

In this message, President Arata Watanabe explains the activities of the Alfresa Group, which continues to make progress with “Advancement and Expansion.”

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Representative Director & President



## Market Trends in Japan's Pharmaceutical Wholesale Industry

Japan's ethical pharmaceutical market is being affected in no small way by the Japanese government's medical system reforms, particularly measures to curb medical expenditures.

As Japan's population ages and its birthrate falls, demand for ethical pharmaceuticals is rising in step with a higher incidence of lifestyle-related diseases and other illnesses. Because medical expenditures are squeezing the national budget, the Japanese government has been reducing NHI drug prices. Although sales volumes of pharmaceuticals are increasing, reductions in these drug prices are reducing the actual prices at which pharmaceuticals are sold.

Meanwhile, greater use of generic drugs, particularly for lifestyle-related diseases, is being encouraged. To this end, the government has taken steps such as changing the prescription form and revising reimbursement prices for generic drugs. However, generic drugs still account for only a small share of around 7% of Japan's entire ethical pharmaceutical market. Although it will take some time for this share to reach levels comparable with Europe and the U.S., I believe that demand for generic drugs in Japan will increase going forward.

Under these market conditions, as a pharmaceutical wholesaler and intermediate distributor, the Alfresa Group's top priority is the pursuit of greater efficiency. We must maintain a management base capable of reliably supplying pharmaceuticals, while curtailing distribution expenses as a percentage of Japan's overall medical expenditures. To this end, we are setting our sights on further integration with other companies in the industry.

### Japan's Population and Demographic Structure

