Outside Audit & Supervisory Board Member for the Outside Audit & Supervisory Board Members.

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

The candidates for Substitute Audit & Supervisory Board Members are as follows:

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Name                                                        | Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for Audit & Supervisory Board Member                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number of shares of the Company held |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 1                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Hiroshi Takeuchi<br><br>Date of birth:<br>November 14, 1951 | <p>April 1974      Joined Mitsubishi Corporation</p> <p>August 1996      General Manager, Non-Ferrous Metals Division of Mitsubishi International Corporation</p> <p>September 2001      Chairman and CEO of Triland Metals Limited (United Kingdom)</p> <p>June 2005      President &amp; CEO of Kinsho Corporation (currently Mitsubishi Corporation RtM Japan Ltd.)</p> <p>April 2011      Senior Advisor of Kinsho Corporation</p> <p>June 2013      Audit &amp; Supervisory Board Member of Alfresa Corporation (present)</p> <p>[Significant concurrent positions]<br/>None</p> <p>[Note related to candidate for Audit &amp; Supervisory Board Member]<br/>No conflict of special interest exists between the candidate and the Company.</p> | 1,300                                |
| <p>[Reasons for election as candidate for Audit &amp; Supervisory Board Member]<br/>Mr. Hiroshi Takeuchi has a wealth of experience in corporate management, both in Japan and internationally. We have made him a candidate for substitute Audit &amp; Supervisory Board Member (Standing), as we consider that he will provide his opinions from a broad perspective to reflect on the audit system of the Company based on a high level of knowledge and wealth of experience as top management.</p> |                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                      |

Note: When Mr. Hiroshi Takeuchi takes his office as an Audit & Supervisory Board Member, the Company plans to enter into a liability limitation agreement to limit his liability for damages arising from negligence in the performance of the duties stipulated in Article 40 of the current Articles of Incorporation, to the maximum amount prescribed in Article 425, Paragraph 1 of the Companies Act.

| No.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Name                                                                                                   | Career summary, position and responsibilities in the Company, significant concurrent positions and note related to candidate for Audit & Supervisory Board Member                                                                                                                                                                                                                                                                                                                 | Number of shares of the Company held |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Kenzo Nagai<br><br>[Outside Audit & Supervisory Board Member]<br><br>Date of birth:<br>January 5, 1959 | <p>October 2000      Registered as attorney at law, Tokyo Bar Association</p> <p>March 2004      Attorney at law, Shigoroku Law Office (present)</p> <p>May 2012      Audit &amp; Supervisory Board Member of Alfresa Healthcare Corporation (present)</p> <p>[Significant concurrent positions]</p> <p>None</p> <p>[Note related to candidate for Audit &amp; Supervisory Board Member]</p> <p>No conflict of special interest exists between the candidate and the Company.</p> | -                                    |
| <p>[Reasons for election as candidate for Audit &amp; Supervisory Board Member]</p> <p>Mr. Kenzo Nagai has a wealth of experience and a high level of specialized knowledge as an attorney at law. We have made him a candidate substitute for Outside Audit &amp; Supervisory Board Member, as we consider that he will provide his opinions from an objective and neutral perspective to reflect on the audit system of the Company as a legal expert. Although he has never assumed positions of business management other than outside officer, because of the above reasons, we believe that he is capable of executing his duties properly as Outside Audit &amp; Supervisory Board Member.</p> |                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                      |

- Notes: 1. Mr. Kenzo Nagai meets the “Independence Standards for Outside Directors, etc.” of the Company as a candidate for substitute Outside Audit & Supervisory Board Member.
2. When Mr. Kenzo Nagai takes his office as an Audit & Supervisory Board Member, the Company plans to enter into a liability limitation agreement to limit his liability for damages arising from negligence in the performance of the duties stipulated in Article 40 of the current Articles of Incorporation, to the maximum amount prescribed in Article 425, Paragraph 1 of the Companies Act.