

Alfresa Group 19-21 Mid-term Management Plan

The Challenge of Further Growth
“Together with Health, Together with Communities”

May 16, 2019
Alfresa Holdings Corporation

Index

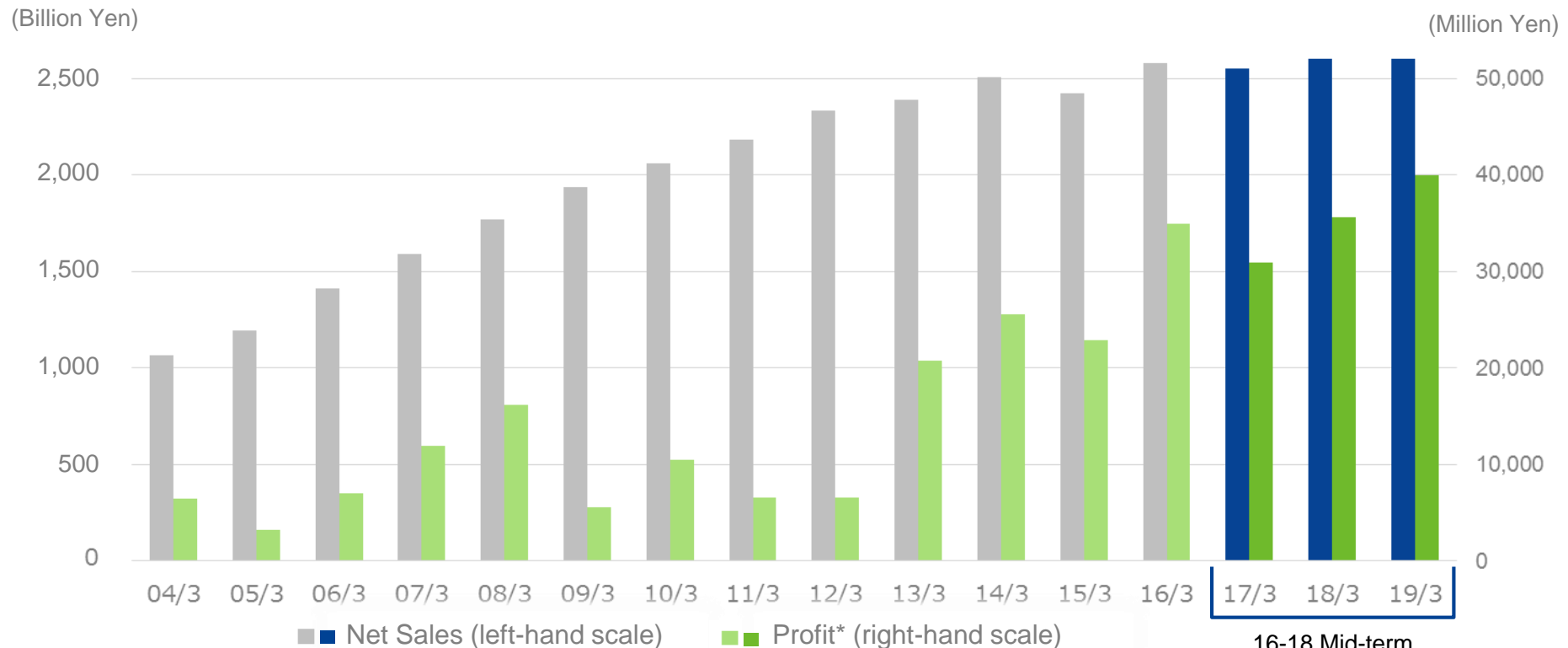
- 1 . Review of 16-18 Mid-term Management Plan
 - 2 . 19-21 Mid-term Management Plan
 - (1) Group Management Policies
 - (2) Measures by Segment
 3. Toward Sustainable Growth
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1 . Review of 16-18 Mid-term Management Plan



Performance Review

Worked to stabilize earnings, and posted record-high profits*



Incorporation of pharmaceutical wholesalers into the Group

Expansion of health & medical-related fields

16-18 Mid-term Management Plan

*Profit attributable to owners of the parent

Major Initiatives and Results

<p>Ethical Pharmaceuticals Wholesaling Business</p>	<ul style="list-style-type: none"> • Promoted distribution reforms in line with the MHLW's "The Guidelines**". • Promoted acquisition of Medical Management Specialist professional credentials by MS (Marketing Specialists). • Developed transportation and delivery tools compatible with the PIC/S GDP** Standard. • Jointly developed the pharmaceuticals delivery system "saioS" together with NAVITIME JAPAN Co., Ltd. • Began consigned transportation management of investigational products for regenerative medicine. • Established the Tonomachi Regenerative Medicine Distribution Station as a storage and transportation base for regenerative medicine products. • Launched research groups with companies in other industries (Mitsubishi Logistics Corporation, Yamato Transport Co., Ltd.). • Established Tohoku Alfresa Corporation and realigned the business in Hokkaido area. • Reached basic agreement on examining construction of new platform for distribution management of specialty pharmaceuticals (PHC Corporation, Fujitsu FIP Corporation).
<p>Self-medication Products Wholesaling Business</p>	<ul style="list-style-type: none"> • Opened Taiwan Representative Office.
<p>Manufacturing Business</p>	<ul style="list-style-type: none"> • Began sales of "fully automated urine and excrement analysis device AA01", occult blood test reagents, and urine test reagents. • Took over 41 long-listed products from Daiichi Sankyo Company, Limited and Daiichi Sankyo Espha Co., Ltd. • Concluded contract to supply fecal testing devices and diagnostic reagents to Shanghai Fosun Long March Medical Science Co., Ltd. in China.
<p>Medical-Related Business</p>	<ul style="list-style-type: none"> • Merged wholly-owned subsidiaries (Nihon Apoch CO., LTD and Youth Care Co., Ltd.).
<p>Overseas Business Development</p>	<ul style="list-style-type: none"> • Formed comprehensive strategic business alliance with China Resources Pharmaceutical Commercial Group Co., Ltd. in China.
<p>ESG Issues</p>	<ul style="list-style-type: none"> • Contributed to local communities, promoted active women's participation, and advanced work-life balance

* The Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies published by the Ministry of Health, Labour, and Welfare (MHLW)

** PIC/S GDP: International standards for temperature control, hygiene control, and the preparation of various procedure manuals in the pharmaceuticals distribution process.

Group Management Targets: Results

	16-18 Targets	Actual Results (Mar. 2019)
Net Sales	2.7 trillion yen ▶	2,640.5 billion yen
Operating Income Margin	1.5%+ ▶	1.7%
Profit Margin*	1.2%+ ▶	1.6%
Investment Plan (Cumulative)	Cumulative 100 billion yen level ▶	Cumulative 65.3 billion yen
ROE	8.0% level ▶	9.5%
Return to Shareholders	DOE 2.0%+ ▶	DOE: 2.3%**

* Profit attributable to owners of the parent

** Dividend for the year ended March 2019 included a commemorative dividend of 6 yen per share. DOE for the year ended March 2019 was down to 2.1% without the commemorative dividend.

2. 19-21 Mid-term Management Plan

The Challenge of Further Growth

“Together with Health, Together with Communities”

- (1) Group Management Policies
- (2) Measures by Segment

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.

Our Vision

our Philosophy

We create and deliver a fresh life for all.

our Vision

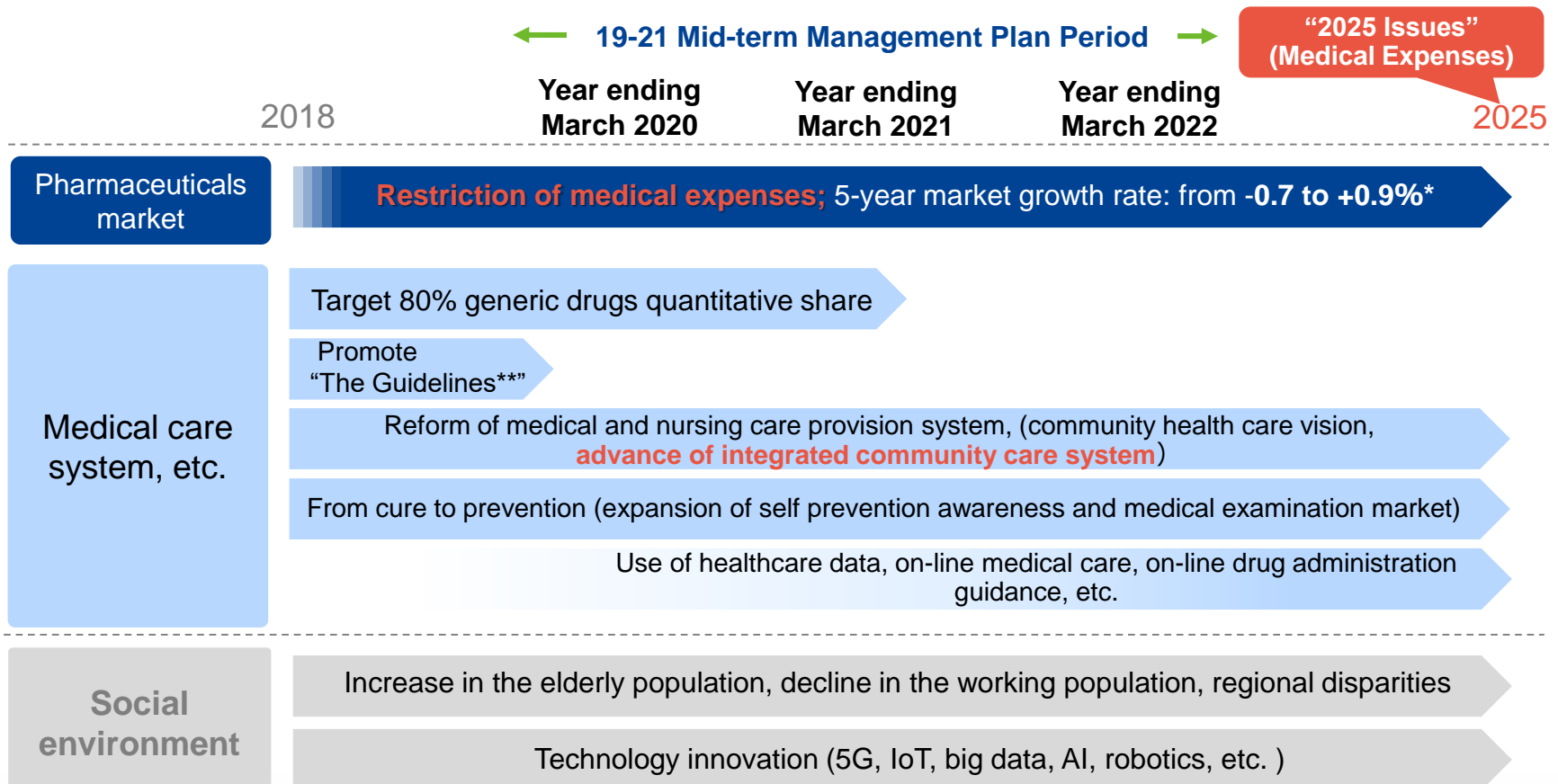
We aim to become a Healthcare Consortium that provides products and services in every health-related field.



Realization of a Healthcare Consortium

Outlook for Alfresa Group's Business Environment

Expand business in the health field and strengthen efforts toward integrated community care system to address changes in the environment



* Source: CRECON Research & Consulting, Inc., Nov. 2018

** The Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions/Pharmacies published by the Ministry of Health, Labour, and Welfare (MHLW)

Group Management Policies

Build up a Group collaboration structure

Reform business models

Contribute to the health of community members

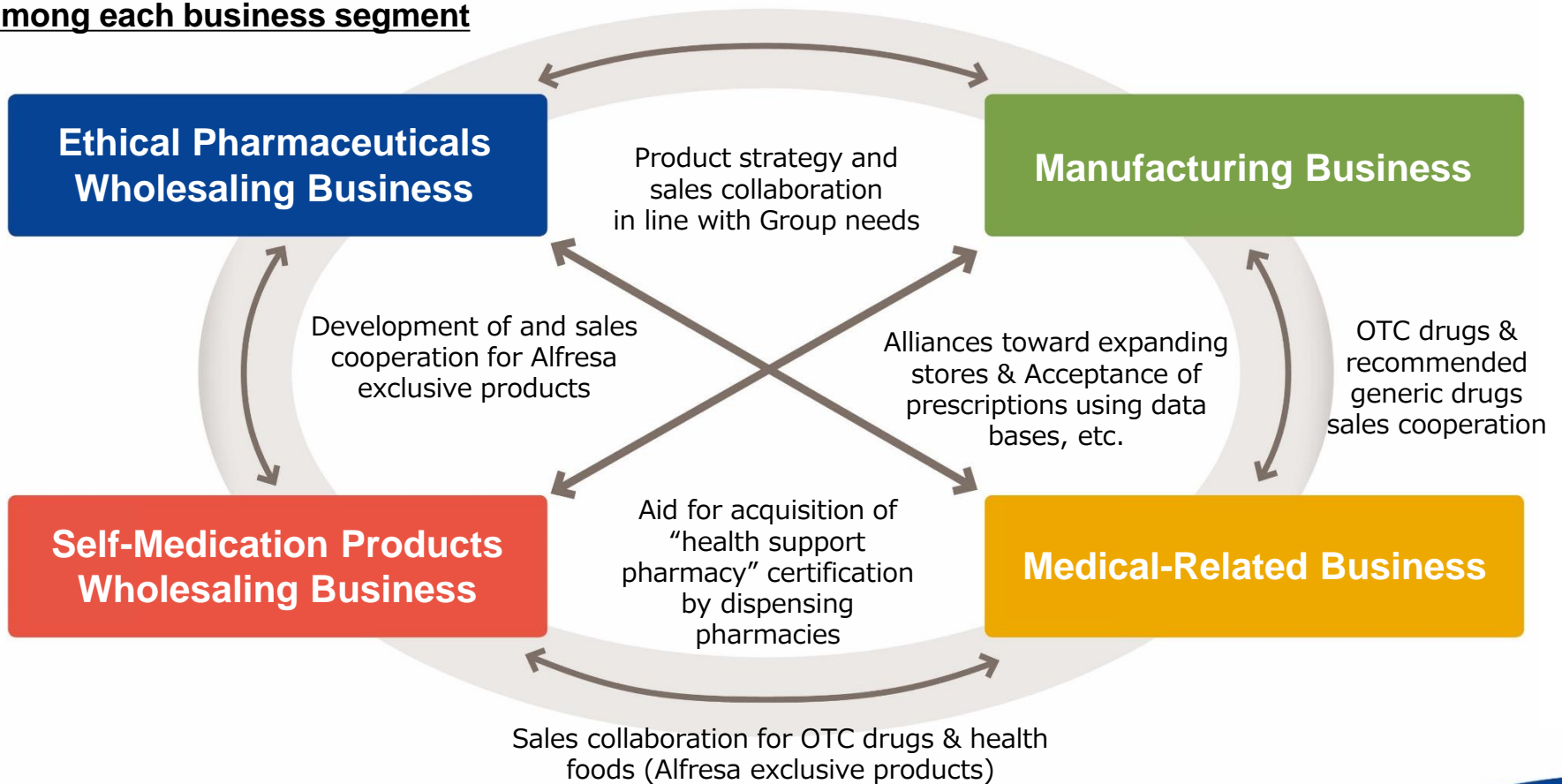
Further improve productivity

Develop talent

Build up a Group Collaboration Structure

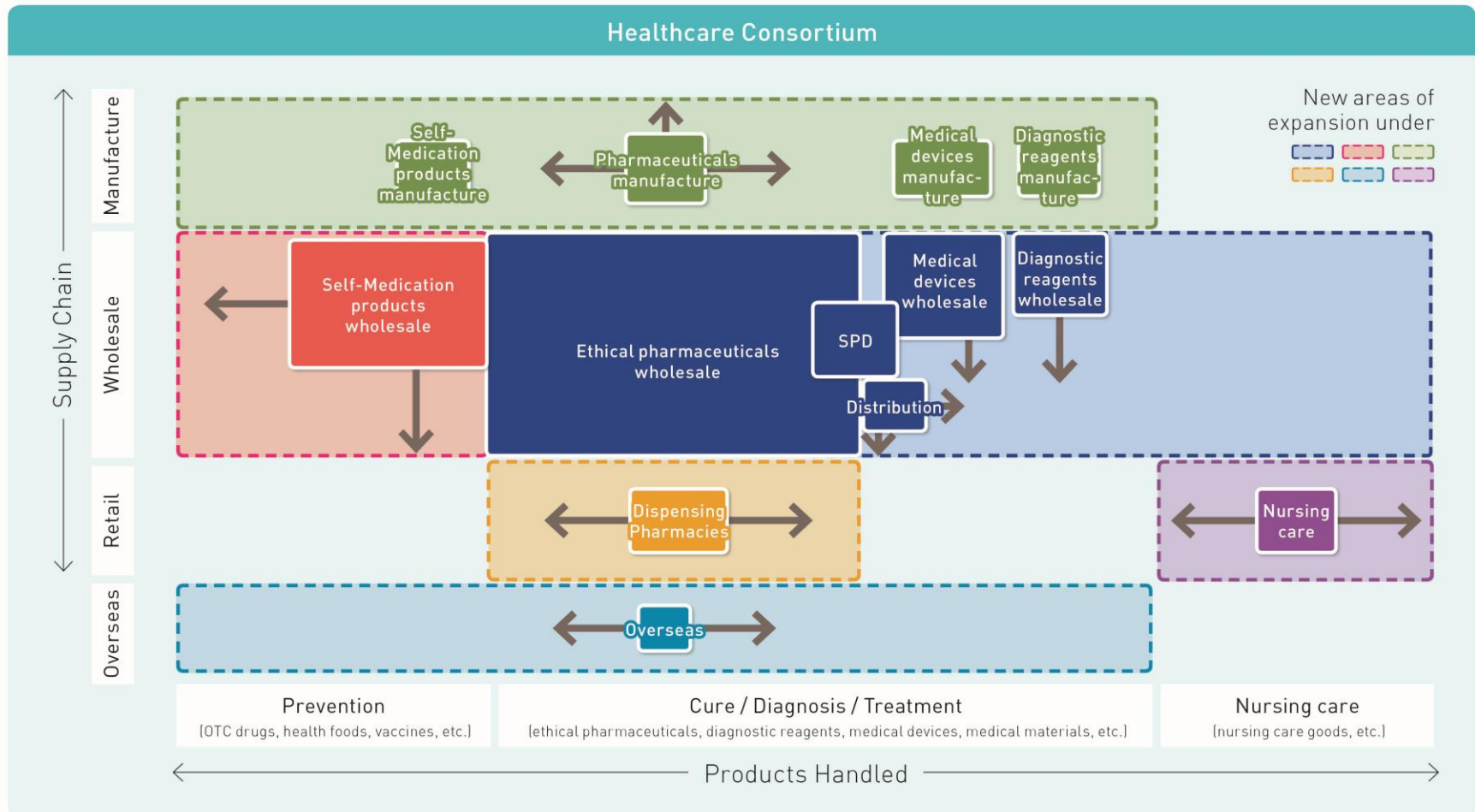
Strengthen collaboration among each business segment and promote collaboration with companies in other industries in the growth fields

Cases for collaboration among each business segment



Reform Business Models

Reform the business model through active investment in growth fields



Contribute to the Health of Community Members

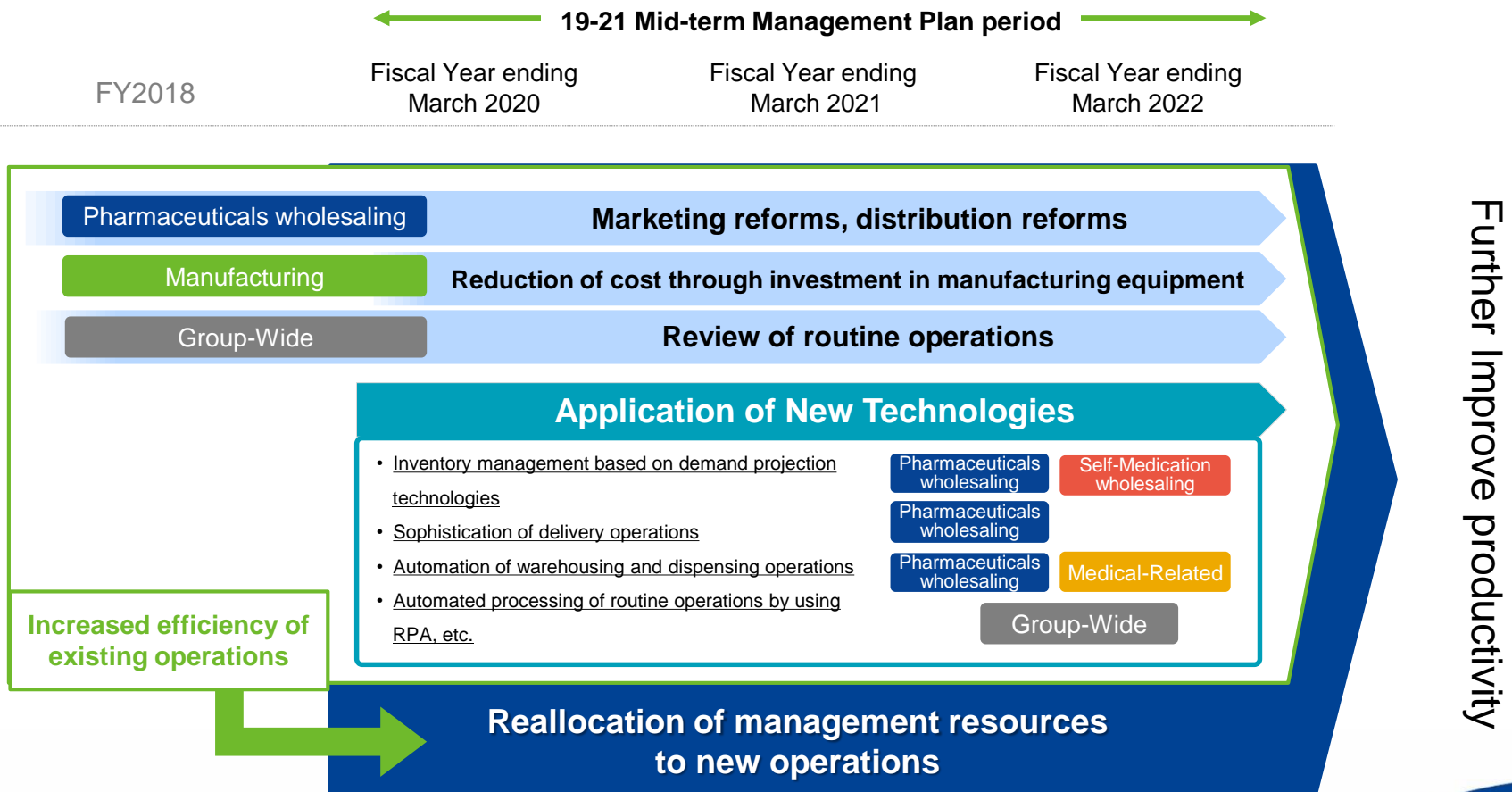
Construct an open platform that links various stakeholders involved with integrated community care system

“Local community health and medical care platform” in collaboration with wide-ranging service providers



Further Improve Productivity

Increase efficiency of existing operations in order to reallocate management resources to new operations and further improve productivity



Develop Talent

Among the four requirements for our valuable people, emphasize “Willingness to venture into uncharted areas” and “Ability to adapt to changing environments”

Willingness to venture into uncharted areas

Ability to adapt to changing environments

Talent development strategies

1. Reinforce OJT
2. Realize career plans which expand growth opportunities
3. Secure diverse personnel and have them play active roles
4. Reform training programs

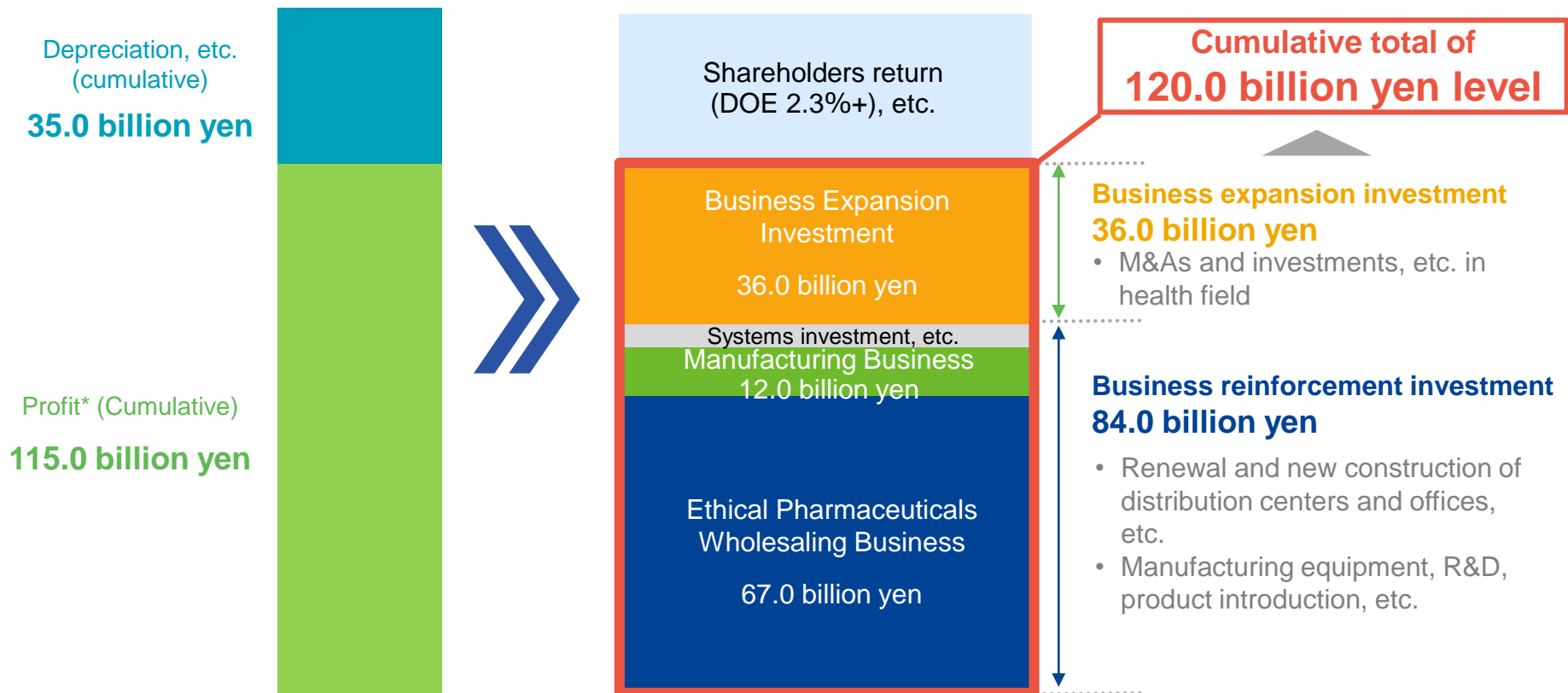


Alfresa Group's Four Requirements for Our Valuable People

Investment Plan

Implement investments toward further growth

19-21 Mid-term Management Plan (cumulative total of 3 years)



*Profit attributable to owners of the parent

19-21 Mid-term Group Management Targets

Targets for year ending March 2022	
Net Sales	2,750.0 billion yen
Operating Income Margin	1.7%+
Profit Margin*	1.4%+
Investment Plan (Cumulative)	120.0 billion yen
ROE	8% level
Return to Shareholders	DOE: 2.3%+

* Profit attributable to owners of the parent

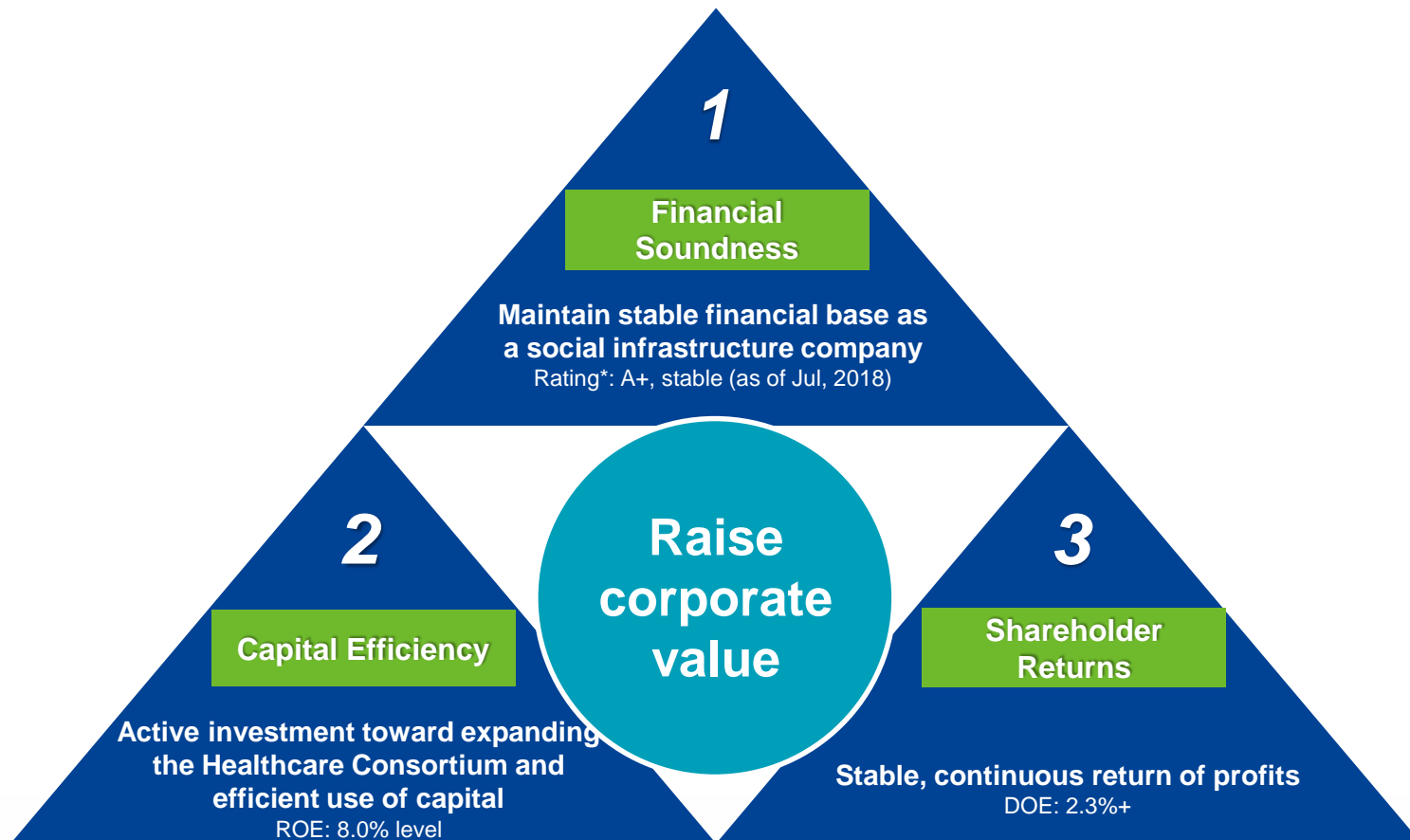
19-21 Mid-term Performance Plans by Segment

(Million Yen, %)		Year ended March 2019		Year ending March 2020		Year ending March 2022	
		Actual results	YoY/ sales ratio*	Plan	vs Mar. 2019/ sales ratio*	Plan	vs Mar. 2019/ sales ratio*
Ethical Pharmaceuticals Wholesaling Business	Net sales	2,327,199	102	2,356,000	101	2,413,000	104
	Operating income	40,268	1.7	40,600	1.7	41,700	1.7
Self-Medication Products Wholesaling Business	Net sales	265,072	102	268,000	101	275,000	104
	Operating income	2,712	1.0	2,750	1.0	3,050	1.1
Manufacturing Business	Net sales	40,744	97	50,000	123	60,000	147
	Operating income	1,559	3.8	1,700	3.4	3,100	5.2
Medical-Related Business	Net sales	34,811	103	35,300	101	34,800	100
	Operating income	295	0.9	380	1.1	340	1.0

*Net sales; year-on-year (%) for Mar. 2019 results and growth rate vs. Mar. 2019 (%) for Mar. 2020 plan and Mar. 2022 plan
Operating Income; sales ratio (%) for all periods

Capital Policy

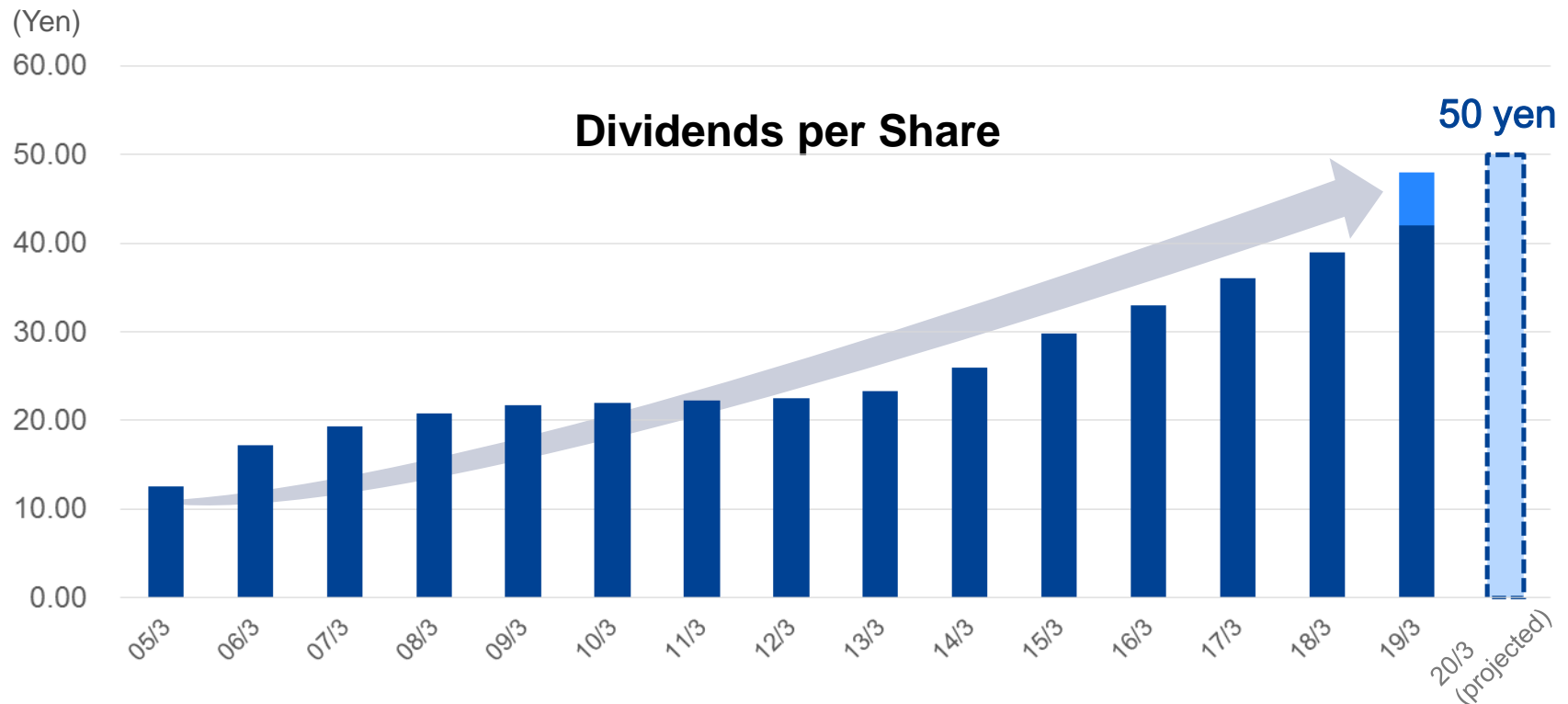
Pursue the optimal balance of “financial soundness”, “capital efficiency”, and “shareholder returns”, and aim at further raising corporate value



*Rating and Investment Information, Inc.

Shareholder Returns

We strive for stable and continuous shareholder returns with a DOE of 2.3% or more as the basic policy.



* The Company implemented a 4-to-1 stock split of ordinary shares on October 1, 2014, and the dividends are stated retroactively reflecting this stock split.

* The dividend for the year ended March 2019 included a commemorative dividend of 6 yen per share.

ESG Important Issues

Contribute to a sustainable society through sustained growth

Strengthen ties with local communities and advance contributions to integrated community care system

E Give consideration to the environment

S Respect human rights and realize a fulfilling workplace

Contribute to local communities

G Strengthen management foundations which support growth
(Corporate governance)

Improve and strengthen business foundations

(Compliance & risk management)

2. 19-21 Mid-term Management Plan

The Challenge of Further Growth

“Together with Health, Together with Communities”

- (1) Group Management Policies
- (2) Measures by Segment**

Ethical Pharmaceuticals Wholesaling Business: Business Policy

Reform to keep winning as the No.1 ethical pharmaceutical wholesaler

Targets for year ending March 2022

Net sales
2,413.0 billion yen

Operating income
margin
1.7%

Investment plan
(cumulative)
67.0 billion yen

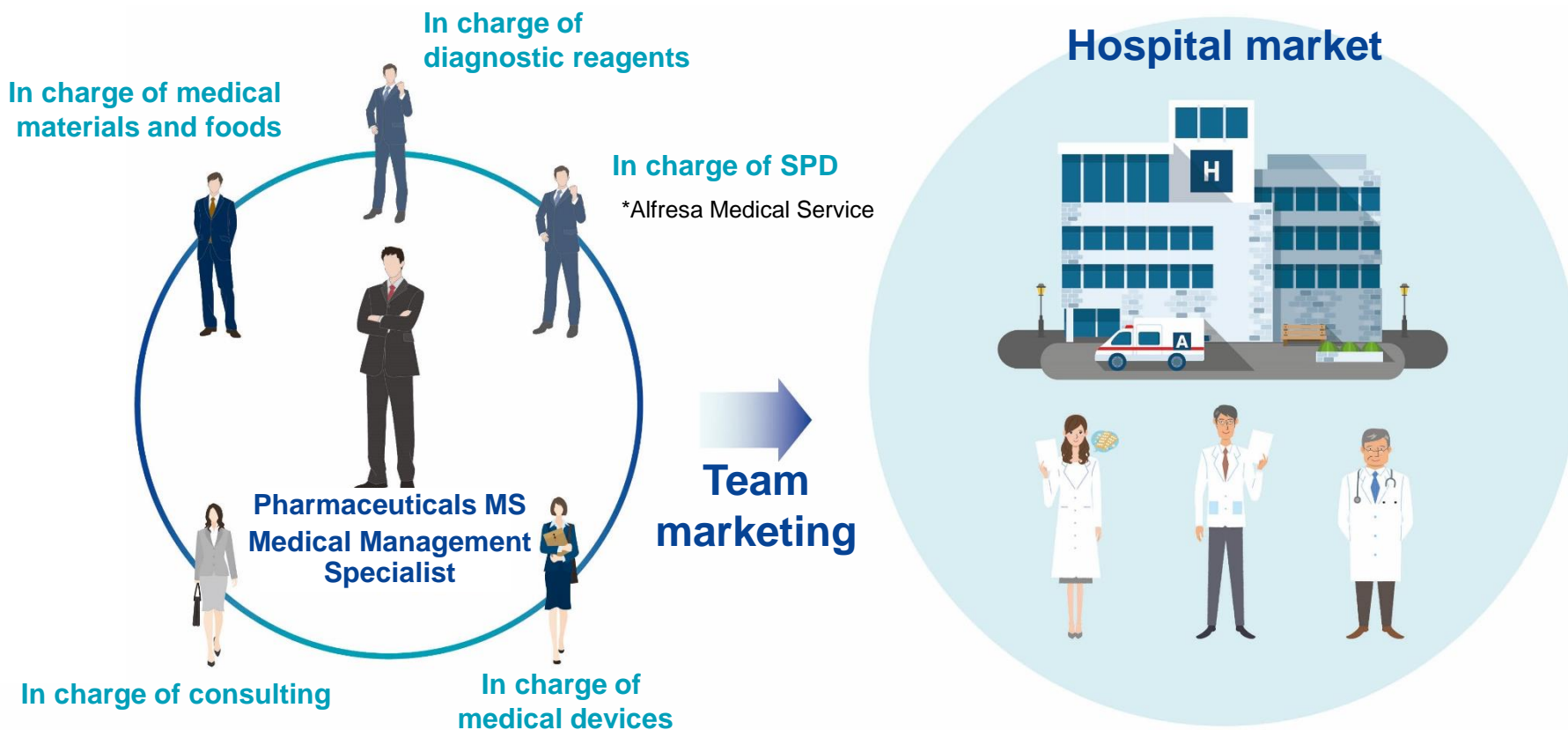
- **Further “evolution” of the MS function**
 - Strengthen proposal-type marketing
 - Practice area marketing strategy
 - Efforts toward integrated community care system
 - Focus on medical goods*
- **Focus on specialty products**
- **Upgrade, raise efficiency, and standardize Group distribution**

*Medical goods include diagnostic reagents, medical devices, medical materials, nutritional foods, etc.

Priority Measures: Further “Evolution” of the MS Function

Strengthen proposal-type marketing

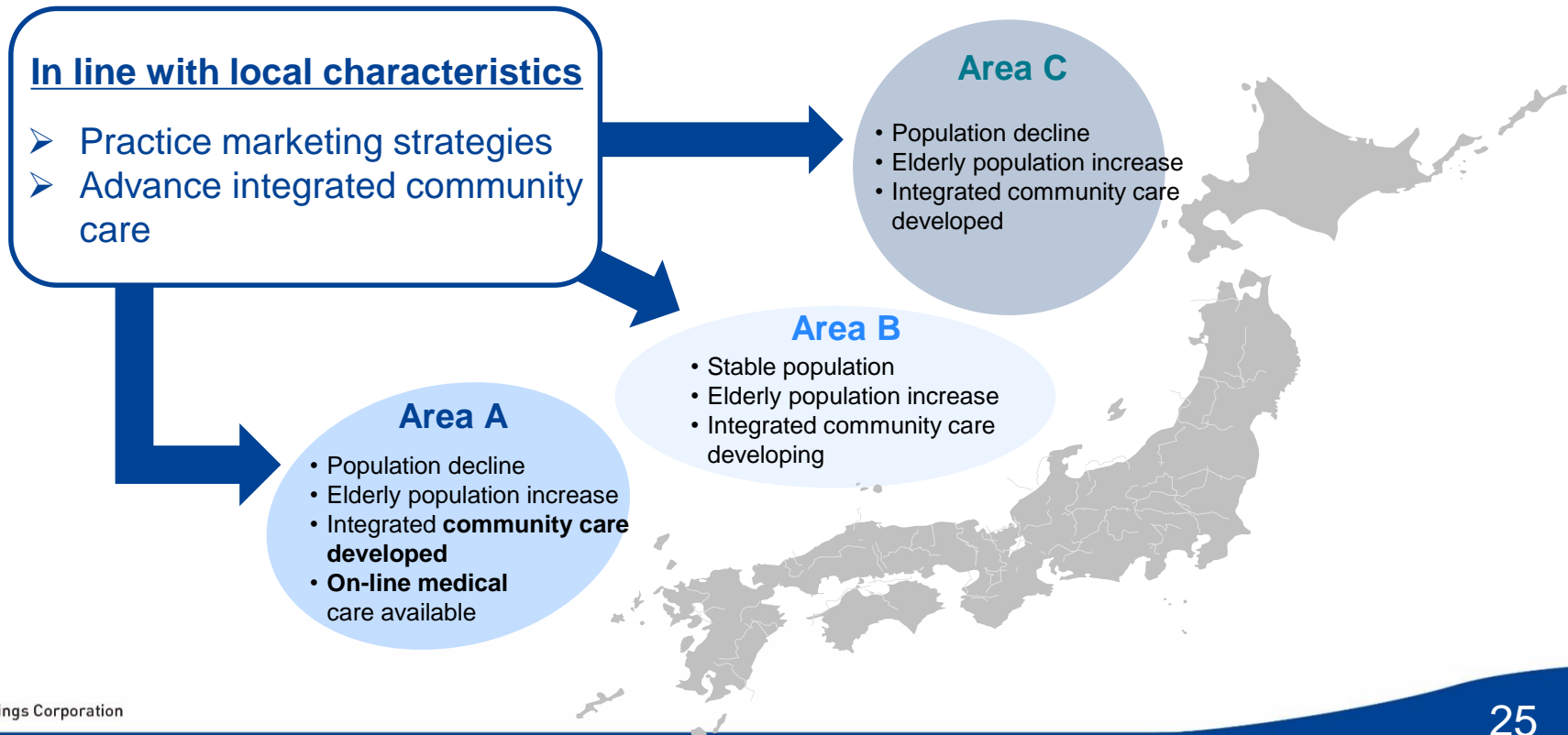
- ✓ Strengthen proposal-type marketing to hospitals through team marketing that unifies sales persons in charge of diagnostic reagents, medical devices, medical materials, SPD, etc. centered on the pharmaceuticals MS



Priority Measures: Further “Evolution” of the MS Function

Practice area marketing strategy, make efforts toward integrated community care system

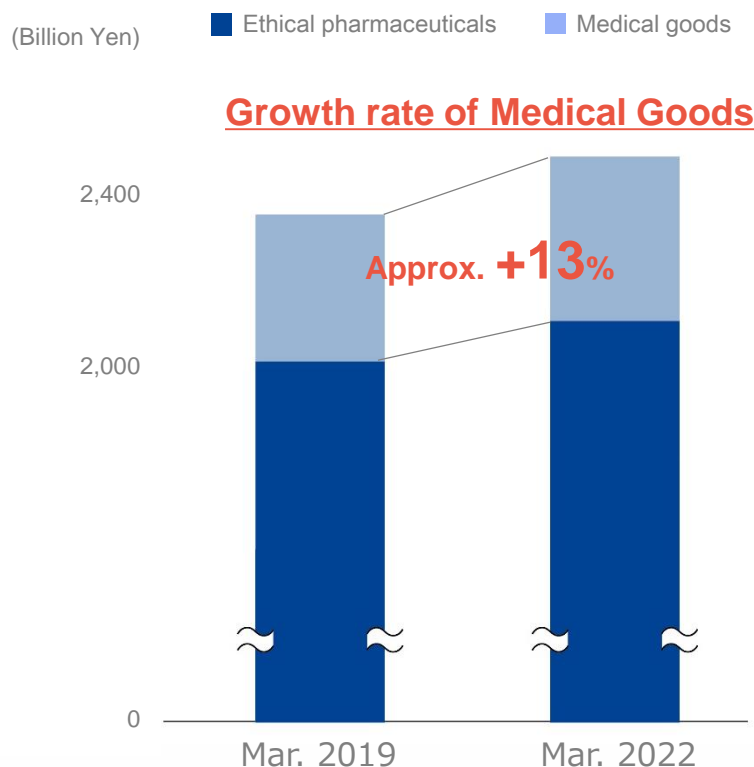
- ✓ Formulate and practice marketing strategies that suit local characteristics in each area
- ✓ With the pharmaceuticals MS as the coordinator for building up integrated community care, build community medical cooperation and advance commercialization of new businesses and services that come from that cooperation



Priority Measures: Further “Evolution” of the MS Function

Focus on Medical Goods

- ✓ Strengthen sales of medical goods (diagnostic reagents, medical devices, medical materials, nutritional foods, etc.), which are a market where growth is anticipated and increase sales composition



Measures to Increase Sales

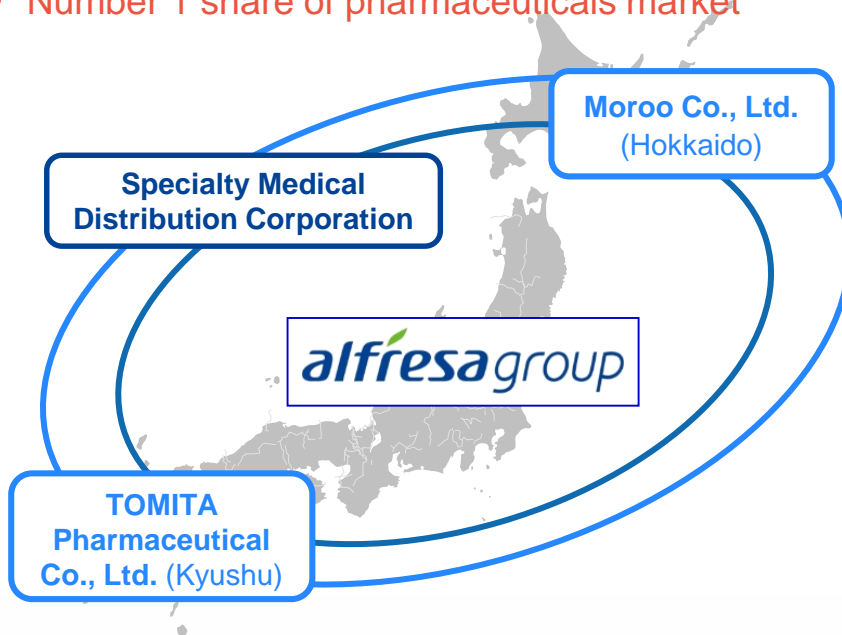
- **Reinforce medical goods sales professionals**
- **Strengthen sales capabilities targeting at integrated community care**
Strengthen sales channels to GPs and dispensing pharmacies through team marketing with pharmaceuticals MS
- **Centralize and strengthen purchasing function**
Strengthen purchasing function with Alfresa Medical Service Corporation as the base

Priority Measures: Focus on Specialty Products

Reinforce distribution functions and marketing functions toward undertaking exclusive contracts for new product distribution

Specialty Distribution Network

- High nationwide coverage ratio
- Number 1 share of pharmaceuticals market



Upgrading the distribution of specialty pharmaceuticals

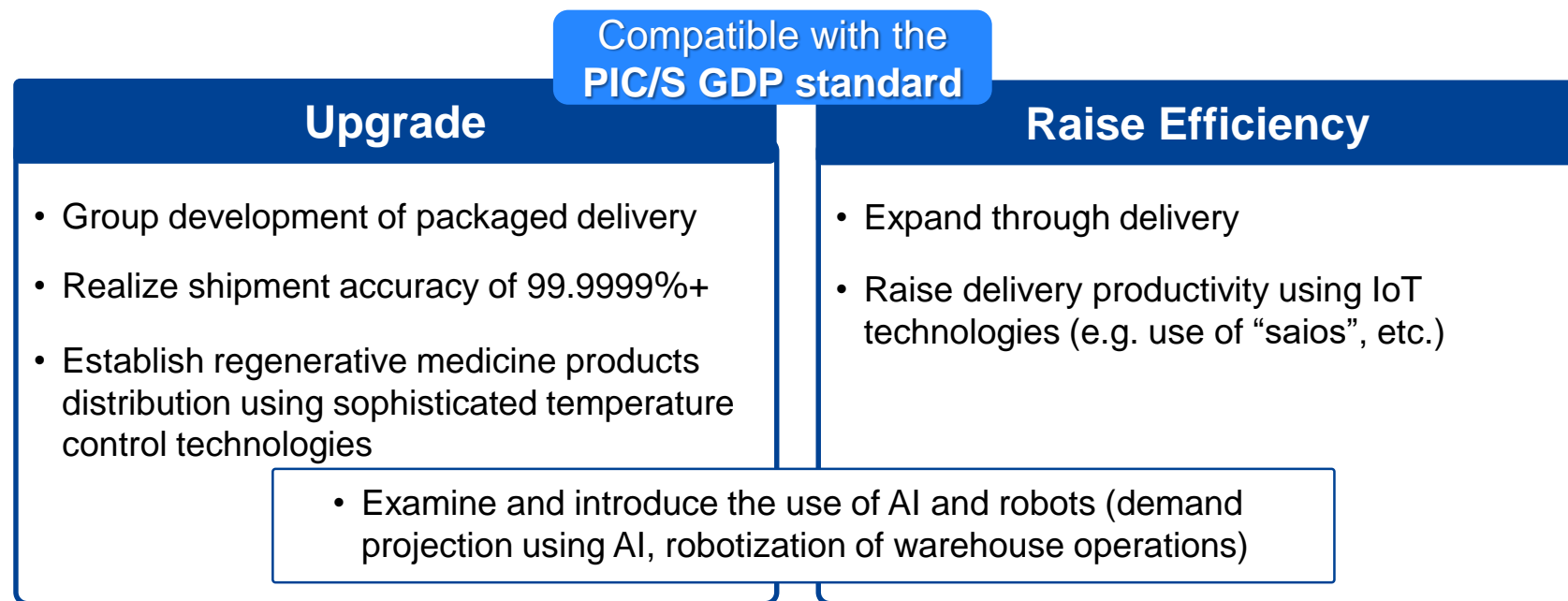
- Launched joint research groups with companies in other industries (Mitsubishi Logistics Corporation, PHC Corporation/Fujitsu FIP Corporation)

Support functions standardized as a Group

- Awareness campaigns, study groups, etc. regarding special diseases

Priority Measures: Upgrade, Raise Efficiency and Standardize Group Distribution

While complying with PIC/S GDP standards*, continue to pursue efficiency and advance upgrades toward the future



Promote further standardization of distribution within the Group

*PIC/S GDP: International standards for temperature control, hygiene control, and the preparation of various procedure manuals in the pharmaceuticals distribution process.

Self-Medication Products Wholesaling Business: Business Policy

Strengthen to become a “total healthcare merchandising wholesaler”

Targets for year ending March 2022

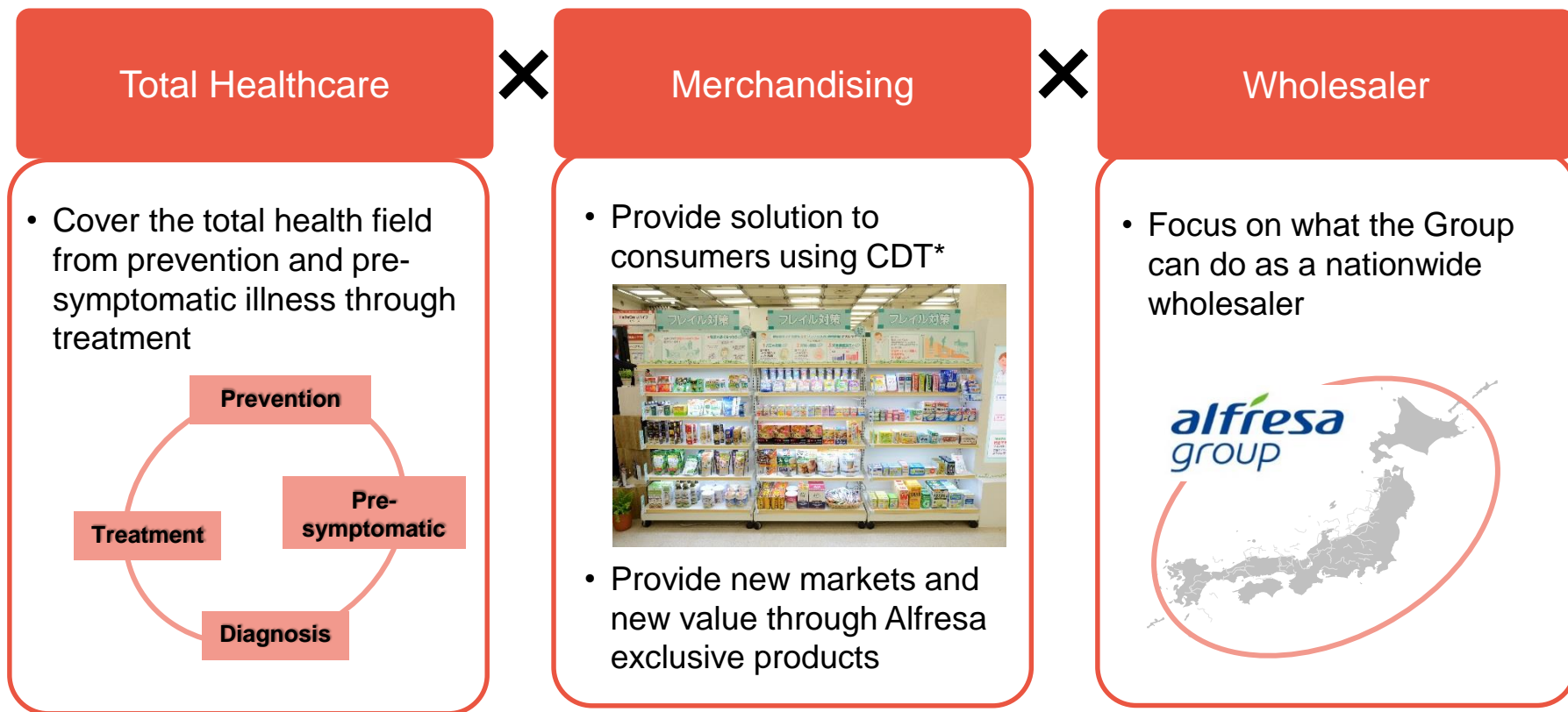
Net sales
275.0 billion yen

Operating income
margin
1.1%

Investment plan
(cumulative)
2.7 billion yen

- **Establish stable and sustainable business foundations**
- **Product proposals from the consumers' viewpoint**
- **Strengthen efforts for exclusive manufacturers and exclusive products**
- **Investment toward the future**
 - Challenge of creating new customers and developing new channels
 - Creation of next-generation supply chain
 - Efforts toward expanding product lineups (incl. daily necessities, beauty products)
- **Strengthen collaboration with each business segment**

Total Healthcare Merchandising Wholesaler



*CDT: Consumer Decision Tree

Become an “only one” wholesaler with differentiation due to new value added and creativity

Deep-involvement into product strategies and sales strategies with manufactures to aim at further expanding scale

Product Strategies

- Develop and discover new exclusive products that create new markets and new value
- Joint development with Group pharmaceuticals manufacturing company



Sales Strategies

- Develop joint advertising strategies with manufacturers
- Open up new sales channels

Alfresa Exclusive Products;

”Only one” products discovered in various regions throughout the country that cannot be manufactured anywhere else



Manufacturing Business: Business Policy

Further Strengthen Group Synergy and Expand Scale

**Targets for year
ending March 2022**

Net sales
60.0 billion yen

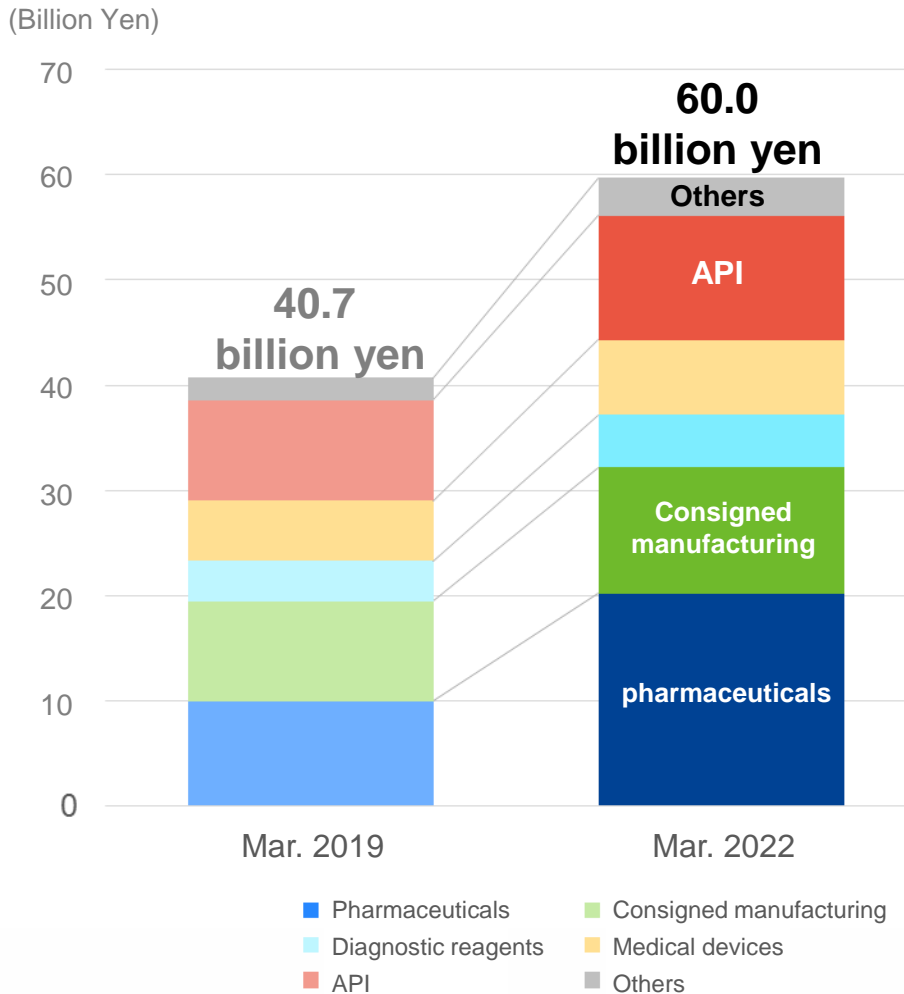
Operating income
margin
5.2%

Investment plan
(cumulative)
12.0 billion yen

- **Advance reliable, safe, and sincere manufacturing**
- **Expand products in line with Group needs**
- **Expand scale of the consigned manufacturing and the active pharmaceutical ingredients business**
- **Expand overseas operations**

Priority Measures: Growth Fields toward Expanding Scale

Aim at expanding scale in the following three fields



1. Expand products in line with Group needs

- Strengthen ties with Group's ethical pharmaceuticals wholesalers
- Focus on product lineup taken over from drug manufacturers, etc.

2. Expand scale of the consigned manufacturing and the API business

- Establish a consigned manufacturing system involving the entire Group
- Manufacture and overseas sales of competitive API products

3. Expand overseas operations

- Expand sales of diagnostic reagents and sutures in China, the EU, and the US
- Expand Vietnam operation

Fecal testing device
"Hemo Techt NS-Prime"
(photo shows domestic model)



Medical-Related Business: Business Policy

Raise operational efficiency for improving profitability and enhance functions toward future changes

Targets for year ending March 2022

Net sales
34.8 billion yen

Operating income
margin
1.0%

Investment plan
(cumulative)
1.1 billion yen

- **Reorganize stores in line with functions required**
- **Raise efficiency and sophistication of operation aiming at improving profitability**
- **Contribute to local communities by becoming multi-functional**
- **Strengthen collaboration with each business segment**

Priority Measures: Contribute to Local Communities by Becoming Multi-functional

Advance multi-functionality toward integrated community care systems

Strengthening of home care service capability

Hiring and use of dietitians toward preventative medicine

Acquisition of “health support pharmacy” certification



Health event for the local community

Vision for Pharmacies by 2025*

“Family pharmacy”

- Unified continuous management of medication information
- 24 hour response & home care response
- Stronger ties with medical institutions, etc.

+

Health support functions

(Assistance for independent health maintenance and improvement by community residents)

Activity as “health support pharmacy”

Sophisticated pharmaceutical management functions

(Pharmaceutical management of anti-cancer drugs, etc.)

* Compiled from MHLW, “Pharmacy Vision for Patients”

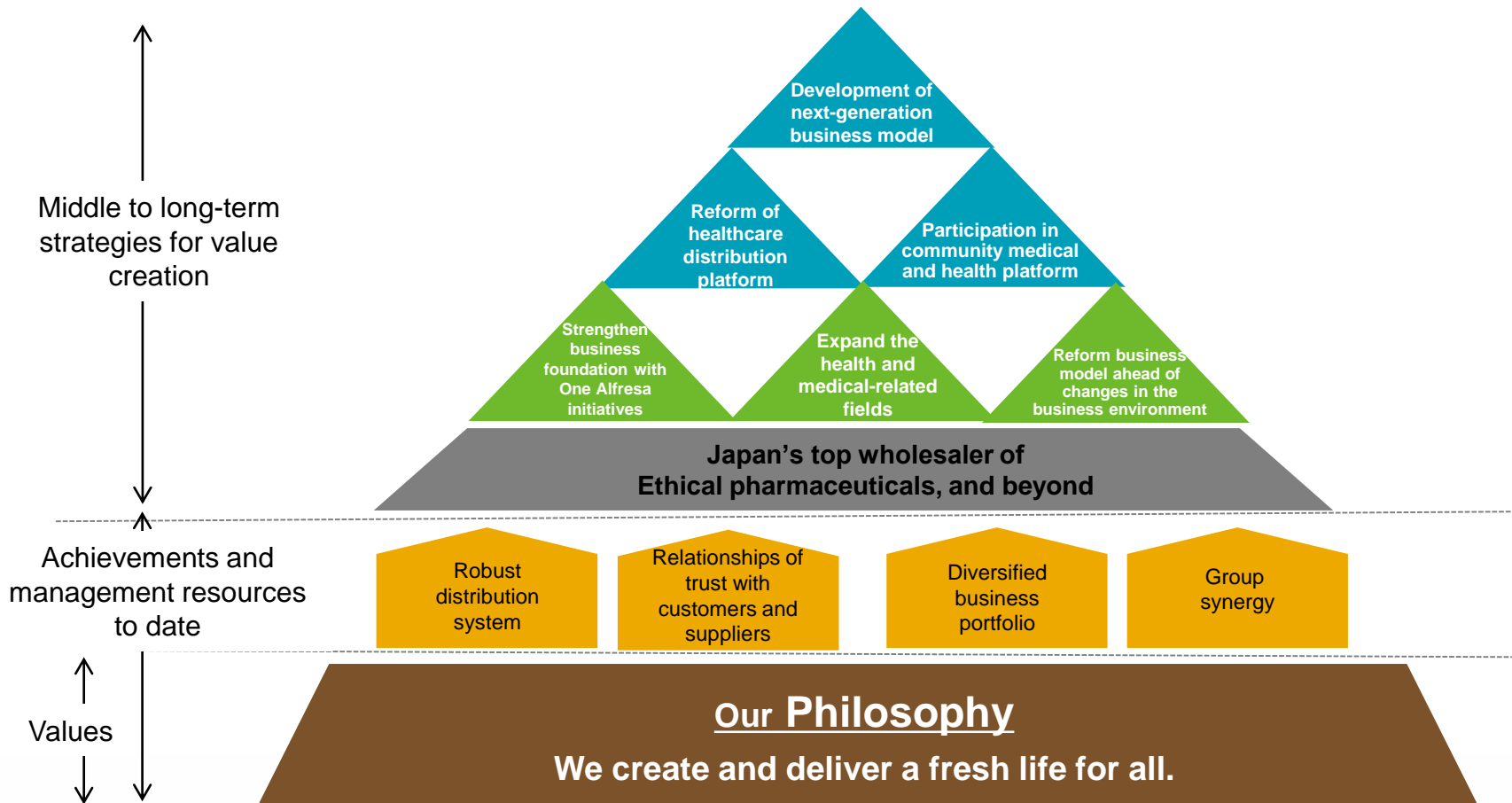
3. Toward Sustainable Growth



Approach to Sustainable Value Creation

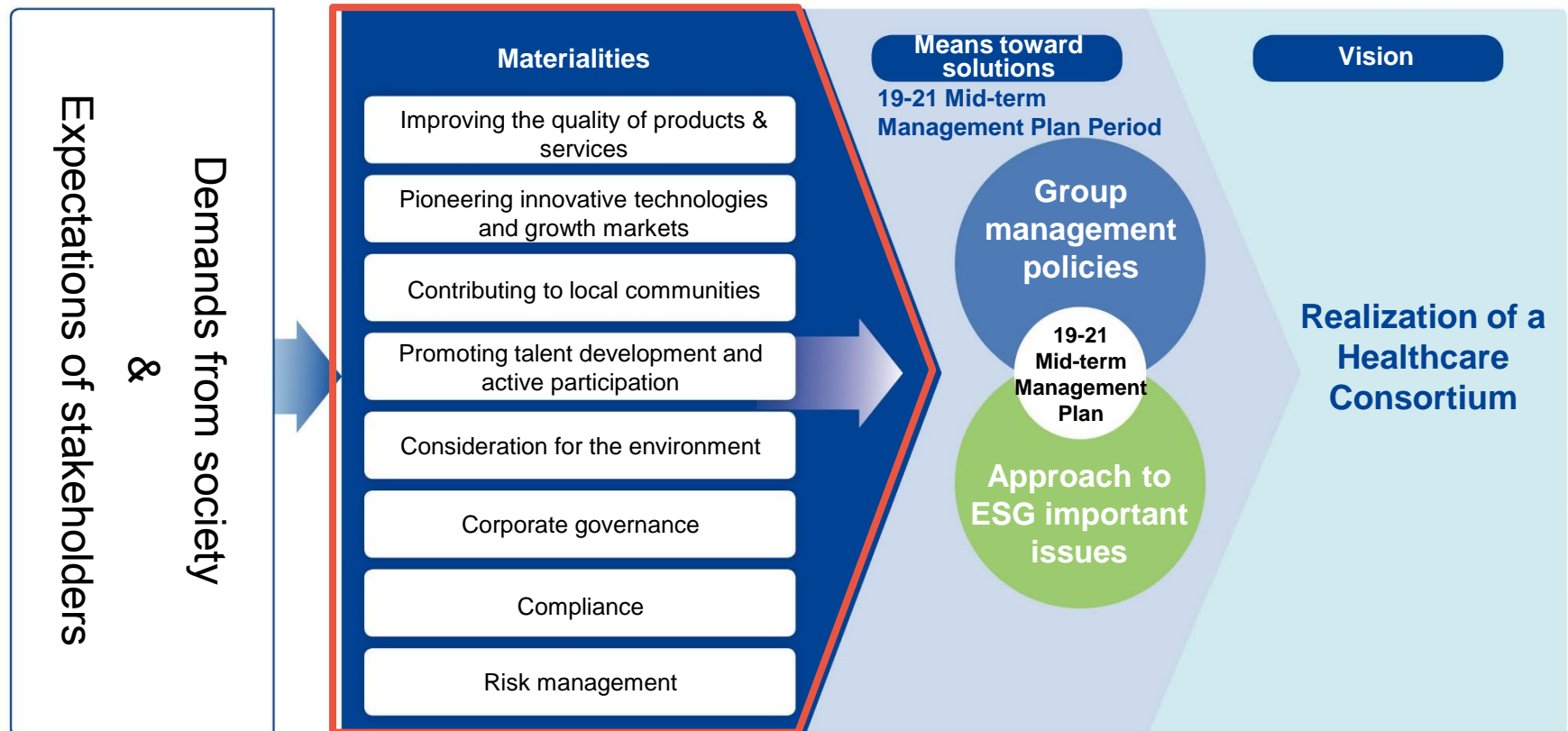
our Vision

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



Materialities for Mid to long-term Growth Strategy

Identified materialities to be addressed as a Group toward our vision



Disclaimer Concerning Forward-Looking Statements:

Please note that the information and materials published here 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.

In the event that revisions or amendments to the information are desirable due to new information, future events and other factors, it is neither a policy nor an obligation of the Company to update such information.

The logo for Alfresa Holdings Corporation, featuring the word "alfresa" in a blue, lowercase, sans-serif font. A small green leaf icon is positioned above the letter 'f'.

Alfresa Holdings Corporation

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