



16-18 Mid-term Management Plan

– Break Through to Tomorrow –

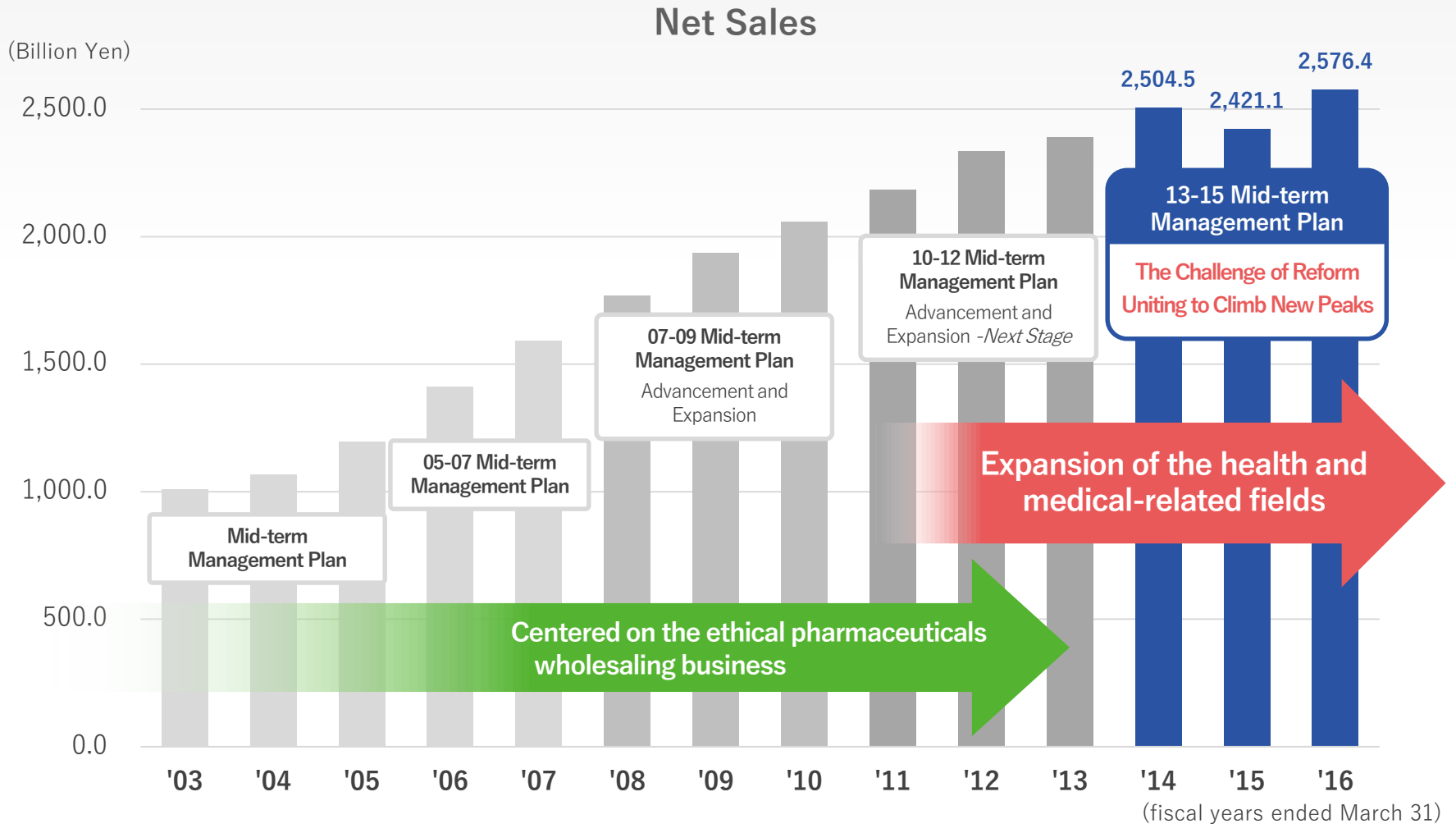
May 12, 2016

Alfresa Holdings Corporation



I. Review of the 13-15 Mid-term Management Plan

Solid Business Expansion



Achievement : Business Formation

13-15 Mid-term Management Plan

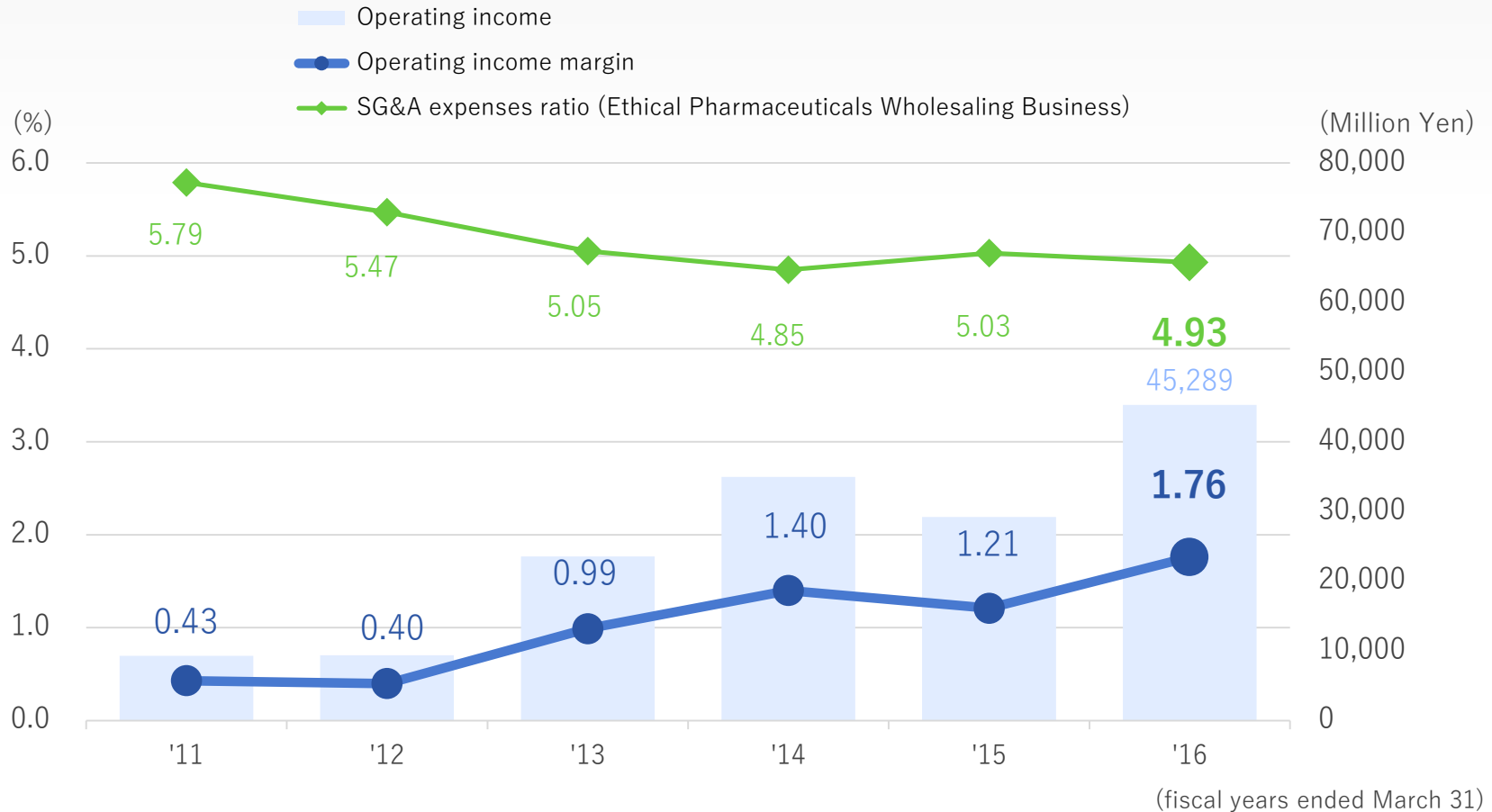
The Challenge of Reform
Uniting to Climb New Peaks

Expansion of the health and medical-related fields

Ethical Pharmaceuticals Wholesaling Business	Established Specialty Medical Distribution Corporation, specialty pharmaceuticals distribution company
	Established TS Alfresa Corporation (internal business integration in Chugoku region)
	Business integration of Alfresa Corporation and Alfresa Nikken Sangyo Corporation (Gifu Pref., April 2016)
	Internal business integration in Kyushu region (July 2016)
	Business integration of Alfresa Corporation and CS YAKUHIN CO.,LTD.(Tokai region, Oct.2016)
	Diagnostic reagents wholesaling company Alfresa Shinohara Chemicals Corporation turned into a wholly owned subsidiary
Self-medication Products Wholesaling Business	Mogi Pharmaceutical Co., Ltd. turned into a wholly owned subsidiary
Manufacturing Business	Alfresa Fine Chemical Corporation, active pharmaceutical ingredients manufacturer, turned into a wholly-owned subsidiary
	Sannova Co., Ltd., contract manufacturing company, turned into a wholly-owned subsidiary (April 2016)
Medical-related Business	Nihon Apoch Co., Ltd. turned into a subsidiary
Overseas Business	Established Alfresa Codupha Healthcare Vietnam Co., Ltd., healthcare business joint venture in Vietnam
	Established Liaoning Kangxinmei Commercial Chain Co., Ltd., drug store business joint venture in PRC
	Concluded agreement for JICA's Collaboration Program with the Private Sector for Disseminating Japanese Technology in Vietnam

Achievement : Operational Efficiency

Margin Improvement from Distribution Reforms and Low-cost Management



Group Management Targets : Results

	13-15 Target		Actual Results (Mar. 2016)
Net Sales	2.6 trillion yen	»	2.57 trillion yen
Operating Income Margin	1.0% +	»	1.76%
Net Profit Margin *	0.8% +	»	1.36%
Dividends Policy	DOE*: 2.0% (approx.)	»	DOE : 2.0%

*Net Profit Margin attributable to owners of parent company

*DOE : Dividend on Equity

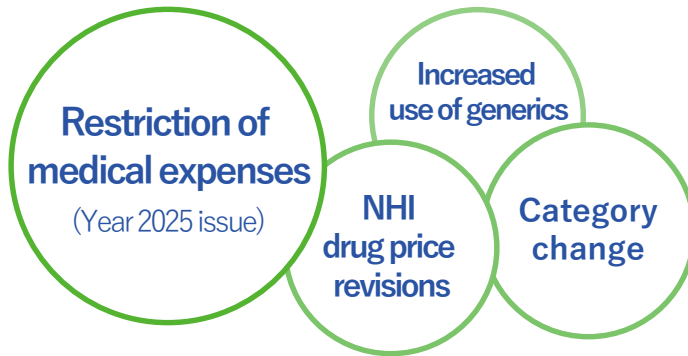
16-18 Mid-term Management Plan

II. Group Management Policies

- Changes in Our Business Environment
- Group Management Policies
- Group Management Targets

■ Changes in Our Business Environment

Lower Earnings Risk in the Ethical Pharmaceuticals Wholesaling Business



New Changes in the Business Environment



Responses Required

Boost overall Group profitability

Expand business fields

Reform business models

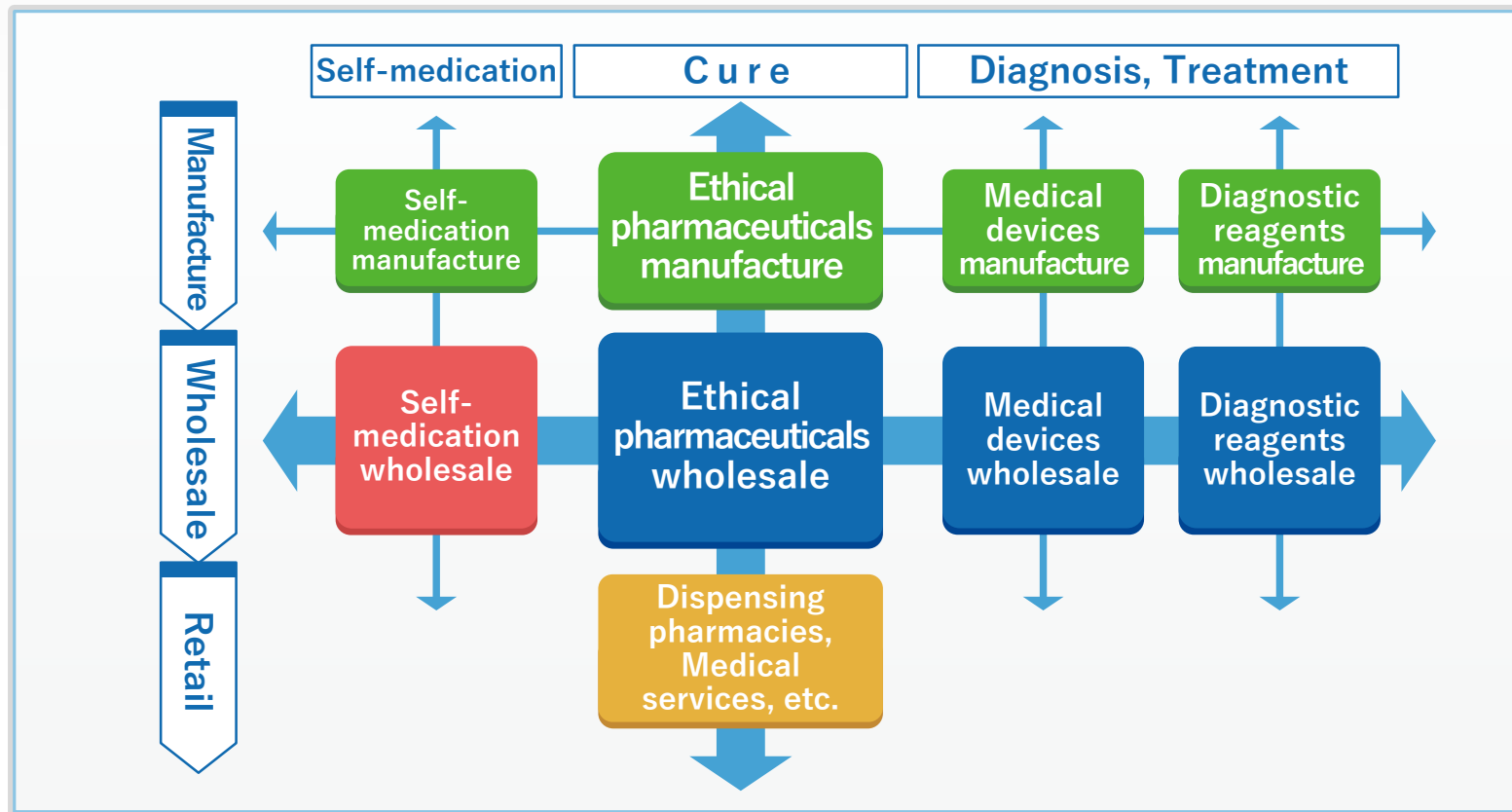
Group Management Policies

“ Challenge 3 ”

- 1 Strengthen Business Foundation with One Alfresa Initiatives
- 2 Expand the Health and Medical-related Fields
- 3 Reform Business Model Ahead of Changes in the Business Environment

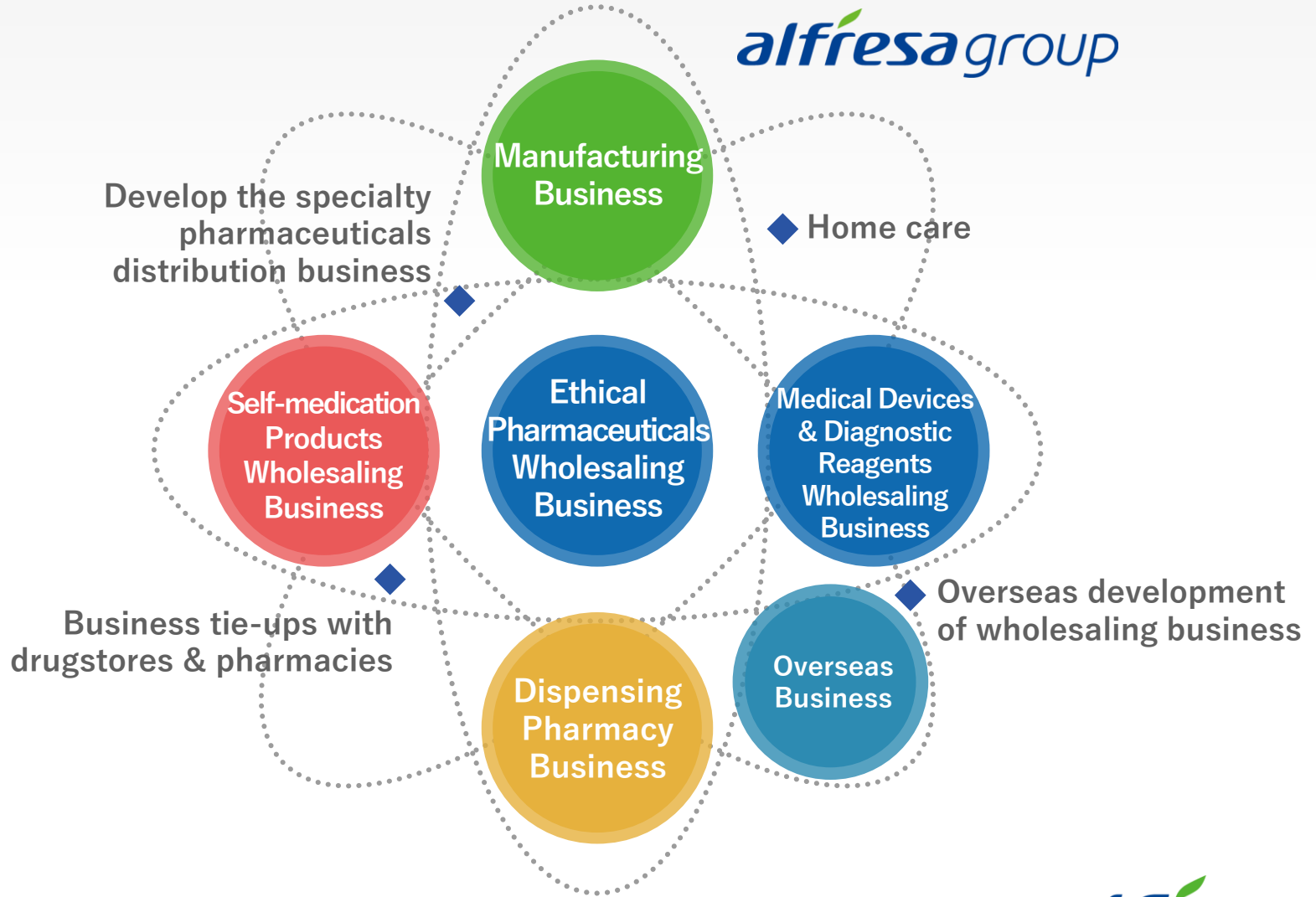
■ Realize the Healthcare Consortium

Aim to become a Healthcare Consortium that provides products and services in every health-related field

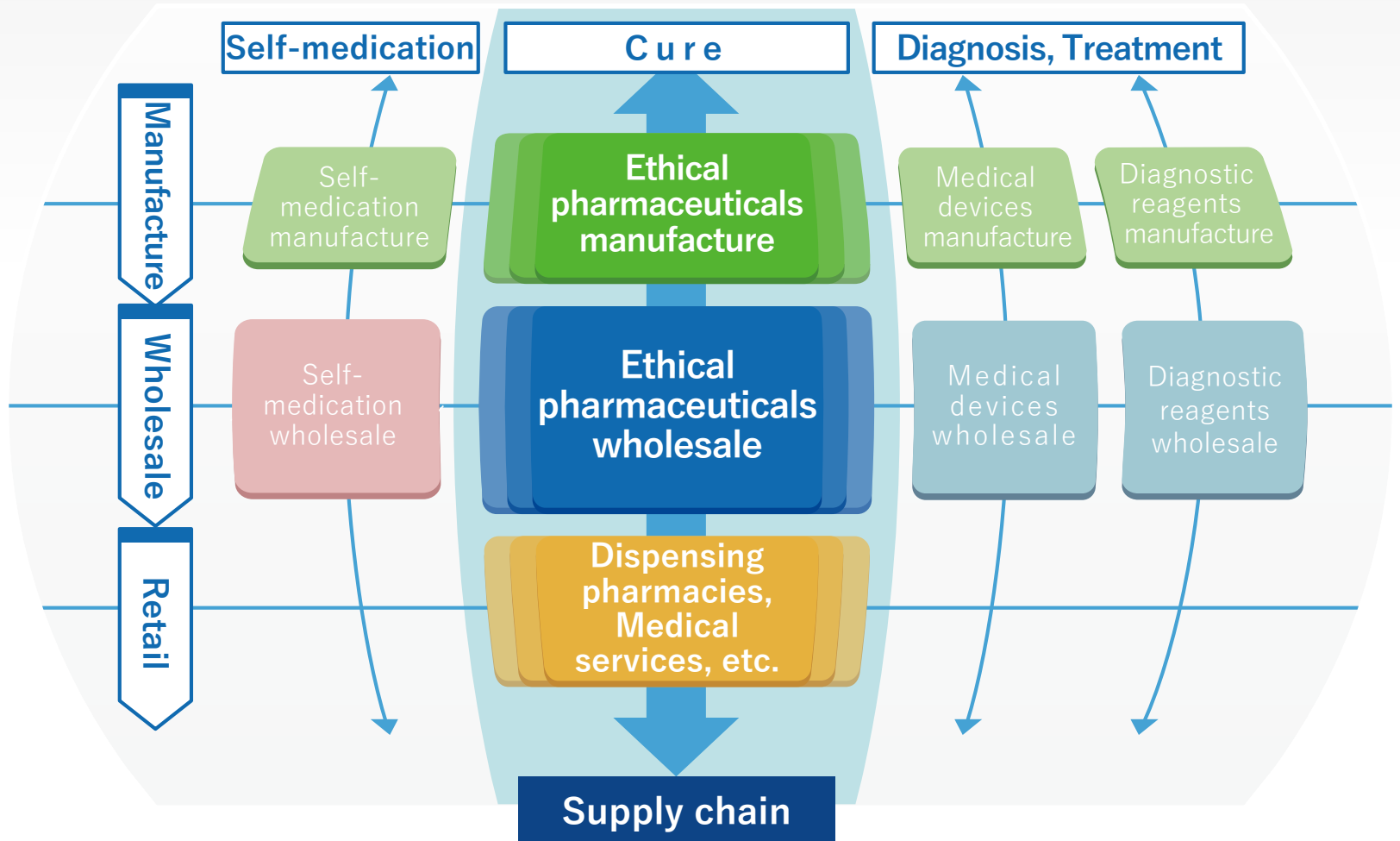


1 Strengthen Business Foundation with One Alfresa initiatives

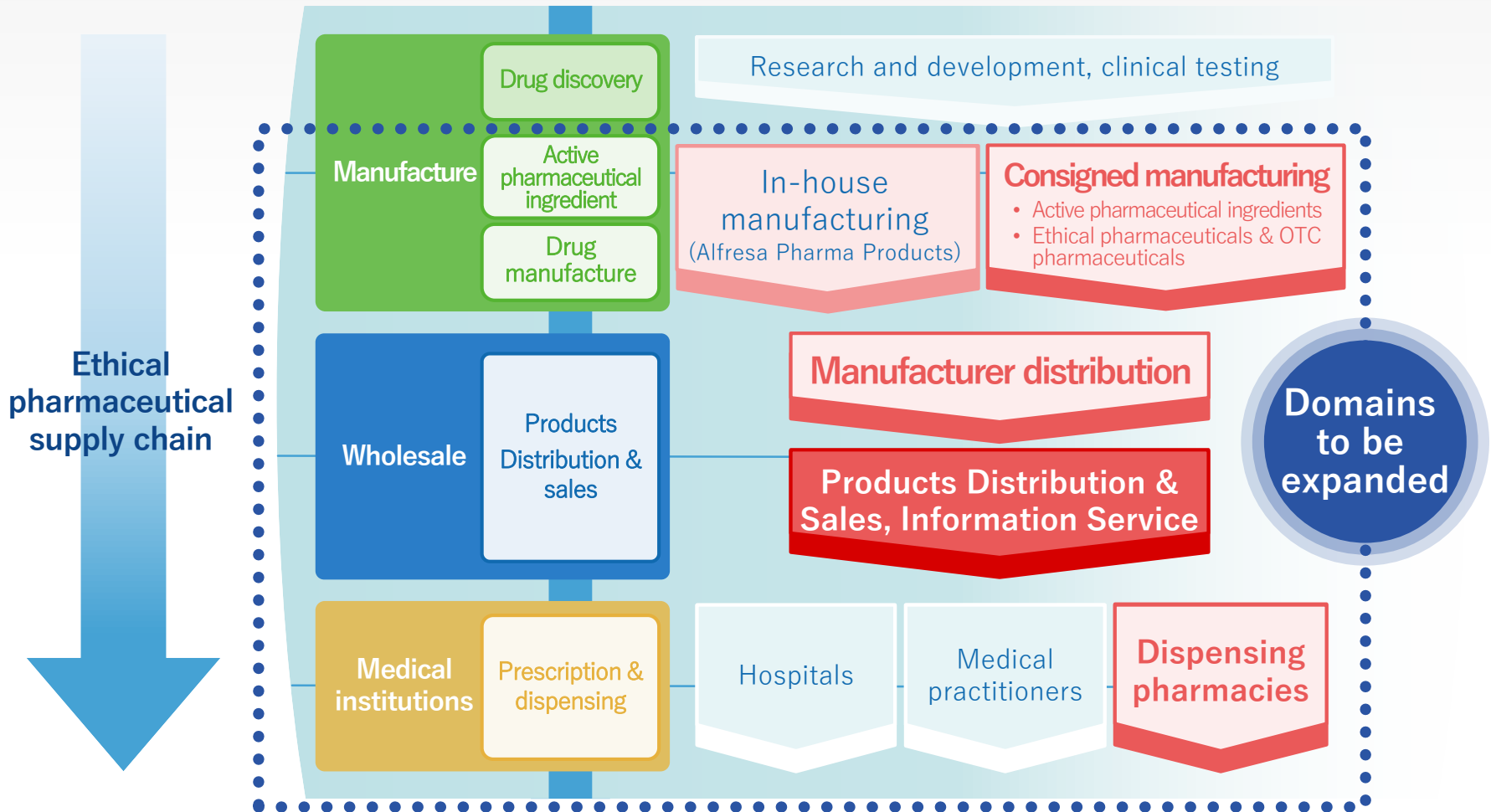
Spread the Alfresa Group brand



Strengthen the Ethical Pharmaceuticals Supply Chain



Our Business Domains (Select and Concentration)



Priority Measures by Segment

Ethical Pharmaceuticals Wholesaling Business

- Marketing reform & distribution reform
- Pursue optimization for the Alfresa Group
- Advance distribution reforms



Self-medication Products Wholesaling Business

- Further reinforce business foundations
- Strengthen value-added marketing activities



Manufacturing Business

- Advance consigned manufacturing and active pharmaceutical ingredients business
- Expand product lineup and reinforce sales capabilities



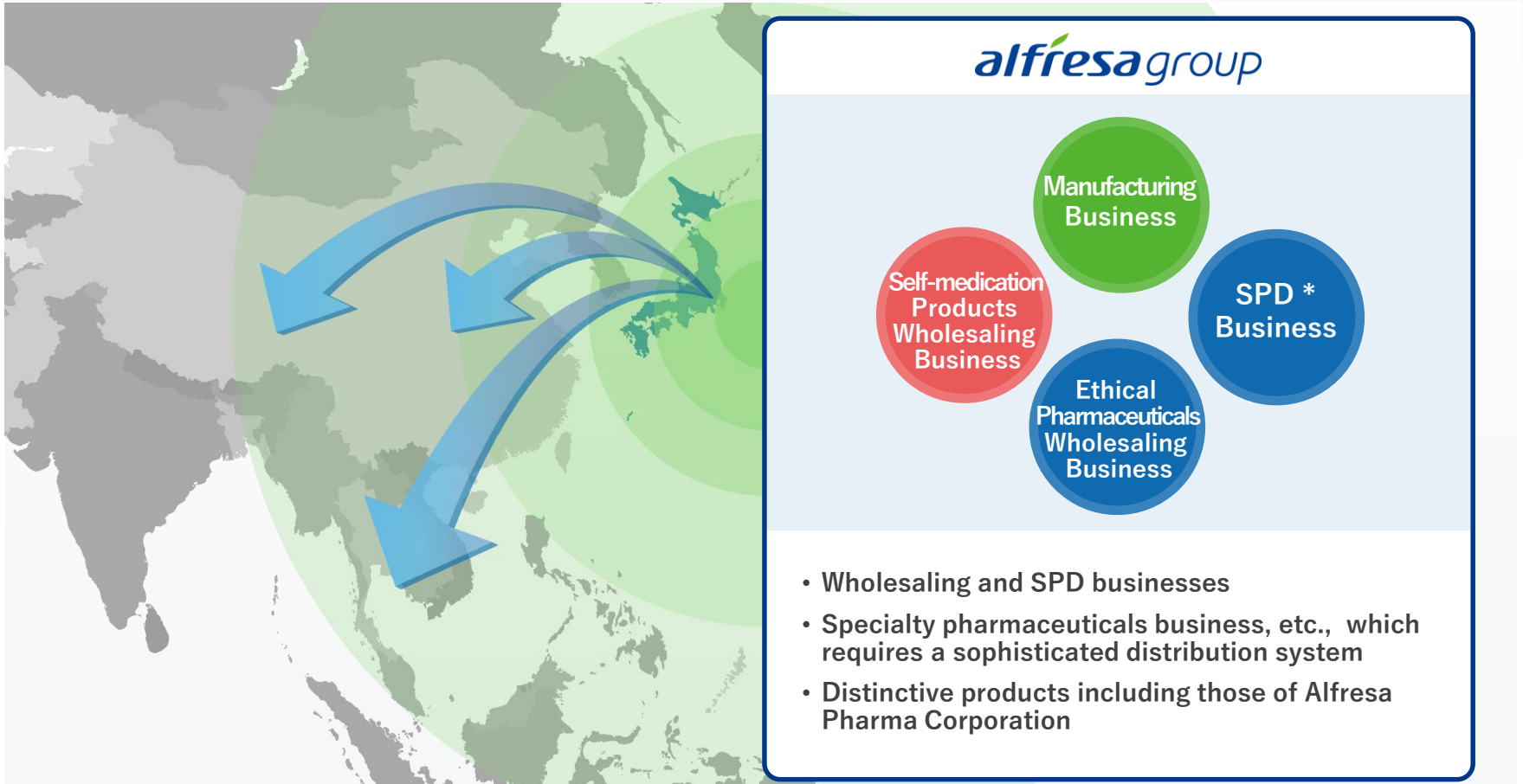
Medical-related Business

- Address business model transformation
 - Switch from location-oriented to function-focused–



Business Expansion Centered on Asia

Expand by leveraging the know-how acquired with strong business model in Japan



*SPD : Supply processing and distribution

New Group Management Targets

Net Sales	2.7 trillion yen
Operating Income Margin	1.5% +
Net Profit Margin*	1.2% +
Investment (cumulative total in 16-18 plan)	About 100 billion yen level
ROE	8% level
Shareholder return policy	DOE* 2.0% +

*Net Profit Margin attributable to owners of parent company

*DOE : Dividend on Equity

16-18 Mid-term Management Plan

III. Business Strategies by Segment

- Ethical Pharmaceuticals
Wholesaling Business
- Self-medication Products
Wholesaling Business
- Manufacturing Business
- Medical-related Business

Ethical Pharmaceuticals Wholesaling Business

Strengthen earnings structure as number one player in the EPW industry, ahead of changes in the business environment.

① Marketing Reform & Distribution Reform

- Reform sales functions in line with customer needs
- Address integrated community care systems
- Further improve the efficiency of sales distribution
- Strengthen specialty pharmaceuticals distribution

② Pursue optimization for the Alfresa Group

- Optimize distribution bases with a view toward nationwide distribution
- Advance nationwide development of customer support

③ Advance “*Distribution Reforms*”

Targets
(Mar. 2019)

Net Sales

2.4 trillion yen

Operating Income
Margin

1.5 %

Investment
(Cumulative)

42.0 billion yen

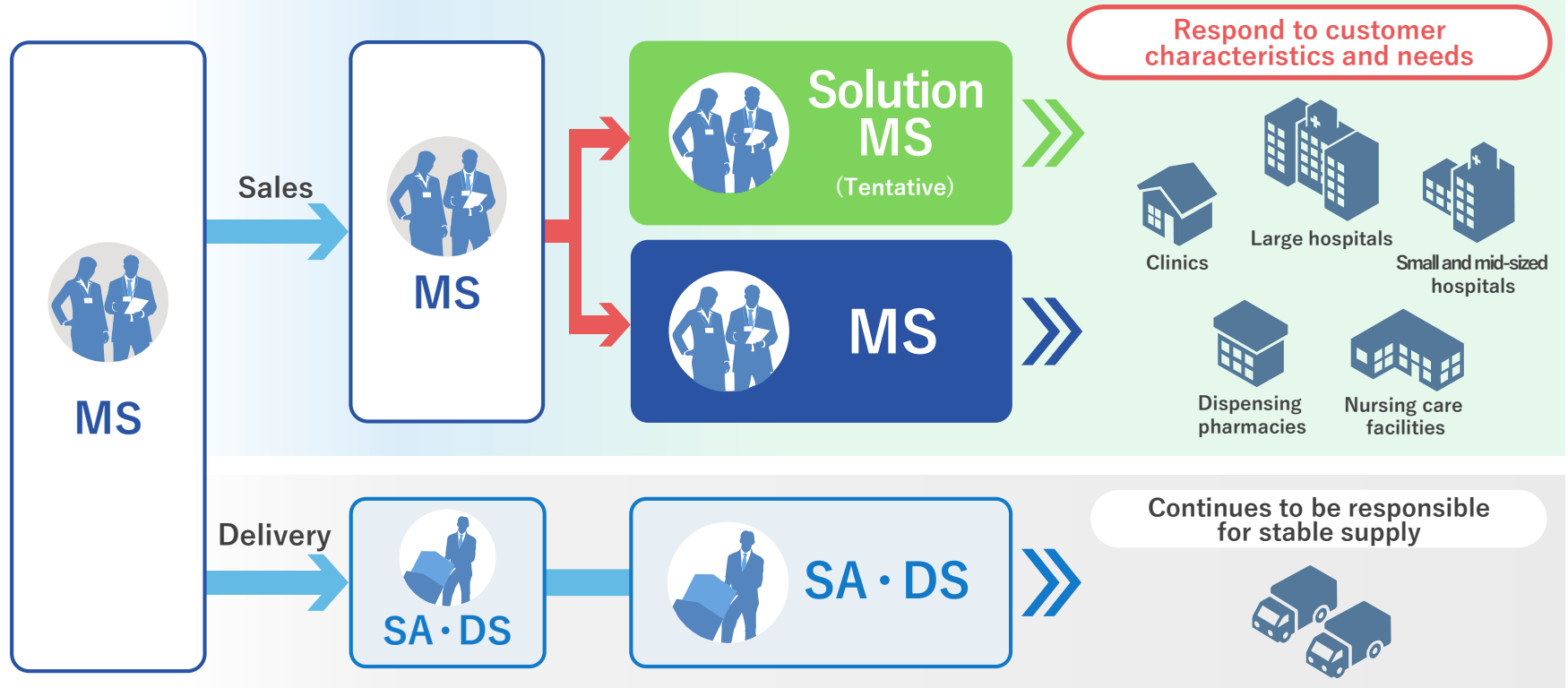
Reform Sales Functions in Line with Customer Needs

Separation of drug dispensing from medical practice

Promotion of community health-care vision/
integrated community care system promoted

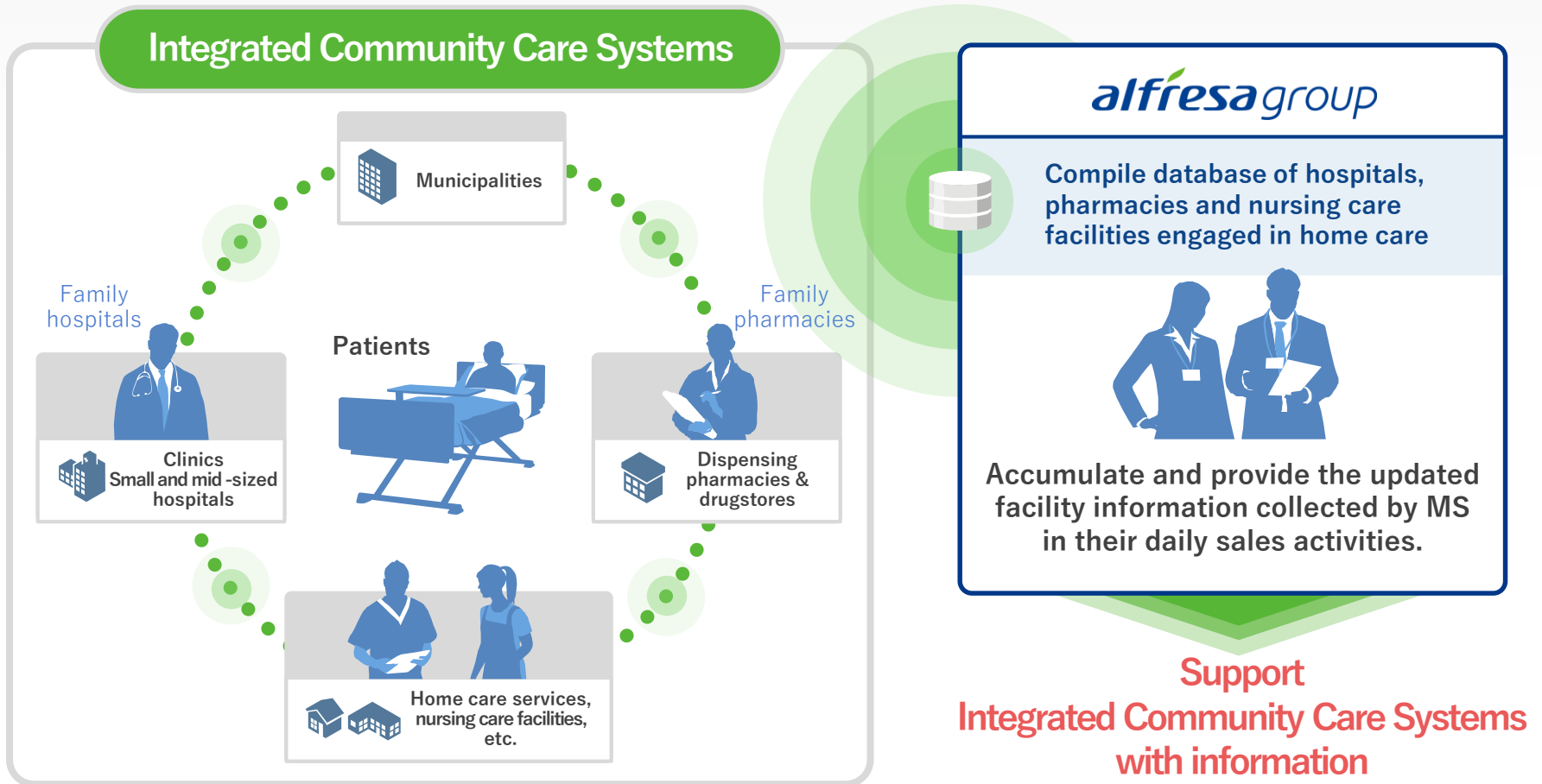
Separation of sales and distribution

Reform of the MS function







■ Address Integrated Community Care Systems

Perform the function of linking medical institutions, dispensing pharmacies, and nursing care facilities nationwide



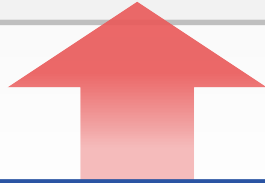
■ Further Improve the Efficiency of Sales Distribution

Cost Reduction Effect

① Direct delivery	Direct delivery to customers from distribution centers	
② Through delivery	Products are assorted at the distribution center and delivered to customers via branches, etc.	
③ Packaged delivery	Products are sorted as requested by the customer at the distribution center, placed into collapsible containers and delivered to the customer (inspection at the customer site is unnecessary)	
④ Outsourcing of delivery works	Parts of operation of SA and DS are consigned to outside delivery companies	

■ Strengthen Specialty Pharmaceuticals Distribution

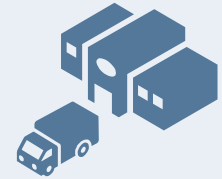
Pharmaceutical
manufacturers



Specialty Pharmaceuticals Distribution Business

Specialty pharmaceuticals distribution company

**Specialty Medical
Distribution Corporation**



*alfresa*group

Shareholders Alfresa Corporation (60%), TOMITA Pharmaceutical Co., Ltd. (20%), Moroo Co., Ltd. (20%)

■ Nationwide Sales Network

Nationwide distribution from Hokkaido to Kyushu covered by the eight ethical pharmaceutical wholesaling companies of the Alfresa Group together with the alliance partners TOMITA Pharmaceutical Co., Ltd. and Moroo Co., Ltd.

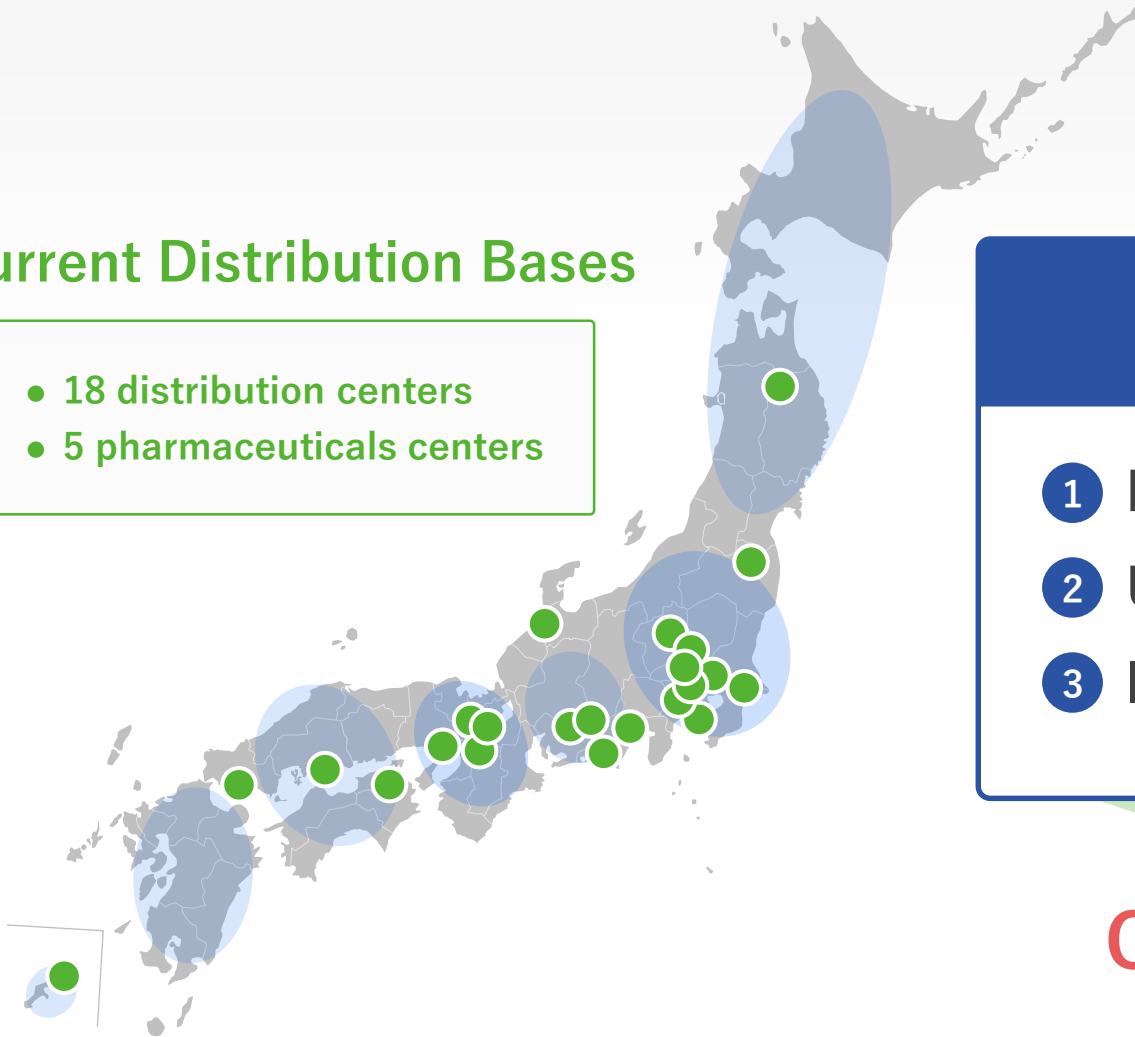
■ Sophisticated Transportation Technology

Leads the distribution of specialty pharmaceuticals under sophisticated temperature control, etc.

■ Optimize Distribution Bases with a View toward Nationwide Distribution

Current Distribution Bases

- 18 distribution centers
- 5 pharmaceuticals centers



16-18 Mid-term Measures

- 1 Reevaluate functions
- 2 Upgrade capabilities
- 3 Improve efficiency

Optimization

■ Advance Nationwide Development of Customer Support

Aim at optimizing distribution inventory by providing total customer support

Medical Institutions & Dispensing Pharmacies

- Prevent running out of stock, improve inventory efficiency
- Prevent dispensing errors
- Allow pharmacists to concentrate on patient interaction work
- Measures to increase patients
- Obtain hospital accreditation



1

Totally supporting customers' business

- Distribution management support within the hospital (SPD)
- Inventory management support
- Drug administration guidance support
- Consulting support, etc.

alfresa group

2

- Inventory optimization
- Achieving scheduled route delivery
- Improving efficiency in MS's marketing activities

3

Optimization of sales and distribution activities for the entire Group

■ Self-medication Products Wholesaling Business

Reinforce business foundations. Differentiate from other companies by boosting product appeal and sales abilities.

① Further reinforce business foundations

- Institute company-wide reforms starting from distribution
- Further strengthen profit management

② Strengthen value-added marketing activities

- Discover and nurture Alfresa exclusive products
- Strengthen sales operation to dispensing pharmacies (cooperation with group's EPW companies)
- Strengthen efforts to correspond to growing online retailers

Targets
(Mar. 2019)

Net Sales

245.0 billion yen

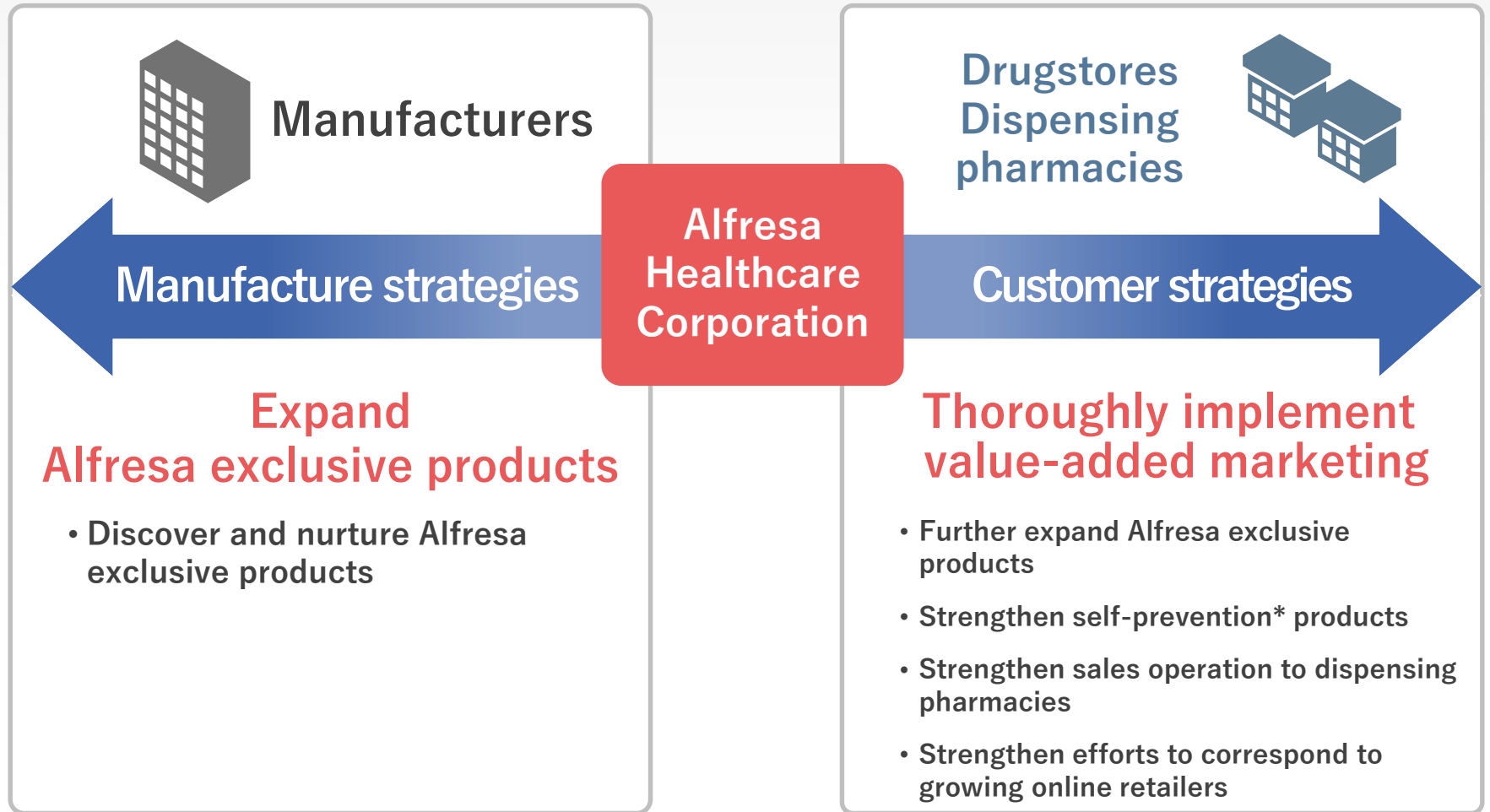
Operating Income
Margin

0.4%

Investment
(Cumulative)

1.0 billion yen

■ Strengthen Value-added Marketing Activities



*Self-prevention:
Self-management efforts to avoid deterioration into condition of need for nursing care

■ Manufacturing Business

Strengthen the Production Capabilities and Make Strategic Investments toward Business Expansion.

① Advance reliable, safe, and sincere manufacturing

- Respond to the Pharmaceuticals and Medical Devices Law and the PIC/S GMP Standard
- Further strengthen production capacity and quality control

② Advance consigned manufacturing and the active pharmaceutical ingredients business

- Advance marketing alliance and technology exchange between Alfresa Pharma Corporation and Sannova Co., Ltd.
- Strengthen development and sales of new active pharmaceutical ingredients products
- Expand strategic investment

③ Expand product lineup and reinforce sales capabilities

- Expand the product lineup toward growth areas
- Form sales alliances with group's EPW companies

④ Expand Overseas Business

- Strengthen overseas sales of Alfresa Pharma Corporation products

Targets
(Mar. 2019)

Net Sales

44.0 billion yen

Operating Income
Margin

7.7 %

Investment
(Cumulative)

12.0 billion yen

Expand the Production Capabilities toward Business Expansion

- Expand the business centered on consigned manufacturing and active pharmaceutical ingredients
- Expand production bases and make capital investments toward expanding production capacity

Net Sales (Mar.2019)

Approx. **140%** growth
(vs Mar.2016)

Alfresa Pharma Corporation Okayama Pharmaceutical Plant



Completed investments in the formulation building, packaging building and delivery center.

Production Capacity Expansion

Alfresa Fine Chemical Corporation



Turned into a wholly owned subsidiary in April 2015

Business Expansion

Sannova Co., Ltd.



Turned into a wholly owned subsidiary in April 2016

Business Expansion

Qingdao Nesco Medical Co., Ltd.



New building constructed in 2016

Production Capacity Expansion

Alfresa Pharma Corporation Chiba Plant



Upgrading production facilities

Production Capacity Expansion

■ Medical-related Business (Dispensing Pharmacy Business)

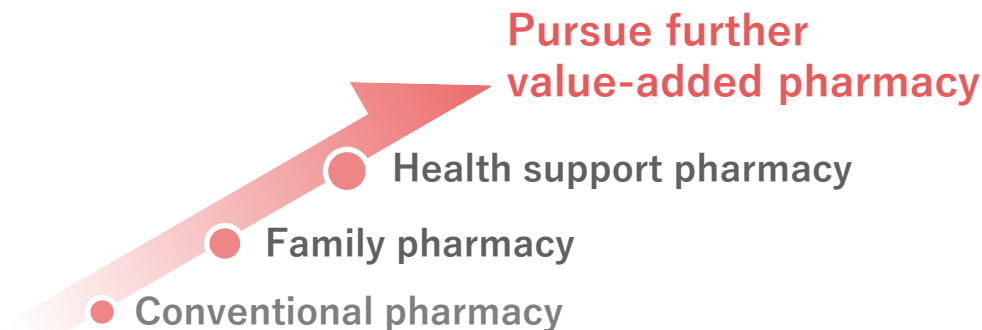
Expand business operation and boost earnings ability.
Make efforts towards business model transformation.

① Boost Earnings Ability

- Advance business expansion by opening new pharmacies and the other initiatives
- Improve efficiencies and strengthen functions such as pharmacist education and improved risk responses

② Address business model transformation

- Switch from location-oriented to function-focused



Targets
(Mar. 2019)

Net Sales

36.0 billion yen

Operating Income
Margin

2.5 %

Investment
(Cumulative)

1.5 billion yen

16-18 Mid-term Management Plan

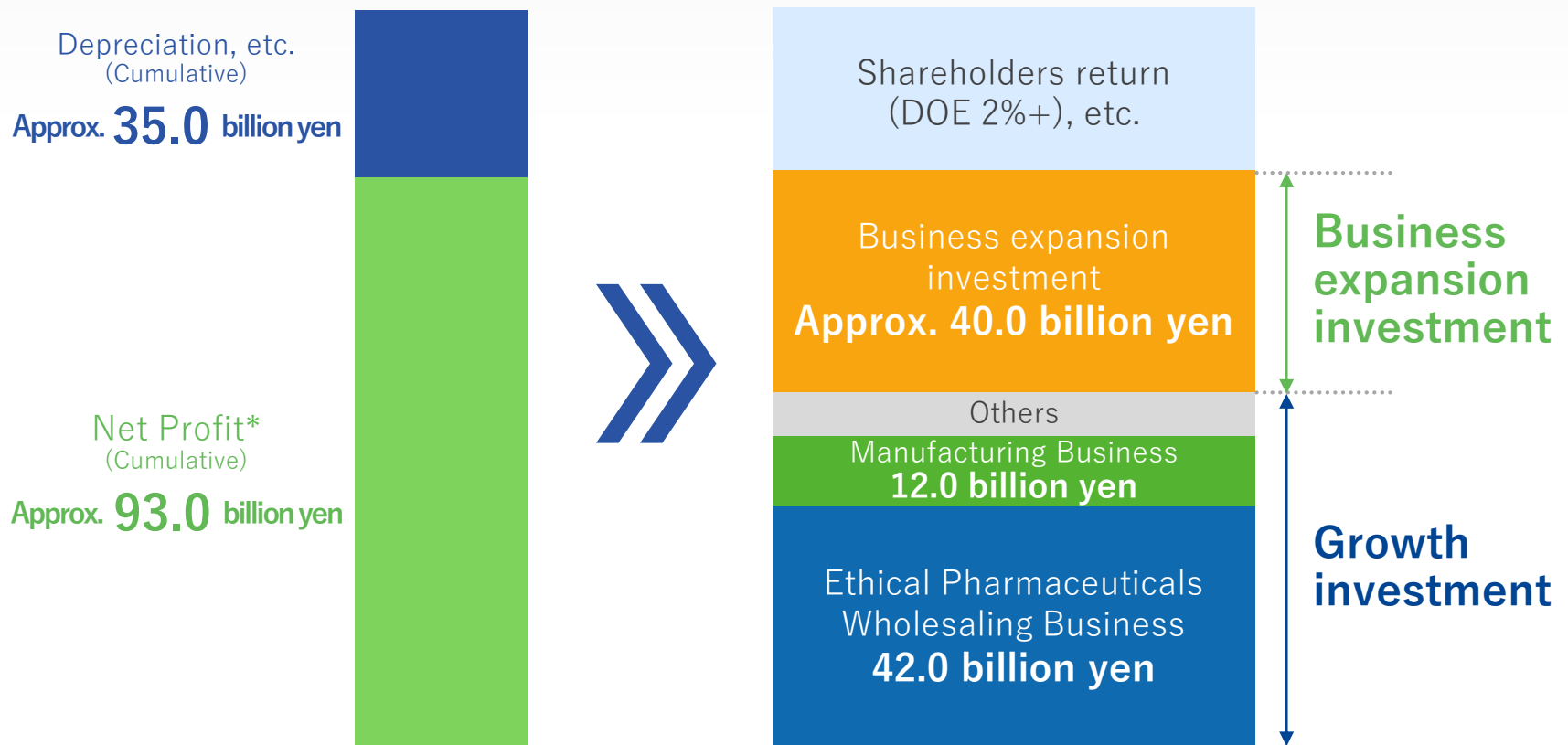
IV. Group-wide Strategies

- Capital Allocation & Investment
- ROE Target
- Shareholders Return
- 16-18 CSR Activities Policy
- The Alfresa Group's Principles

■ Capital Allocation & Investment

Investment

About **100 billion yen** level (cumulative total)



*Net profit attributable to owners of parent company

■ ROE Target

ROE

8% level

Prerequisites

- Fulfilling responsibility for stable supply of pharmaceuticals
- Maintaining sound financial base
- Further improving efficiencies in costs and expenses
- Marketing reforms and distribution reforms
- Continuing business expansion investment for sustainable growth

Net Profit Margin * (%)

- Maintain margin by reducing costs and expense ratio
- Net profit margin target of 1.2%+

Total Asset Turnover Ratio (times)

- Fulfill responsibility for stable supply of pharmaceuticals
- Work toward greater efficiencies from marketing reforms and distribution reforms

(13-15 actual results) 2.03-2.12 times

Financial Leverage (times)

- Pursue optimal capital structure

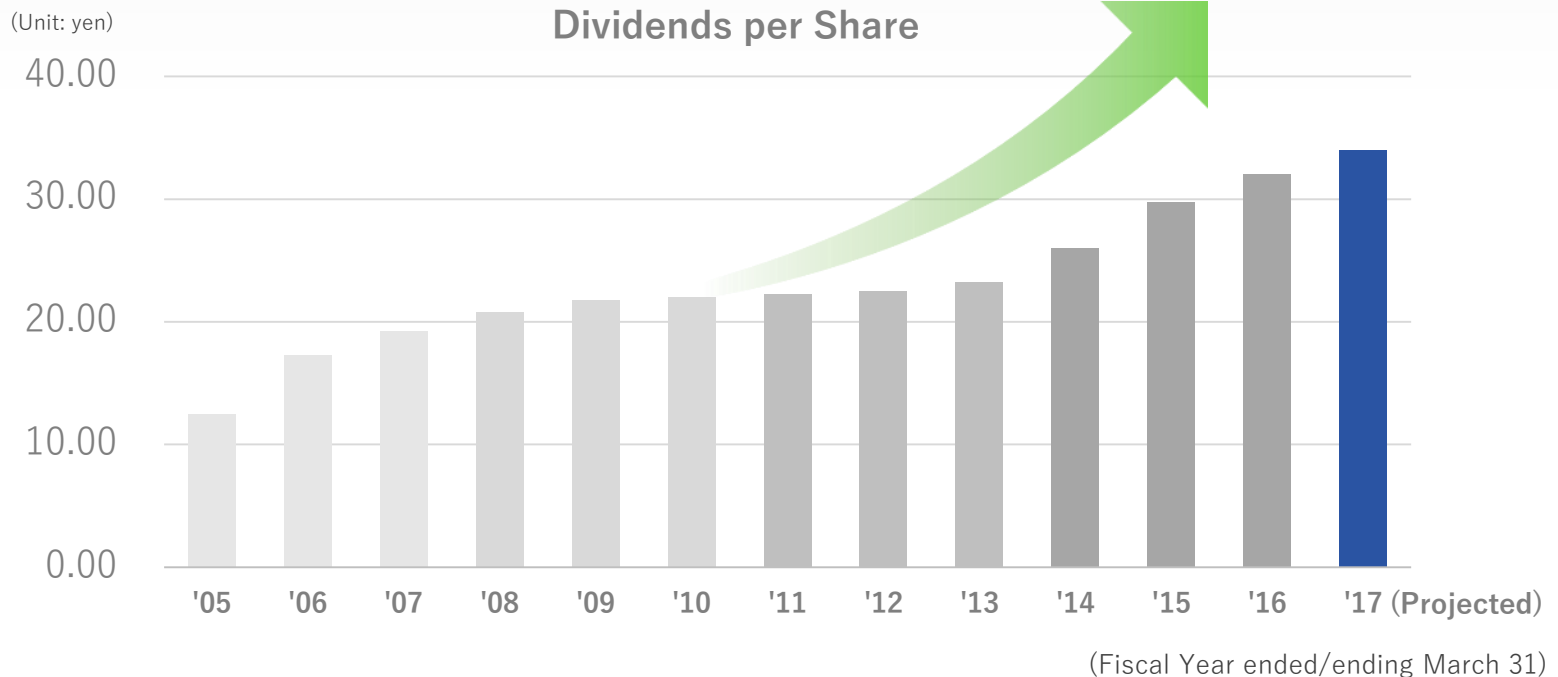
(13-15 actual results) 3.4-4.0 times

*Net profit margin attributable to owners of parent company

■ Shareholders Return

Shareholder return policy

DOE of 2.0% +



*The Company implemented a stock split of four shares for one share of common stock as of October 1, 2014. The dividends are shown to retroactively reflect this stock split.

■ 16-18 CSR Activities Policy

To Continue as a Corporate Group Trusted by Society

Addressing ESG Issues

Respecting Human Rights and Developing a Proper Working Environment

- Respect human rights and prevent harassment
- Promote diversity, including promoting women's participation
- Advance work-life balance (work-style reform)
- Strengthen efforts to promote health



Coexisting with the Local Community and Protecting the Environment

- Actively contribute to society
- Advance efforts to protect the environment



Conducting Sincere Business Activities through Enhanced Organizational Governance

- Spread and practice the Group's principles
- Enhance and strengthen internal controls and compliance
- Strengthen risk management



■ The Alfresa Group's Principles

■ Our Philosophy

We create and deliver a fresh life for all.

■ Our Vision

We aim to become a Healthcare Consortium that provides products and services in every health-related field.

■ Our Promises



- We always maintain the stable supply of reliable products and services that satisfy our customers.
- We strive to maintain and improve a safe and comfortable working environment, respect individual characteristics and personalities and create a healthy corporate culture.
- We raise corporate value as a corporate Group operating in the healthcare sector to meet shareholders' expectations.
- We conduct proper trade under fair, transparent and free competition.
- We strive to protect personal information entrusted by our customers and business partners and important company information, work to widely and proactively communicate with society, and implement appropriate and timely information disclosure.
- We contribute to society through our business operations, proactively carry out social contribution activities in local communities, and actively and voluntarily address global environmental issues.

Note Concerning Forward-Looking Statements

Information presented by Alfresa Holdings Corporation includes matters concerning the future outlook for the company. Other than historical facts, these are forecasts and strategies prepared under certain assumptions, and such matters include certain risks and uncertainties. As such, please be forewarned that actual results may not necessarily match these forecasts due to a variety of changes in the business environment and other causes.

Please also note that even in cases where it might be desirable for the forecast information to be updated or revised due to new information, future events or other items, Alfresa Holdings Corporation is not obliged and does not have a policy of updating this information to the most recent information.



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