



Alfresa Group

22-24

Mid-term Management Plan:

Leap into the Future

"An Evolving Healthcare Consortium"

May 16, 2022

Alfresa Holdings Corporation



22–24 Mid-term Management Plan

Leap into the Future

“An Evolving Healthcare Consortium”

- (1) The Alfresa Group’s Sustainability Management
(Long-Term Strategy)
- (2) 22–24 Mid-term Management Plan: Group Management Policies
- (3) 22–24 Mid-term Management Plan: Measures by Segment



(1) The Alfresa Group's Sustainability Management (Long-Term Strategy)



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**

Reliability

Safety

Sincerity

- We always provide reliable products and services and strive to enhance customer satisfaction.
- We respect individual characteristics and personalities and strive to maintain and improve a pleasant working environment.
- We raise corporate value as a corporate group operating in the health-related industry.
- We conduct proper trade under fair and free competition.
- We strive to proactively engage with society by providing appropriate information in a timely manner.
- We contribute to local communities through our business operations.
- We strive to protect the global environment.



The Alfresa Group's **Basic Sustainability Policy**

We create and deliver a fresh life for all.

We believe it is important to realize a sustainable society
in order to create and deliver a fresh life for all.

We aim to contribute to the development of a society in
which everyone can live in good health,
while at the same time increasing our corporate value in a sustainable manner,
by conducting business activities based on the Alfresa Group's principles
and by addressing social and environmental issues.



Important Sustainability Issues for the Alfresa Group

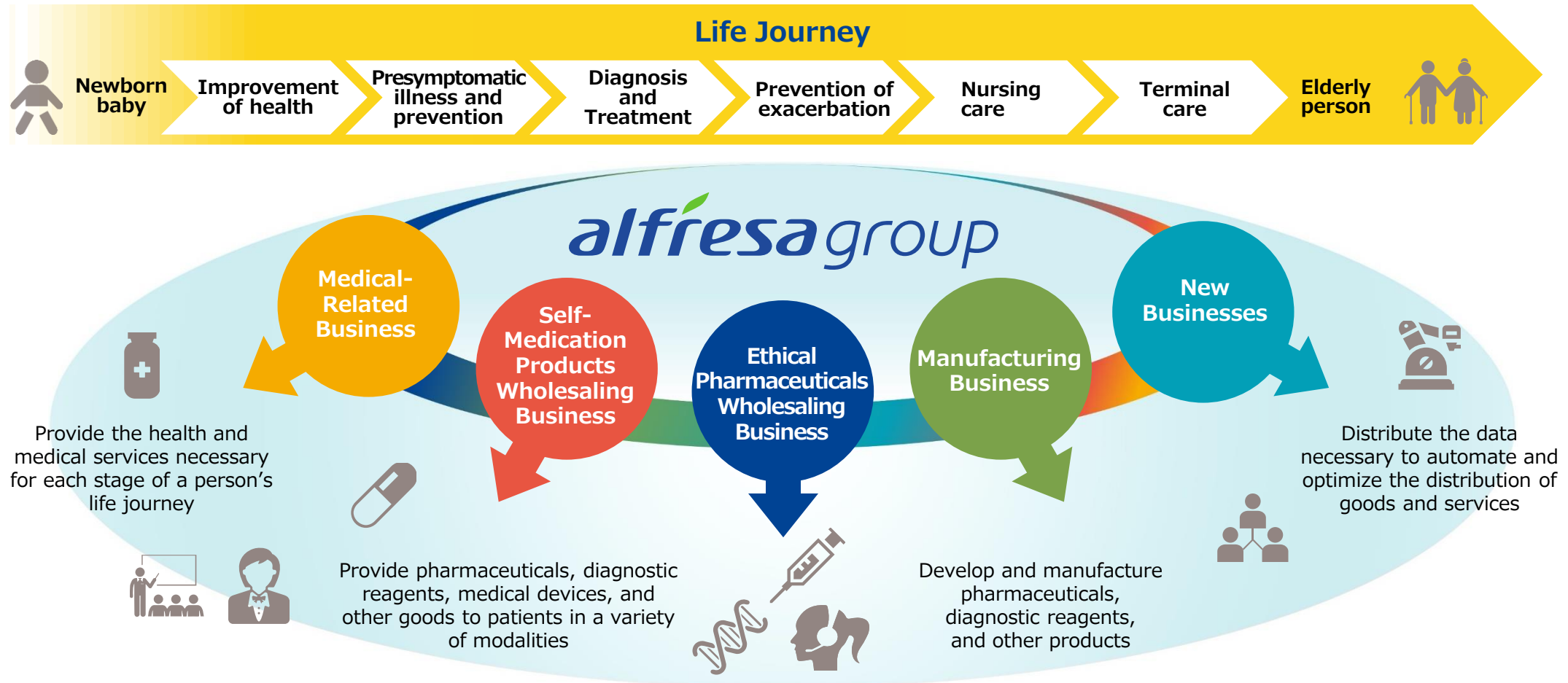


1	Improvement of quality of products and services	The Group helps resolve social issues, focusing on realizing a health-oriented society, by always providing reliable products and services.
2	Value creation and innovation	The Group promotes digital transformation (DX) and other initiatives in order to improve customer satisfaction and productivity while also venturing into new business domains related to health and treatment.
3	Environmental protection	The Group has established the Alfresa Group's Environmental Policy and strives to protect the environment through business activities intended to realize a health-oriented society.
4	Contribution to local communities	The Group contributes to local health and treatments through business activities conducted by each of its Group companies. These activities have been developed over many years and are rooted in the community.

5	Active participation of human resources	The Group has established the Alfresa Group's Diversity Policy and takes steps to create an environment where people can work together and display their individual talents.
6	Compliance	The Group will promote sincere business activities premised on the observance of laws, internal and external regulations, and social norms.
7	Risk management	The Group will formulate measures to respond to natural disasters, pandemics, system-related troubles, and other events to ensure a stable supply of health and treatment-related products and services.
8	Corporate governance	The Group promotes control and supervision over corporate management in order to fulfill its corporate social responsibilities and improve corporate value.



The Alfresa Group's Aspiration (Long-Term Goals)



Providing products and services in every health-related field
Becoming a Healthcare Consortium



(2) 22–24 Mid-term Management Plan: Group Management Policies



The Business Environment Surrounding the Alfresa Group



Major Trends in the Business Environment

Super-aged society
Shrinking workforce

Environmental protection

Health awareness

Increasing social insurance costs

Technological innovation
Digitalization

Develop the Community Health Care Vision, optimize medical expenses, and digitalize operations from diagnosis to treatment

Factors That Affect the Group

Opportunities

- Promotion and finalization of both the Community-Based Integrated Care System and the functionalization of hospital beds
- Market growth of specialty pharmaceuticals and regenerative medicine
- Utilization of big data
- Increased awareness of prevention and self-medication
- Need for thorough quality control and a steady supply of goods and services
- Entry into drug discovery venture corporations
- Further proliferation of home care services
- Proliferation of online medical treatment
- Changes in the flow of prescriptions and prescription drugs

Threats

- Stifled market growth due to interim-year NHI drug price revisions
- Shrinking market for small-molecule pharmaceuticals
- Problems related to the impact of discarded products on the environment
- Introduction of carbon taxes on delivery of products
- Environmental protection requirements for production processes



22–24 Mid-term Management Plan: Group Management Policies

Leap into the Future “An Evolving Healthcare Consortium”

- 1 Enhancement of business models and creation of new value**

- 2 Contribution to local health and treatments through united Group efforts**

- 3 Contribution toward a sustainable society through initiatives to protect the environment**

- 4 Promotion of a human resource strategy focused on diversity**

- 5 Cultivation of a corporate culture with compliance as its highest priority**

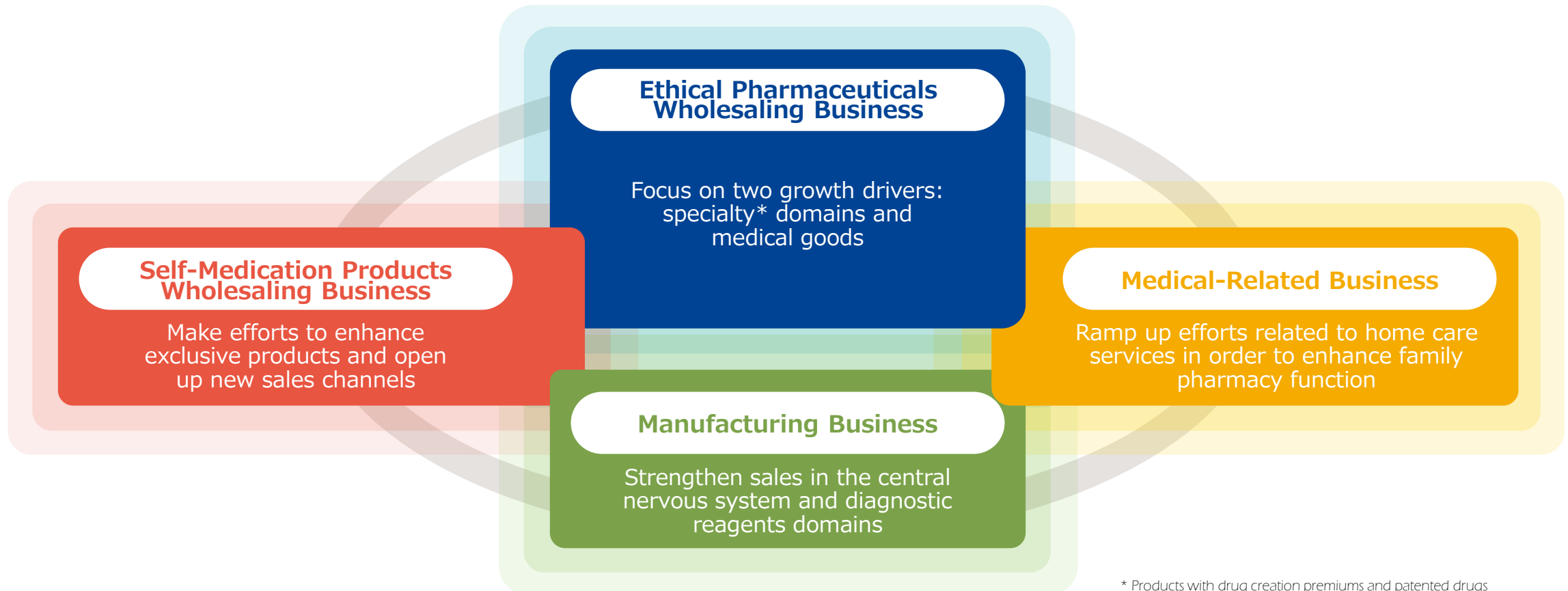




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Enhancement of business models

Focus on areas of growth to strengthen the foundation of the Group



* Products with drug creation premiums and patented drugs

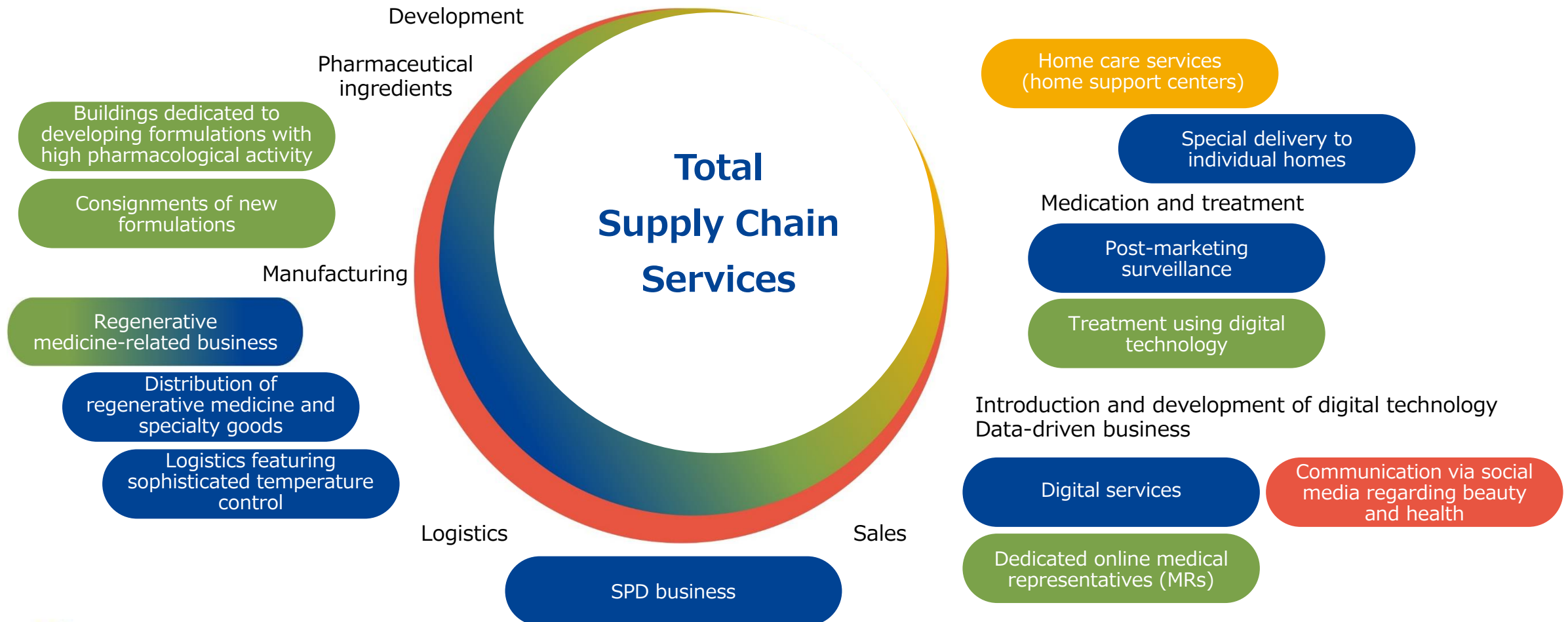




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Creation of new value

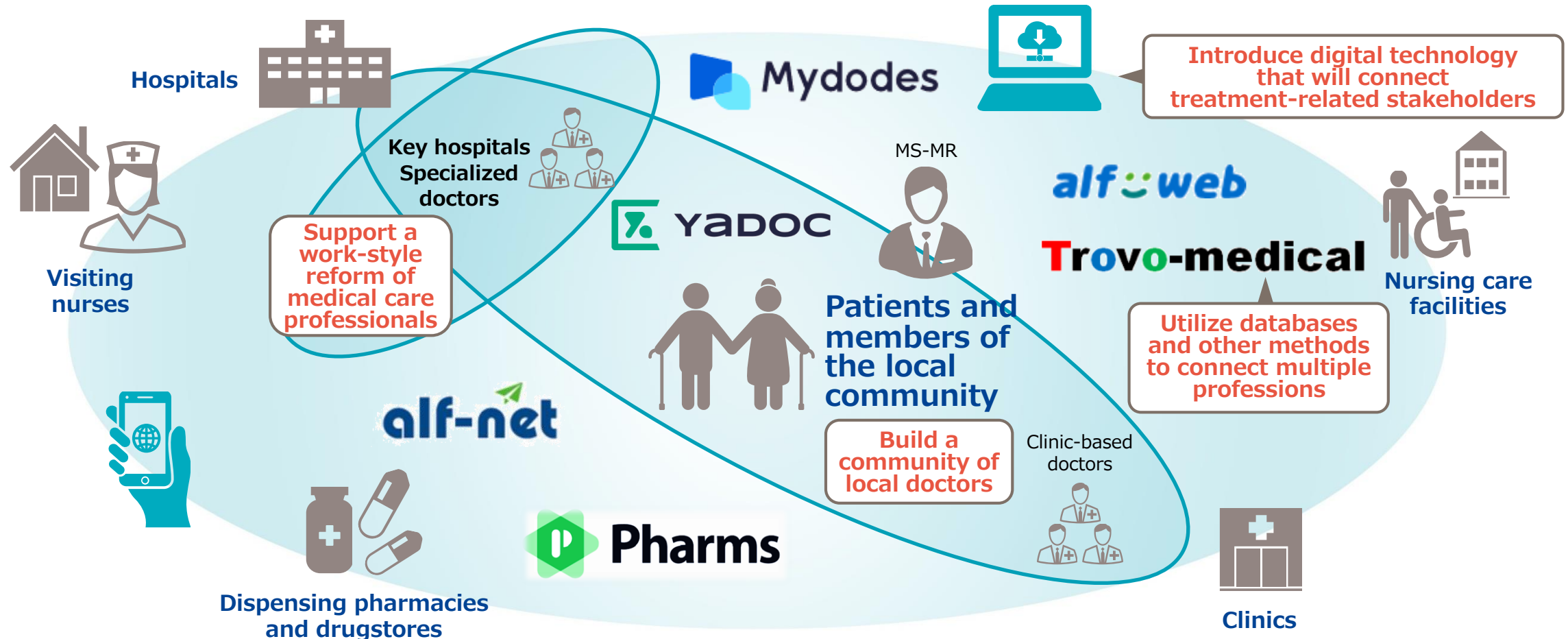
Create total supply chain services and generate new value



1




Creation of new value

Take advantage of digital tools to bring connectivity to the next stage



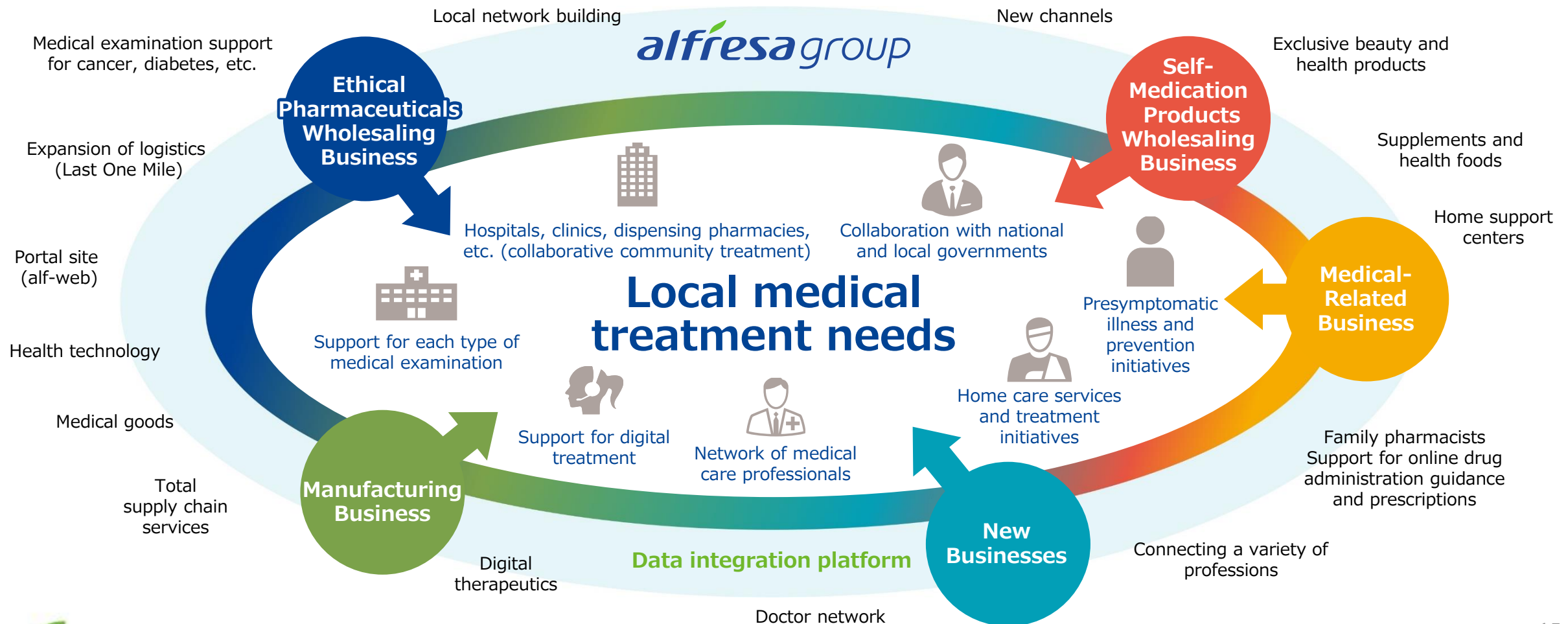
Furthering Digital Transformation (DX)

DX Initiatives under the 22-24 Mid-term Management Plan

 <p>Defensive DX</p>	<p>1 Optimize back-office departments and unify operations</p>
 <p>Aggressive DX</p>	<p>2 Promote the sophistication, standardization, and optimization of logistical functions (Pharmaceuticals Wholesaling Business)</p>
	<p>3 Increase sales capabilities of MSs and MRs (Pharmaceuticals Wholesaling Business, Manufacturing Business)</p>
 <p>Data integration platform</p>	<p>4 Enable data-informed management</p>



Contribute as a unified group toward realizing the Community Health Care Vision



3 Contribution toward a sustainable society through initiatives to protect the environment



Contribute to society by engaging in environmentally friendly business activities

alfresa group

Total CO₂
emissions

Fiscal 2024 **10% decrease**
Fiscal 2030 **30% decrease**
Fiscal 2050 **Net zero**

Note: Compared with fiscal 2020 levels

Note: The 30% decrease in CO₂ emissions targeted for fiscal 2030 corresponds roughly with the government target of reducing such emissions by 46% from fiscal 2013 levels.

Promote the Alfresa Group's Environmental Policy, established in April 2021

1 Promote efforts to become carbon neutral

2 Promote resource recycling

3 Promote the prevention of environmental pollution and coexistence with living organisms

Respond to TCFD recommendations (fiscal 2022)



4 Promotion of a human resource strategy focused on diversity

Be a collection of strong individuals, where people within the Alfresa Group put their individuality and talents on display while working together to achieve the Group's goals

What the Alfresa Group Needs

Promote the Alfresa Group's Diversity Policy, established in 2020

- Establish career paths that go beyond segments
- Enhance recruitment activities
- Enhance human resource development
- Promote the success of women
- Utilize junior and senior employees
- Introduce systems that accommodate a variety of life stages



Present-day



Going forward



5 Cultivation of a corporate culture with compliance as its highest priority

Seriously examine past mistakes and work as a group to make stronger, concrete efforts with greater ingenuity

Comply with laws, rules, guidelines, codes, corporate ethics, social norms, etc.

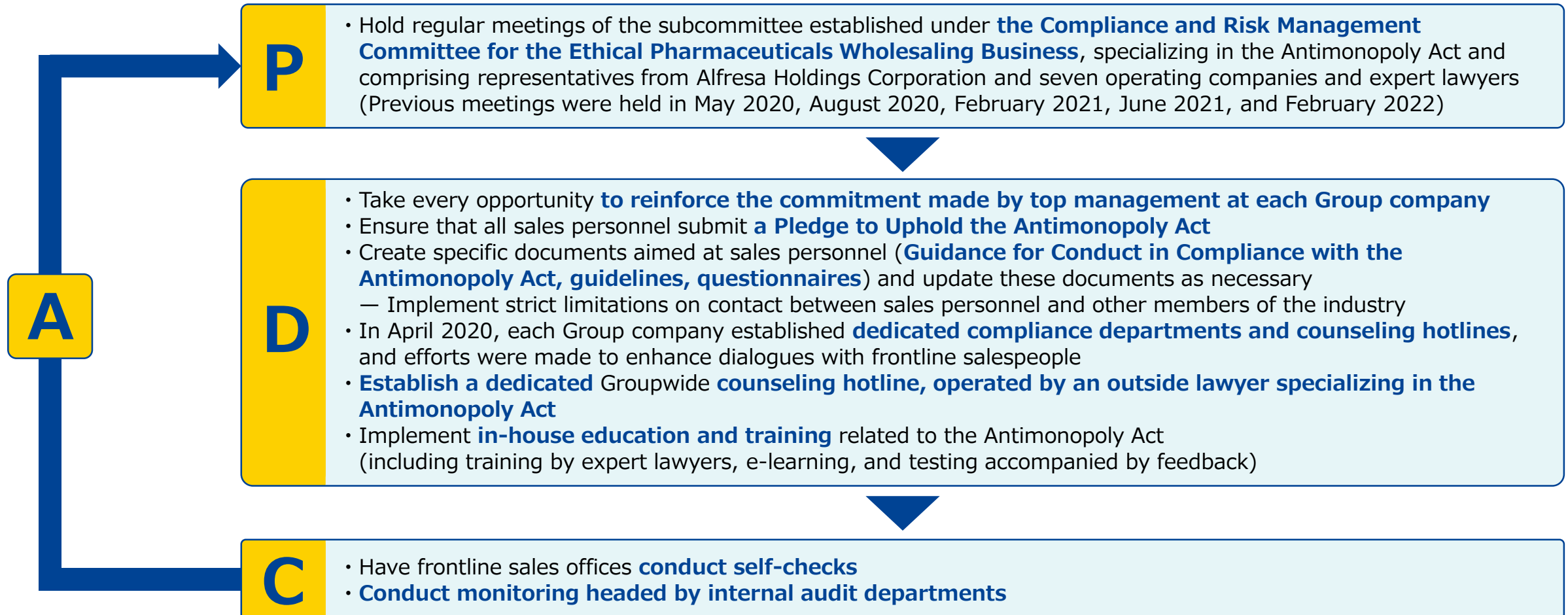
Ensure thorough awareness of compliance at meetings that bring together top executives from Group companies and compliance managers

Ensure thorough awareness of compliance through messages from top executives from Group companies, as well as via meetings, training, and other means



5 Cultivation of a corporate culture with compliance as its highest priority

Implement a PDCA cycle to avoid the recurrence of Antimonopoly Act violations



Targets for the Fiscal Year Ending March 2025	
Net Sales	¥2.7 trillion
Operating Income Margin	1.5% or higher
Investment Plan (Cumulative)	¥120.0 billion
Shareholder Returns	DOE 2.4% or higher



Performance Targets by Segment

Millions of yen / %		Fiscal Year Ended March 2022		Fiscal Year Ending March 2025	
		Actual results	YoY*1 / sales ratio*2	Plan	Vs. March 2022*3 / sales ratio*2
Ethical Pharmaceuticals Wholesaling Business	Net Sales	2,288,102	99.6	2,390,000	104.5
	Operating Income	24,839	1.1	35,500	1.5
Self-Medication Products Wholesaling Business	Net Sales	244,822	93.5	249,000	101.7
	Operating Income	1,869	0.8	2,000	0.8
Manufacturing Business	Net Sales	47,359	111.2	52,800	111.5
	Operating Income	1,867	3.9	1,200	2.3
Medical-Related Business	Net Sales	34,468	103.5	37,000	107.3
	Operating Income	183	0.5	700	1.9

*1 "YoY" is a year-on-year comparison of net sales from the fiscal year ended March 31, 2021.

*2 The sales ratio is operating income as a percentage of net sales.

*3 "Vs. March 2022" is a comparison of net sales from the fiscal year ended March 2022.



Investment Plan

Business continuity investments	Ethical Pharmaceuticals Wholesaling Business	Investments related to distribution centers and offices, etc.	¥70.0 billion
	Self-Medication Products Wholesaling Business	Investments related to distribution centers and offices, etc.	
	Manufacturing Business	Investments in manufacturing facilities, warehouses, R&D facilities, etc.	
	Medical-Related Business (dispensing pharmacy business)	Investments related to dispensing pharmacies, investments in home support centers, etc.	
M&As, financing, and investments in new business domains	All segments	Investments toward M&As and financing, etc., in treatment-related domains. Initial investments in new business domains, etc.	¥40.0 billion
Systems investments, DX investments	All segments	Investments in backbone information systems, peripheral systems, etc. Investments in a data integration platform (connection and analysis) Investments for the introduction and utilization of AI and other technologies	¥10.0 billion

Total ¥120.0 billion



Aim to raise corporate value by pursuing an optimal balance between making vigorous long-term investments, improving capital efficiency, and delivering shareholder returns while staying rooted in financial soundness

Raise corporate value

1

Financial Soundness

- Maintain a stable financial base as a social infrastructure company
- Leverage 1) cash flows from operating activities, 2) sale of property, plant and equipment, and 3) borrowing as financial resources (in order of priority)

2

Capital Efficiency

- Make vigorous investments toward sustainable improvement of corporate value (growth potential)
- Improve operating income margin and total asset turnover in pursuit of ROE that exceeds the cost of capital (profitability and efficiency)

3

Shareholder Returns

- Ensure the stable and continuous return of profits with a DOE of 2.4% or higher
- Take a flexible approach to share buybacks as a means to improve capital efficiency

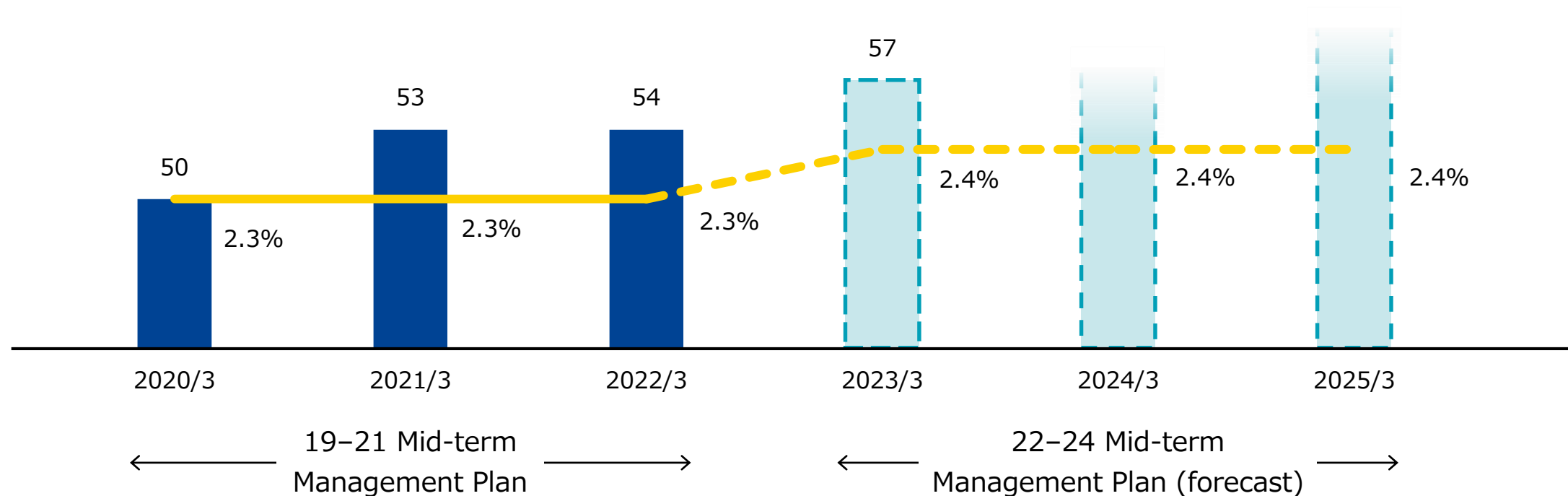


Shareholder Returns

We strive for stable and continuous shareholder returns with a DOE of 2.4% or higher as a basic policy.

Dividend per Share / DOE

■ Dividend per Share (yen) ■ DOE (%)



(3) 22–24 Mid-term Management Plan: Measures by Segment



Ethical Pharmaceuticals Wholesaling Business: Business Policy ①

**Targets for
the Fiscal Year
Ending March 31, 2025**

Net Sales

¥2,390 billion

Operating Income Margin

1.5%

Investment Amount

Approx.

¥ 63.0 billion

Focus resources in specialty domains and utilize DX to reform business

Enhancement of Existing Businesses

- Focus on specialty domains
- Emphasize medical goods
- Build area-specific marketing systems

Profitability through Business Reform

- Acquire new profit by promoting health technology
- Utilize data to expand business

Groupwide Optimization, Efficiency, and Standardization

- Build an optimal logistics network in keeping with PIC/S GDP standards
- Introduce meaningful cost controls through a review of cost structure

Our Aspiration

To be a true leading company that offers the best proposals and options for all health-related and medical needs



Ethical Pharmaceuticals Wholesaling Business: Business Policy ②

Enhancement of Existing Businesses

Focus on two long-term drivers: specialty domains and medical goods

Specialty Domains

Areas of growth

- Continued launch of new drugs
- High profitability
- Increasing number of new patients taking medication

Distinguishing features of wholesaling

- Difficulty of quality control for products such as biopharmaceuticals and regenerative medicine
- Importance of maintaining product value

- Increase efficiency of operations for low-price drugs and concentrate resources
- Increase bargaining power to maintain product value
- Create an integrated supply chain for the distribution of regenerative medicine and other products
- Enhance quality assurance capabilities to be the first choice of customers and manufacturers

Medical Goods

Areas of growth

- Continued launch of new products
- Low impact of NHI drug price revisions
- Wide range of target domains, from presymptomatic illness and prevention, to diagnosis, treatment, and long-term care

Market stability

- Presence of unexplored domains
- Low impact of NHI drug price revisions
- High rate of return compared with pharmaceutical products

- Increase the level and number of representatives in charge of medical goods
- Expand sales teams to acquire new projects
- Invest in building a unified distribution system for medical devices, etc.
- Enter new fields



Ethical Pharmaceuticals Wholesaling Business: Business Policy ③

Profitability through Business Reform

Lead the market in pharmaceuticals, diagnostic reagents, medical devices, and medical materials by promoting health technology

Medical / nursing robots



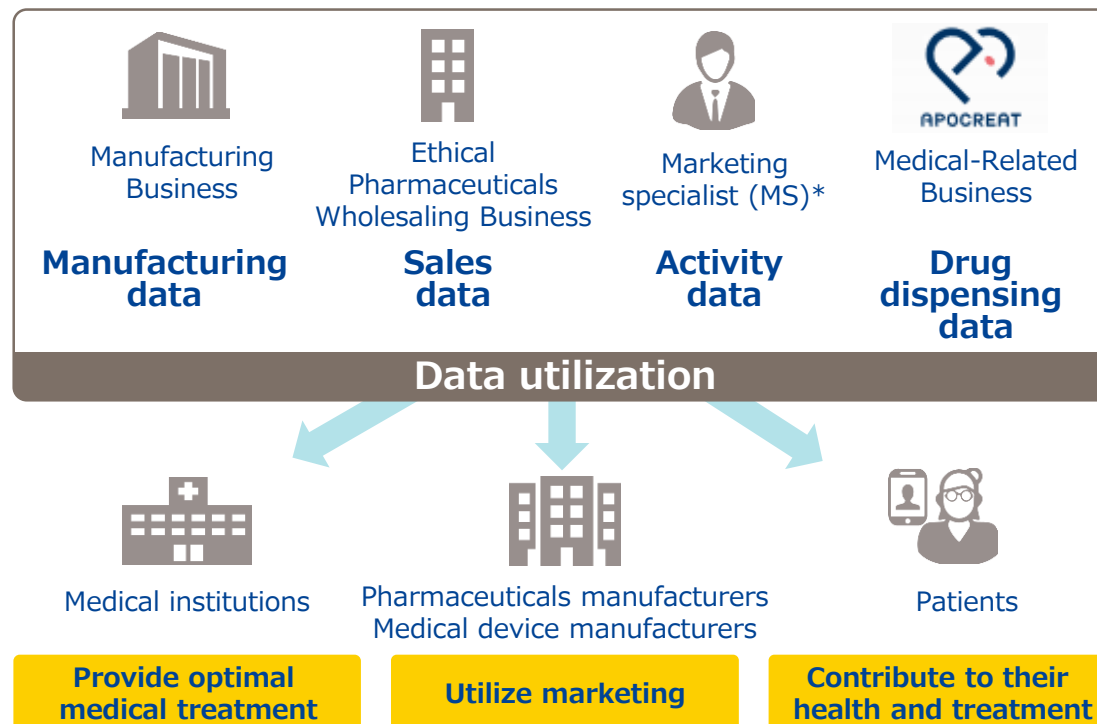
Digital services



Gene therapy



Build a new earnings base by expanding data-driven business



* Sales personnel with specialized knowledge about products and services in the pharmaceuticals wholesaling business



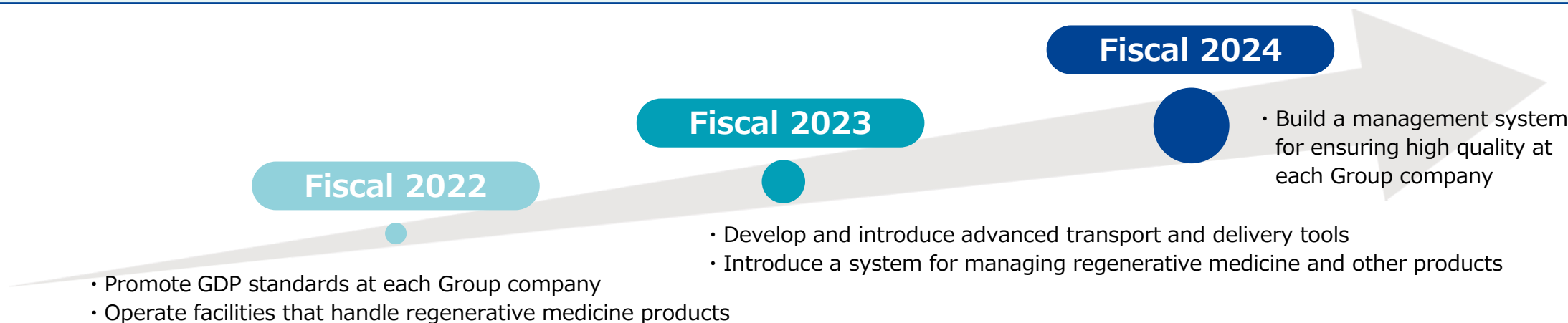
Ethical Pharmaceuticals Wholesaling Business: Business Policy ④

**Groupwide Optimization,
Efficiency, and
Standardization**

**Build an optimal logistics network in keeping with PIC/S GDP standards
Introduce meaningful cost controls through a review of cost structure**

Build an optimal logistics network in keeping with PIC/S GDP standards

- ① Build a system that meets PIC/S GDP standards while delivering every product safely and securely
- ② Build a system capable of safely distributing regenerative medicine and other products across Japan
- ③ Develop and standardize transportation tools for new modalities (cellular products, gene therapy products, etc.)
- ④ Optimize logistics costs and introduce meaningful cost controls through a review of cost structure



Work to improve quality assurance and shipping accuracy further and promote low-cost operations



Self-Medication Products Wholesaling Business: Business Policy ①

**Targets for
the Fiscal Year
Ending March 31, 2025**

Net Sales
¥249.0 billion

Operating Income Margin
0.80%

Investment Amount
**Approx.
¥ 0.3 billion**

Achieve high profitability in existing domains and venture into new domains

Initiatives Aimed at High Profitability

- Display capabilities as a Total Healthcare Merchandising Wholesaler (THMW)
- Acquire a greater number of exclusive manufacturers and products and boost sales
- Open up new channels

Enhancement of Group Collaboration

- Contribute to health and treatment by collaborating among segments

Enhancement of Profitability through Business Reform

- Launch new promotions that utilize digital technology
- Utilize sales and distribution data (data-driven business)

Our Aspiration

**To be a true leading company in the fields of
beauty*¹ and health that connects with all people**

*1 Vitality and youthfulness that comes from within, regardless of gender



Self-Medication Products Wholesaling Business: Business Policy ②

Initiatives Aimed at High Profitability

Display capabilities as a Total Healthcare Merchandising Wholesaler (THMW) Acquire a greater number of exclusive manufacturers and products and boost sales Open up new channels

Initiatives Aimed at High Profitability That Showcase Capabilities as a THMW

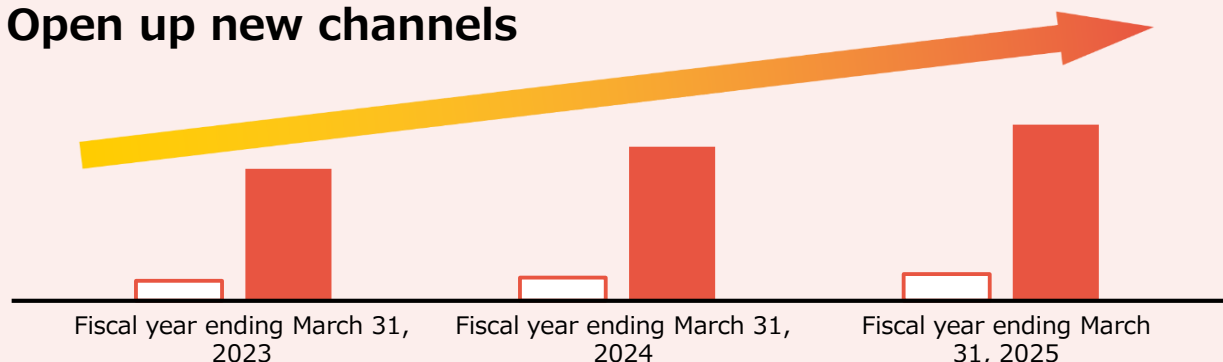
Acquire a greater number of exclusive manufacturers and products and boost sales

- Unique products backed by abundant evidence
- Products that can be cultivated and recommended for sale as standard products (not seasonal)
- Distribution that can secure solid profits
- Products that cannot be imitated, such as patents, manufacturing methods, and products that can only be obtained in specific production areas

Expand
lineup
further

**Drive further growth
by developing promotions
that utilize digital technology,
acquiring exclusive manufacturers
and products, and boosting sales**

Open up new channels



Leverage cross-segment Group collaboration to reach sales channels, such as clinics and dispensing pharmacies, and open up new channels



Self-Medication Products Wholesaling Business: Business Policy ③

Enhancement of Group
Collaboration

Contribute to local health by collaborating with other segments

Enhancement of
Profitability through
Business Reform

Launch new promotions that utilize digital technology
Utilize sales and distribution data to acquire new profits

Take advantage of social media and other methods to provide information and promote products



Manufacturing Business: Business Policy ①

**Targets for
the Fiscal Year
Ending March 31, 2025**

Net Sales

¥52.8 billion

Operating Income Margin

2.3 %

Investment Amount

Approx.

¥ 21.0 billion

**Maximize corporate value by
“building a foundation for the next generation”**

**Reliable, Safe,
and Sincere
Manufacturing**

- Promote sound manufacturing and sales of existing products while developing new products
- Reduce environmental impact

**Efforts to Achieve
Total Supply Chain
Services**

- Create a one-stop service that handles everything from development to manufacturing, logistics, and medication
- Introduce new manufacturing technology and production equipment that can respond to manufacturers' needs

**New Initiatives That
Utilize Digital
Technology**

- Innovate medical representative (MR) activities
- Venture into the field of digital therapeutics

Our Aspiration

To be a company that provides the manufacturing capabilities, production capabilities, and services that the market demands



Manufacturing Business: Business Policy ②

Reliable, Safe, and Sincere Manufacturing

Leverage thorough quality control to engage in sound manufacturing and sales of existing products and while developing of new products

Pharmaceuticals Diagnostic reagents

- Development of new drugs
- Co-promotion in key domains
- Search function for our one-stop service and our products
- Large-scale fecal occult blood testing equipment (new model)

Medical devices

- New surgical products
- More indications covered by existing products
- Expanded manufacturing of Company OEM products

Consignment

- Expansion of consigned manufacturing

Pharmaceutical ingredients

- Acquisition of new customers

System

- Manufacturing execution system
- Laboratory information management system

Efforts to Achieve Total Supply Chain Services

Contribute toward medical treatment by using the diverse functions of the Group, ranging from the manufacture of pharmaceutical ingredients to medication and treatment

Introduce new initiatives that utilize digital technology

**Innovate medical representative (MR) activities
Venture into digital therapeutics**

Buildings dedicated to developing formulations with high pharmacological activity

Consignments of new formulations

Manufacturing

Regenerative medicine-related business

Logistics

Sales

Information provision, data-driven business

Development

Promotion

Medication and treatment

Digital therapeutics

Dedicated online MRs

Creating a One-Stop Service



Medical-Related Business: Business Policy ①

**Targets for
the Fiscal Year
Ending March 31, 2025**

Net Sales
¥37.0 billion

Operating Income Margin
1.9 %

Investment Amount
**Approx.
¥ 0.1 billion**

Provide family pharmacies that can be used at any stage of care across a person's life journey, from preventive to terminal care

**Home Care Service
Initiatives to
Achieve Business
Growth**

- Create a home-centric care system within communities by establishing home support centers equipped with a pharmacy
- Put forth efforts related to the Community-Based Integrated Care System, such as acquiring pharmacy accreditation

**DX-Driven Business
Reforms**

- Promote digital treatment, such as online drug administration guidance

**Presymptomatic
Illness and
Prevention Initiatives**

- Create initiatives related to e-commerce sites and mail-order sales

Our Aspiration

To operate a chain of pharmacies that can cover every stage of care across a person's life journey, from preventive to terminal care



Medical-Related Business: Business Policy ②

Provide family pharmacies that can be used at any stage of care

Scope of Services

Prevention

Treatment

Home-based
terminal care



Medical-Related
Business

From preventive to terminal care



A pharmacy chain rooted in the
community, covering every stage
of care for the local population

Connecting a variety of professions

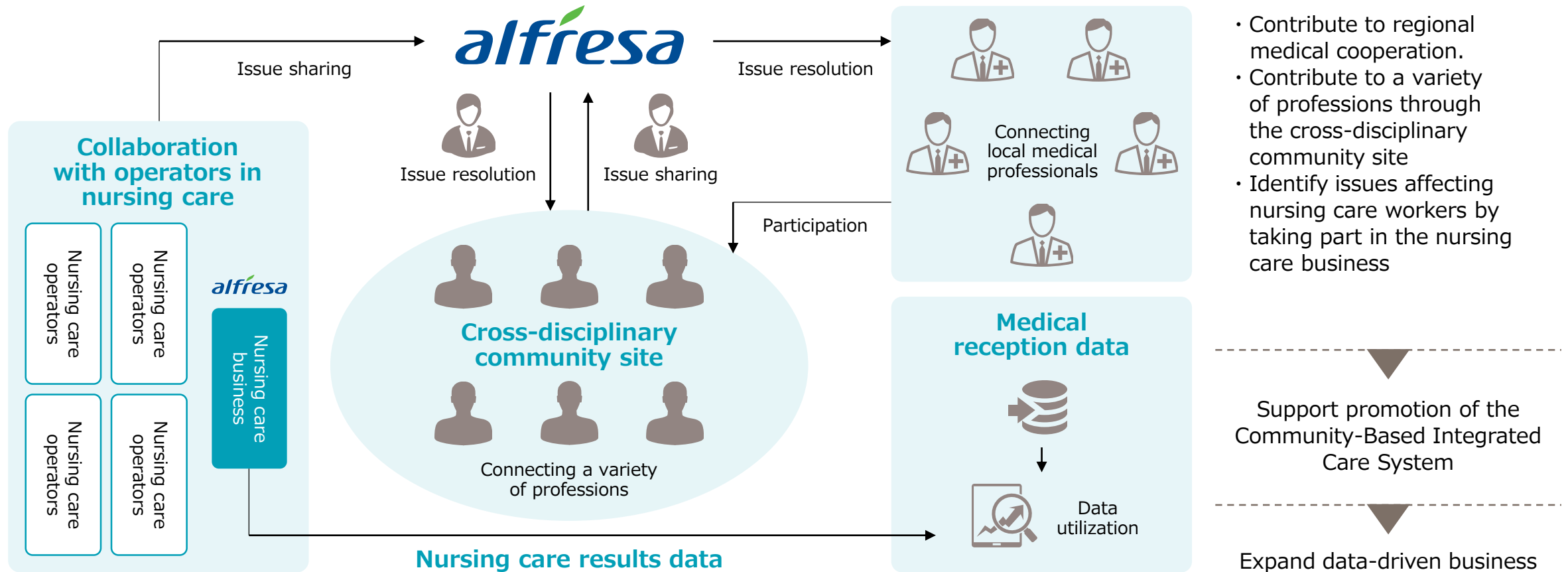


From infants to the elderly



Business Development

Support the Community-Based Integrated Care System with digital technology and expand data-driven business



Overseas Business

Expand business in Asia

Penetration and Expansion of Existing Businesses

- Increase profits for REMEJE PHARMACEUTICALS (CHINA) CO., LTD. (REMEJE PHARMACEUTICALS)
- Increase profits for Alfresa Codupha Healthcare Vietnam Co., Ltd. (Alcophya)
- Launch pharmaceuticals business in Vietnam
- Expand sales of Alfresa Pharma Corporation products

Initiatives to Develop Overseas Business and Establish New Business

- Investigate new destinations
- Collaborate with overseas companies
- Examine and validate new business models



Disclaimer Concerning Forward-Looking Statements



Please note that the information and materials published in this document are forward-looking statements based on forecasts available at the time the document was prepared. Certain premises are used for these descriptions. The descriptions or premises contain inherent known or unknown risks and uncertainties and may be proven inaccurate or fail to materialize in the future. Actual results may differ from these forecasts because of various changes in the business environment and other factors.

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