

## Translation

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Tokyo, May 15, 2023  
Alfresa Holdings Corporation

### Notice regarding the Formulation of the Alfresa Group's Medium- to Long-Term Vision

At a meeting of the Board of Directors held on May 15, 2023, the Alfresa Group resolved a medium-to long-term business strategy and financial and capital strategies through fiscal 2032 to further enhance the Alfresa Group's corporate value.

For details of the Alfresa Group's Medium- to Long-Term Vision, please refer to the attached materials.

#### 1. Background and Objectives of the Alfresa Group's Medium- to Long-Term Vision

In order to further increase the corporate value of the Alfresa Group, we formulated our business strategy and financial and capital strategies in the Medium- to Long-Term Vision ahead of the three-year 22–24 Mid-term Management Plan and up to fiscal 2032.

#### 2. Outline of the Alfresa Group's Medium- to Long-Term Vision

##### (1) Major Targets for the Medium to Long Term (up to Fiscal 2032)

Net Sales	:¥4.0 trillion
Operating Income	:¥70.0 billion or more
ROE	:8.0% or higher

##### (2) Business Strategy (Strengthening and Expanding Total Supply Chain Services)

The Group will establish and execute its business strategy and expand and reform its business portfolio by strengthening its foundation businesses, cultivating growth businesses, and developing new businesses, using its strong relationships of trust with business partners, high-performance logistics infrastructure, and abundant human capital, which are the strengths of the Ethical Pharmaceuticals Wholesaling Business, as the sources of value creation. At the same time, the Group will aim to expand profit, which is economic value, and create social value for various stakeholders in the health and medical fields.

##### (3) Financial and Capital Strategies

We will implement balance sheet cost controls toward an optimal medium- to long-term capital structure with capital efficiency and stability.

In addition, we aim to achieve an ROE of 8.0% or higher by aiming to gradually improve dividend on equity (DOE) as a shareholder return and flexibly implement share buybacks.

#### **About the Alfresa Group**

The Alfresa Group is a leader in the Japanese healthcare industry and is dedicated to making its corporate philosophy, “we create and deliver a fresh life for all,” come true through a wide range of business lines, including ethical pharmaceuticals wholesaling, OTC pharmaceuticals wholesaling, pharmaceutical manufacturing, and operating dispensing pharmacies. Alfresa Holdings Corporation (TSE:2784) reported its consolidated revenue of ¥2.6 trillion (US\$20 billion) for the fiscal year ended March 31, 2023. For more information, please see: <https://www.alfresa.com/eng/>



# The Alfresa Group's Medium- to Long-Term Vision

May 15, 2023

Alfresa Holdings Corporation

# The Alfresa's Group Medium- to Long-Term Vision Overview

Improve corporate value over the medium- to long-term  
by pursuing the Healthcare Consortium® and improving capital efficiency by controlling B/S

## Medium- to Long-Term Main Goals (Up To Fiscal 2032)

Net Sales	¥4.0 trillion
Operating Income	¥70.0 billion or higher
ROE	8.0% or higher

### Business Strategy

◆ **Secure profit growth by enhancing the profitability of core businesses and expanding the revenue of growth and new businesses to encourage higher profits**

1. Core businesses: Become a leading wholesaler and the choice of suppliers and customers alike
2. Growth businesses: Expand medical goods (medical devices, diagnostic reagents, nutritional foods, etc.)  
Promote self-prevention products in the Self-Medication Products Wholesaling Business  
Expand consignment and promote development of pharmaceuticals for new businesses in the Manufacturing Business
3. New businesses: Promote business related to regenerative medicine products  
Promote activities to connect people using digital tools  
Promote entry into treatment-adjacent businesses

### Financial and Capital Strategy

◆ **Achieve dividend on equity (DOE) of 2.4% or higher (increase gradually following the period of the 22–24 Mid-term Management Plan)**  
◆ **Acquire treasury stock amounting to ¥35.0 billion in fiscal 2023, then continue to acquire flexibly in subsequent years**

1. Achieve capital efficiency and work as a social infrastructure company to establish a stable financial base, and establish an optimal medium- to long-term capital structure (owners' equity ratio in the low to mid 30% range)
2. Realize optimal cash allocation to facilitate the sustainable improvement of corporate value by making a balanced consideration of continued investment, optimizing capital structure, and providing stable shareholder returns
3. Increase DOE gradually, with an emphasis on sustainable and stable increases to dividends  
Acquire treasury stock in a flexible manner with a view toward optimizing capital structure

### Non-Financial (ESG) Strategy

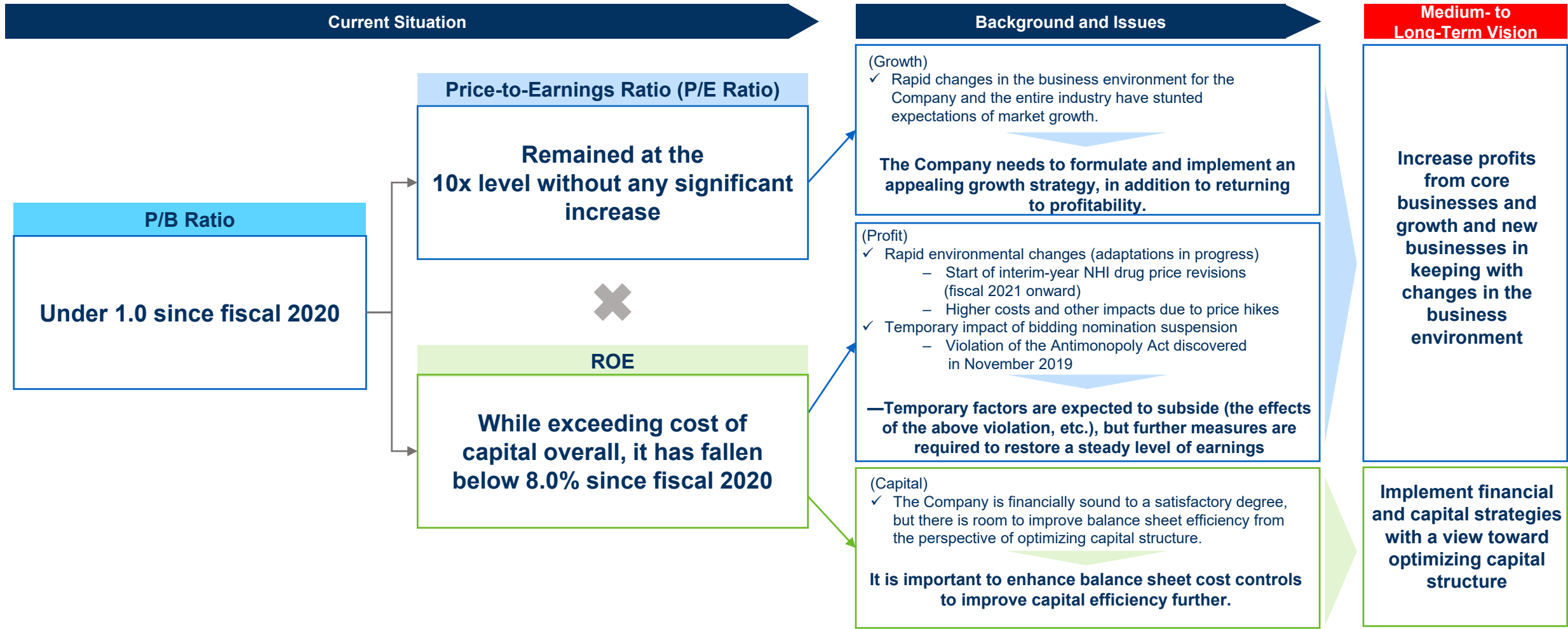
**【 Environmental 】 Reduce CO<sub>2</sub> emissions and promote efficient use of energy**

**【 Social 】 Invest actively in human capital**

**【 Governance 】 Promote thorough compliance**

# Conditions Surrounding the Formulation of the Alfresa Group's Medium- to Long-Term Vision

The Company's stock price has placed its price-to-book ratio (P/B ratio) below 1.0 since fiscal 2020, so we are investigating a response policy to gain a clear understanding of the situation and improve market evaluation. To direct policies to increase corporate value over the medium to long term, we formulated the Alfresa Group's Medium- to Long-Term Vision.



# Position of the Alfresa Group's Medium- to Long-Term Vision



# Roadmap to Realizing Our Vision

	Period of the 22–24 Mid-term Management Plan			The Alfresa's Group Medium- to Long-Term Vision
	Fiscal 2022	Fiscal 2023 plan	Fiscal 2024 22–24 Mid-term Management Plan (Announced May 2022)	Medium- to long-term goals (fiscal 2032)
Net sales	¥ 2,696.0 billion	¥ 2,740.0 billion	¥ 2,700.0 billion or higher	¥ <b>4.0</b> trillion
Operating profit	¥ 30.1 billion	¥ 32.0 billion	¥ 40.5 billion	¥ <b>70.0</b> billion or higher
Operating income margin	1.1%	1.2%	1.5%	Increase gradually
ROE	<b>5.4%</b>	—	Achieve an ROE that exceeds the cost of capital by increasing the operating income margin and improving total asset turnover (increase gradually every fiscal year)	<b>8.0%</b> or higher
Owners' equity ratio	36.4%	—	—	Low–mid 30% range
DOE	<b>2.4%</b>	<b>2.8%</b> Commemorative dividend (¥10.0)	<b>2.4%以上</b> Three-year cumulative total shareholder return ratio of 100%	Increase gradually
Acquisition of treasury stock	—	<b>¥ 35.0 billion</b>	—	Continue acquisition in a flexible manner
Total investment amount	—	—	Three-year cumulative total <b>¥ 120.0 billion</b>	Cumulative total (fiscal 2025 to fiscal 2032): <b>¥ 320.0 billion</b>

# Business Strategy: Story of Social Value Creation

## Sources of Value Creation (Strengths of the Ethical Pharmaceuticals Wholesaling Business)

### Strong Relationships of Trust with Suppliers

- ◆ The number-one share of sales in Japan
- ◆ Over 170,000 customer institutions
- ◆ Approximately 1,680 manufacturers

### Highly Functional Logistics Infrastructure

- ◆ Steady supply system with 220 distribution bases across Japan
  - 14 large-scale distribution centers across Japan
  - Four urban pharmaceutical centers across Japan
  - Nine facilities for the management and storage of regenerative medicine products across Japan
  - Two regenerative medicine distribution stations located in the east and west parts of Japan respectively

### Abundant Human Capital

- ◆ Approximately 2,800 marketing specialists
- ◆ Over 2,000 medical management specialists
- ◆ Over 2,000 sales assistants

## Business Strategy (Enhance and Expand Total Supply Chain Services)

**Develop New Businesses**

**Cultivate Growth Businesses**

**Strengthen Core Businesses**

## Furthering Digital Transformation (DX) (Business reform, information utilization, and business creation)

## Creation of Social Value

**Extending healthy life expectancy**

- Improved access to pharmaceuticals for patients
- Customer health / preventive health
- Quality of life improvement

**Contributing to community healthcare**

- Workstyle reforms for medical care professionals
- Efficient management of medical institutions
- Contribution to the Community-Based Integrated Care System, etc.

**Healthcare innovation**

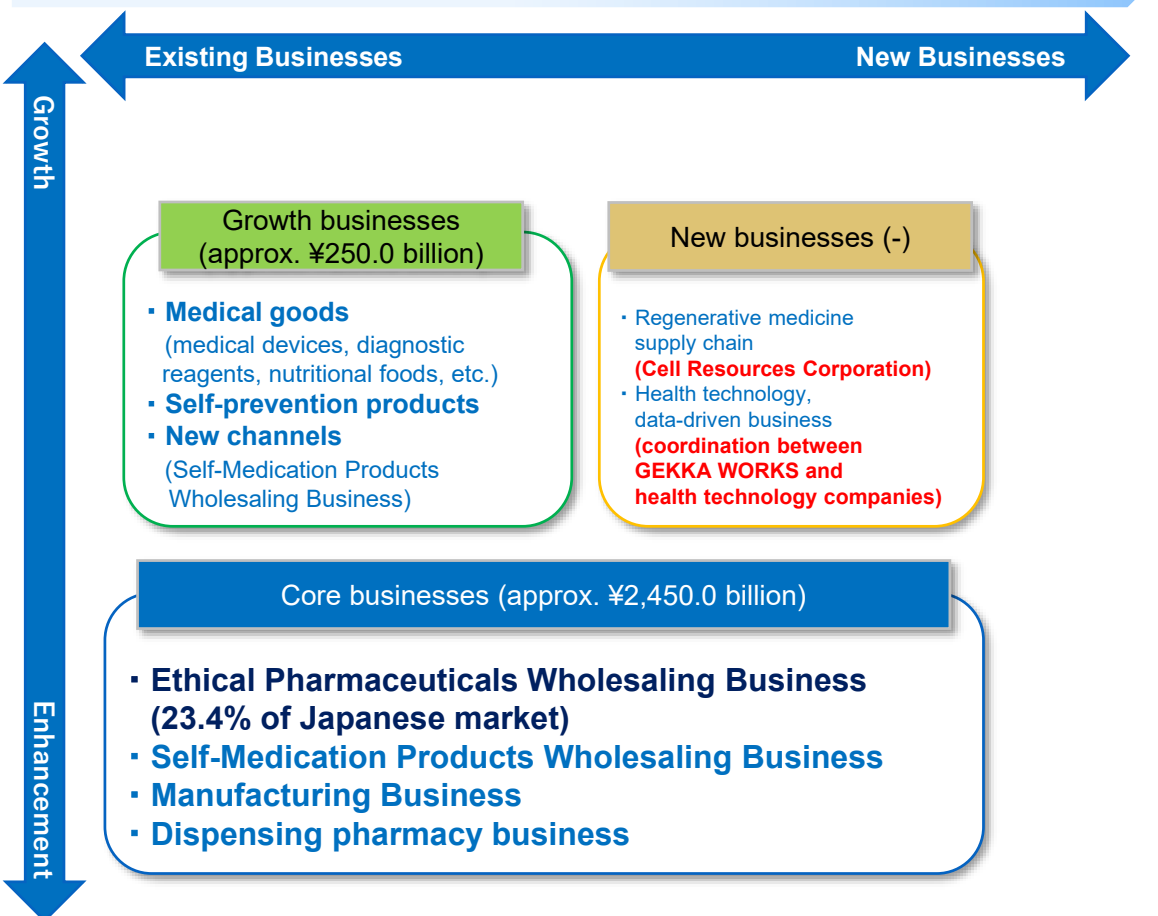
- Contributing to domestic and overseas companies (manufacturers and ventures) through manufacturing, distribution, and new services



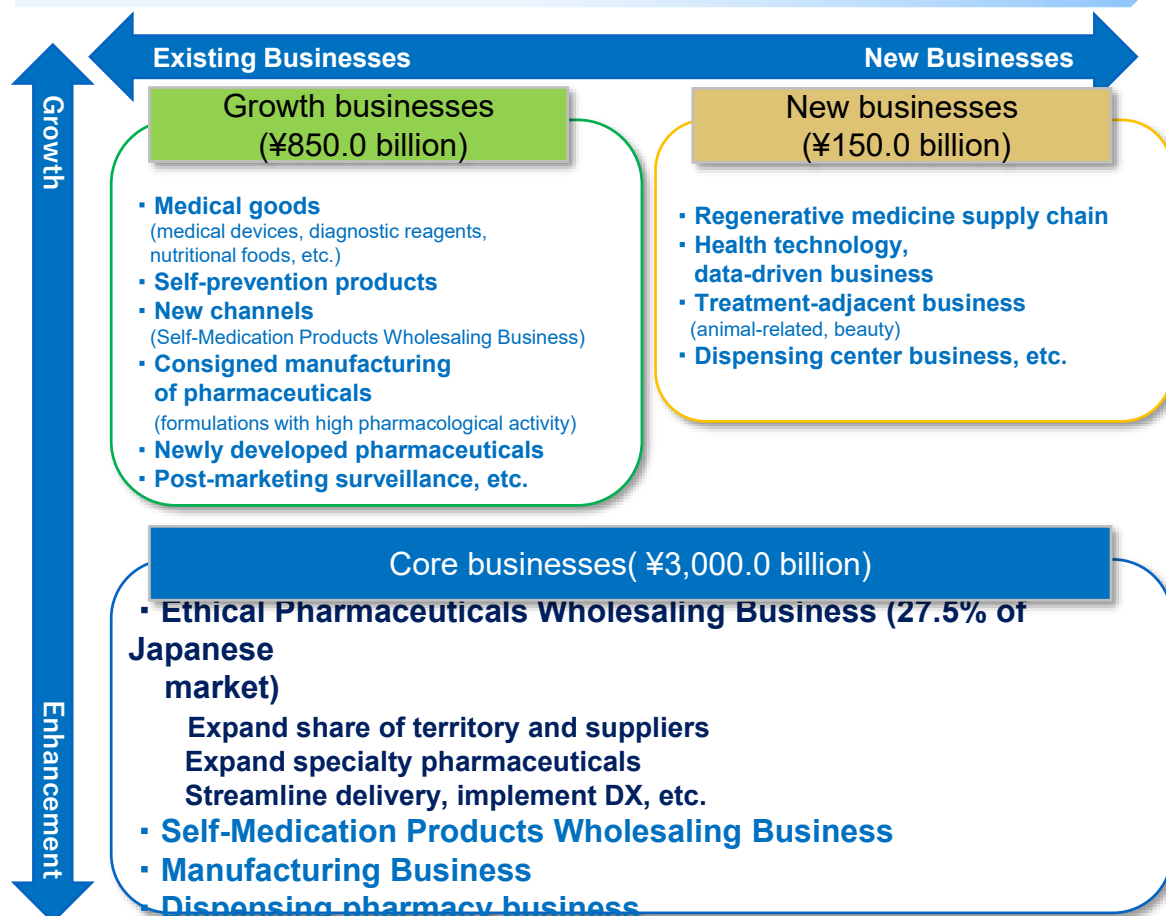
# Business Strategy: Expansions and Reforms to the Business Portfolio (Net Sales)

Including inorganic growth

## 22–24 Mid-term Management Plan



## Alfresa Group's Medium- to Long-Term Vision



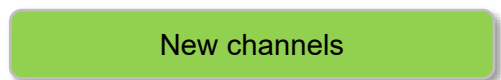
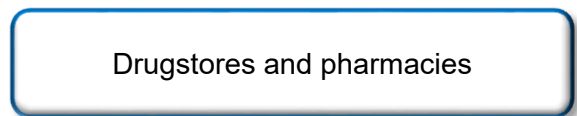
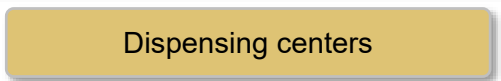
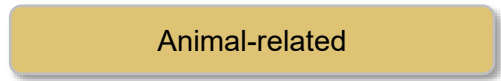
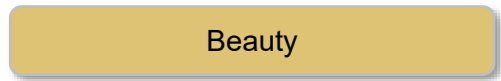
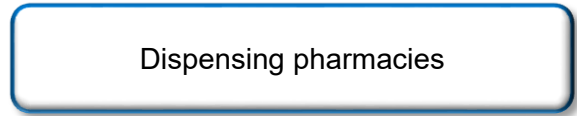
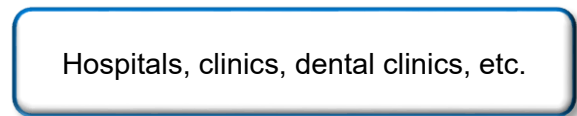
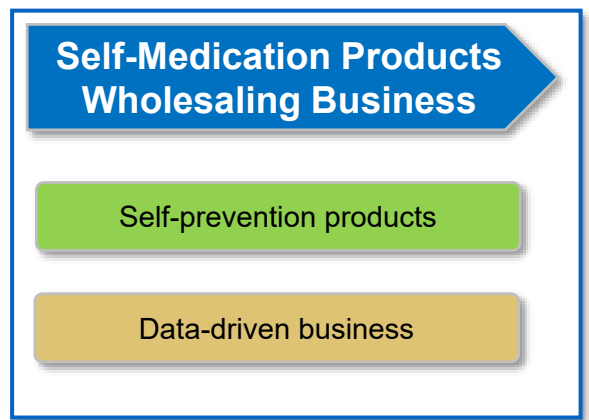
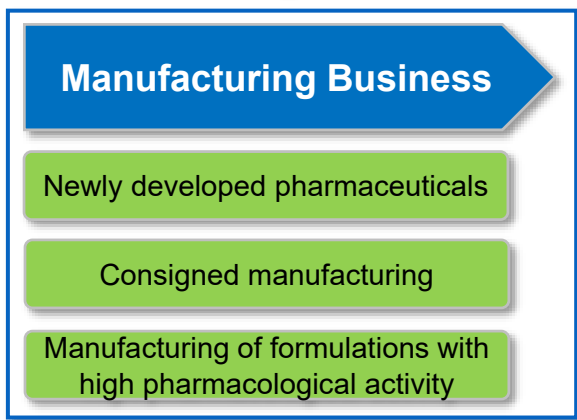
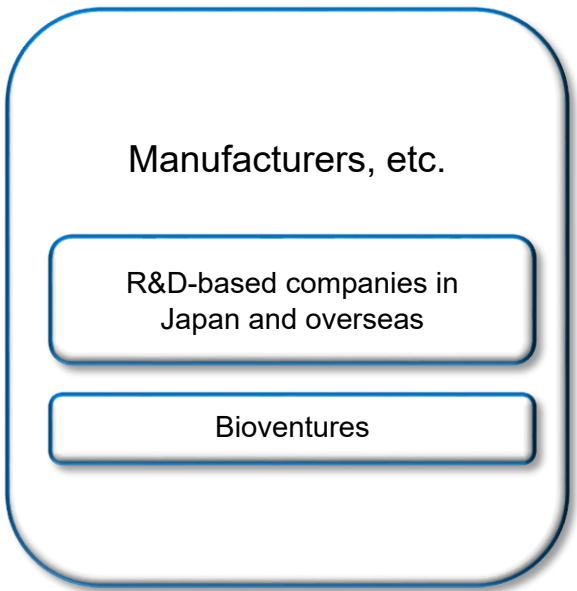
Fiscal 2022 (actual results)	
Net Sales	¥2,696.0 billion
Operating Income	¥30.1 billion
ROE	5.4%

Enhance and Expand Total Supply Chain Services

Fiscal 2032 (target results)	
Net Sales	¥4.0 trillion
Operating Income	¥70.0 or higher
ROE	8.0% or higher

# Business Strategy: Target Business Domains and Synergies over the Medium to Long Term

(Enhance and expand total supply chain services)



# Business Strategy: Investments under the 22–24 Mid-term Management Plan and the Alfresa Group’s Medium- to Long-Term Vision

Invest ¥120.0 billion over the course of the 22–24 Mid-term Management Plan  
Invest ¥320.0 billion in the Alfresa Group’s Medium- to Long-Term Vision to promote growth

## Investment progress and plan for the 22–24 Mid-term Management Plan, and investment plan for the Medium- to Long-Term Vision

22–24 Mid-term Management Plan Investment Plan				Fiscal 2025–fiscal 2032 (plan)
22–24 Mid-term Management Plan (three-year cumulative total)		Fiscal 2022 (actual result)	Fiscal 2023–fiscal 2024 (balance)	
Business continuity investments (Capital Expenditures)	¥70.0 billion	¥23.8 billion	¥46.2 billion	¥30.0 billion
M&A, and investments In new business domains	¥40.0 billion	¥5.1 billion	¥34.9 billion	¥250.0 billion
Systems investments, DX investments	¥10.0 billion	¥2.3 billion	¥7.7 billion	¥40.0 billion
<b>Total</b>	<b>¥120.0 billion</b>	<b>¥31.2 billion</b>	<b>¥88.8 billion</b>	<b>¥320.0 billion</b>

# Financial and Capital Strategy: Target Balance Sheet over the Medium to Long Term (Optimal Capital Structure)

Controlling B/S toward an optimal capital structure with capital efficiency and stability

## Fiscal 2022 Results

On-Hand Liquidity Approx. ¥160.1 billion	Liabilities ¥851.5 billion
Cross-Shareholdings ¥56.1 billion	
Total Assets ¥1,339.8 billion	
Net Assets ¥488.3 billion	

Owners' equity ratio 36.4%  
ROE 5.4%

• Maintain current level of on-hand liquidity

• Acquire treasury stock in a flexible manner to control owner's equity ratio while maintaining financial soundness (criteria: external credit rating of A+)

## Target Balance Sheet

On-Hand Liquidity	External borrowing
Cross-Shareholdings	Liabilities
Decrease	
Total Assets	Control
	Net assets

Owners' equity ratio Low-mid 30% range  
**ROE 8.0% or higher**

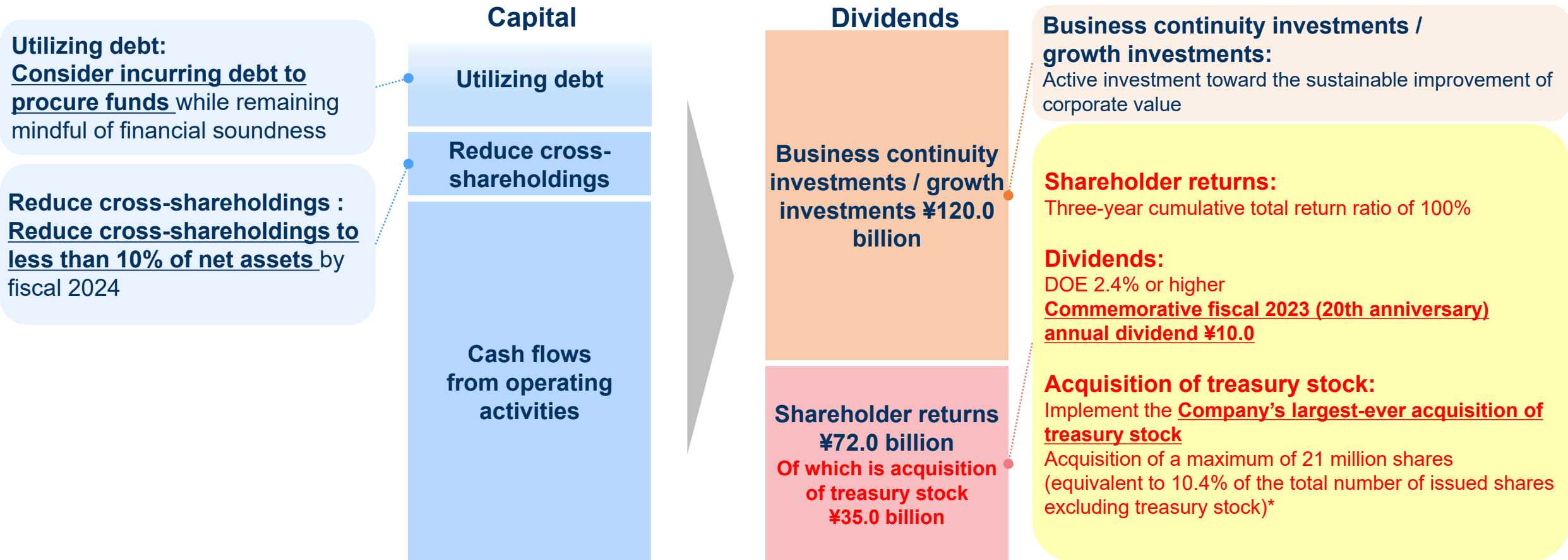
Consider incurring debt to procure funds while remaining mindful of financial soundness

Gradually increase DOE and acquire treasury stock in a flexible manner in anticipation of an optimal capital structure

# Financial and Capital Strategy: Cash Allocation under the 22–24 Mid-term Management Plan

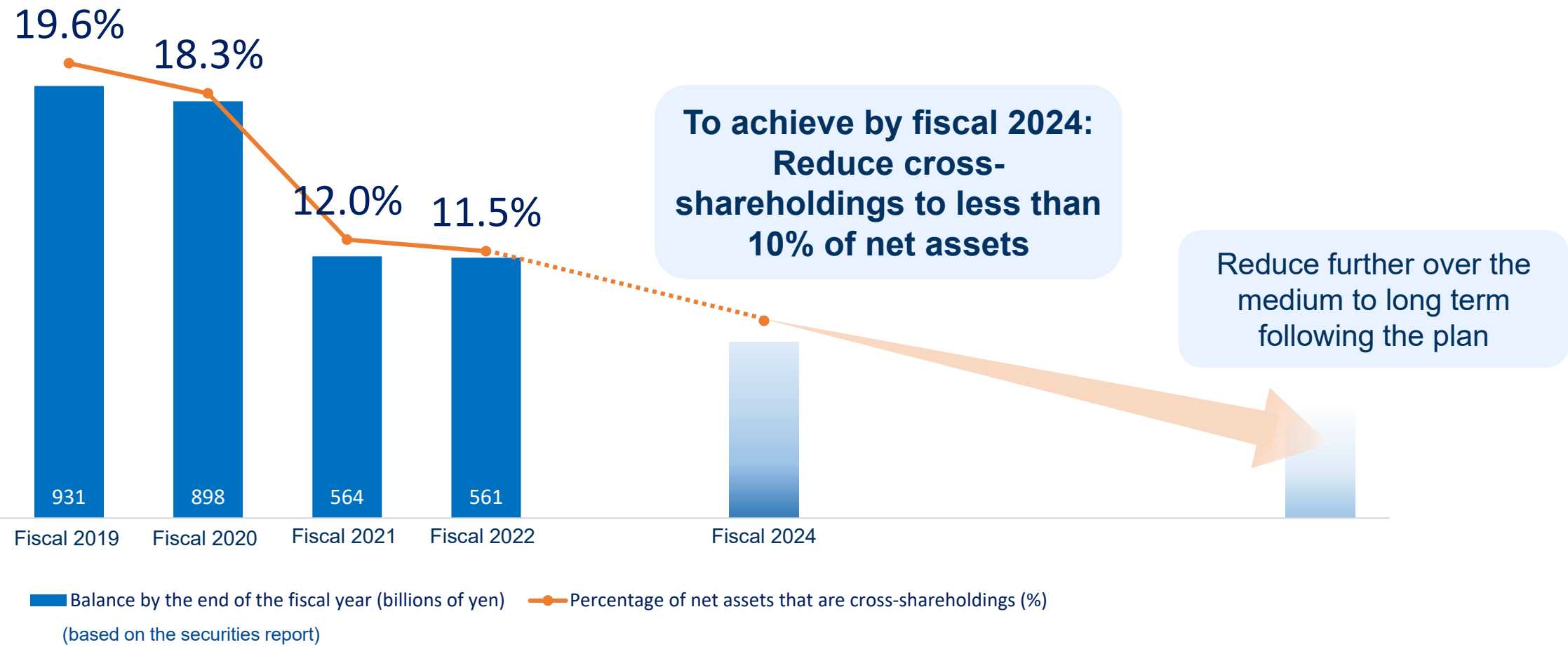
Invest ¥120.0 billion in business continuity and growth investments, with plans for a 100% cumulative total shareholder return ratio over three years through cash flows from operating activities and sales of assets, with consideration given to utilizing debt.

## Cash Allocation under the 22–24 Mid-term Management Plan



# Financial and Capital Strategy: Reduce Cross-Shareholdings

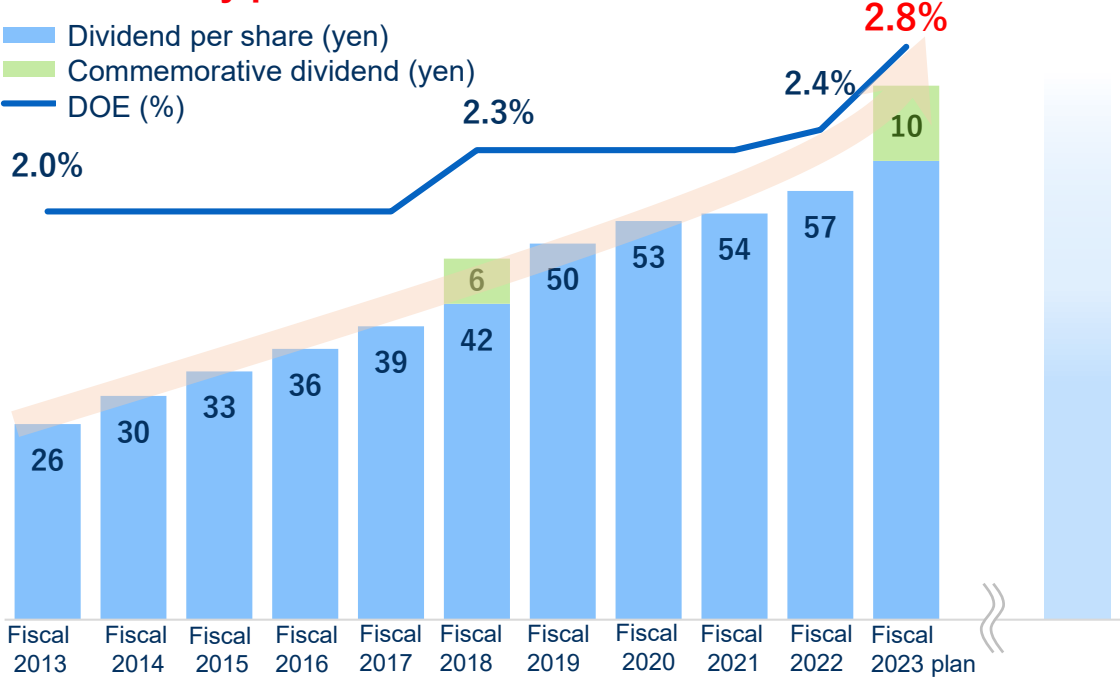
Reduce cross-shareholdings to less than 10% of net assets over the period of the 22–24 Mid-term Management Plan



# Financial and Capital Strategy: Enhance Shareholder Returns

## Dividend per share / DOE (results and outlook)

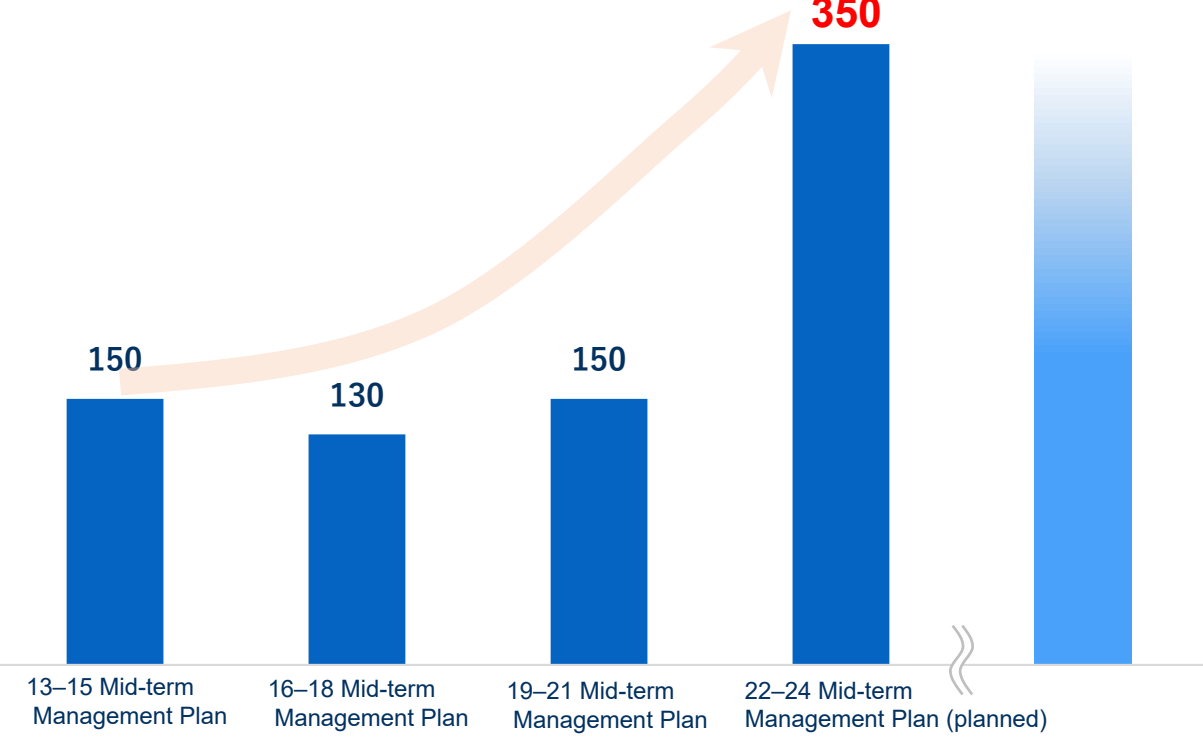
Dividends increased for 19 consecutive years, since the Company's founding  
**Commemorative annual dividend of ¥10.0 celebrating the 20th anniversary planned for fiscal 2023**



**Increase DOE gradually, with emphasis on sustainable and stable increases to dividends**

## Results and Forecast for Acquisition of Treasury Stock (Billions of Yen)

**Acquire treasury stock amounting to ¥35.0 billion**  
 —the largest in Company history—in fiscal 2023 (planned)



**Acquire treasury stock in a flexible manner with a view toward optimizing capital structure (owners' equity ratio in the low to mid 30% range )**

*alfresa*