Translation

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document and the original Japanese document, the latter shall prevail.

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 \(\frac{\pma}{2}\).6 trillion (US\(\frac{\pma}{2}\)0 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

ROE

Operating Income

¥ ያ በ

¥70.0 billion or higher

8.0% or higher

¥4.0 trillion

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)
- 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 CO₂ 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.



Medium- to Long-Term Vision

Increase profits
from core
businesses and
growth and new
businesses in
keeping with
changes in the
business
environment

Implement financial and capital strategies with a view toward optimizing capital structure

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

Our Promise: Reliability, Safety, Sincerity and our Seven Key Promises

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.

The Alfresa Group's
Aspiration
(Long-Term Goals)
and
Medium- to
Long-Term Vision

Become a Healthcare Consortium® that provides products and services in every health-related field

Improve corporate value over the medium to long term by becoming a Healthcare Consortium[®] and improving capital efficiency through balance sheet controls

Medium-Term Management Plan 22–24 Mid-term Management Plan: 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

Numerical Targets for the Fiscal Year Ending March 31, 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

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	
Net sales	¥ 2,696.0 billion	
Operating profit	¥ 30.1 billion	
Operating income margin	1.1%	
ROE	5.4%	
Owners' equity ratio	36.4%	
DOE	2.4%	ا
Acquisition of treasury stock		
Total investment amount		

Fiscal 2023 plan	
¥ 2,740.0 billion	
¥ 32.0 billion	
1.2%	
_	
_	
2.8% Commemorative dividend (¥10.0)	
¥ 35.0 billio	n

Fiscal 2024 22–24 Mid-term Management Plan (Announced May 2022)
¥ 2,700.0 billion or higher
¥ 40.5 billion
1.5%
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)
_
2.4%以上 Three-year cumulative total shareholder return ratio of 100%
Three-year cumulative total ¥ 120.0 billion

Fiscal 2024 22–24 Mid-term Management Plan (Announced May 2022)	Medium- to long-term goals (fiscal 2032)	
¥ 2,700.0 billion or higher	¥ 4.0 trillion	
¥ 40.5 billion	¥ 70.0 billion or higher	
1.5%	Increase gradually	
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)	8.0% or higher	
_	Low–mid 30% range	
2.4%以上 Three-year cumulative total	Increase gradually	
shareholder return ratio of 100%	Continue acquisition in a flexible manner	
Three-year cumulative total ¥ 120.0 billion	Cumulative total (fiscal 2025 to fiscal 2032): ¥ 320.0 billion	

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

Existing Businesses

New Businesses

Growth businesses (approx. ¥250.0 billion)

Medical goods

(medical devices, diagnostic reagents, nutritional foods, etc.)

- Self-prevention products
- New channels

(Self-Medication Products Wholesaling Business)

New businesses (-)

Regenerative medicine supply chain

(Cell Resources Corporation)

Health technology, data-driven business (coordination between **GEKKA WORKS and** health technology companies)

Core businesses (approx. ¥2,450.0 billion)

- Ethical Pharmaceuticals Wholesaling Business (23.4% of Japanese market)
- Self-Medication Products Wholesaling Business
- Manufacturing Business
- Dispensing pharmacy business

Alfresa Group's Medium- to Long-Term Vision

Existing Businesses

New Businesses

Growth businesses (¥850.0 billion)

Medical goods

(medical devices, diagnostic reagents, nutritional foods, etc.)

- Self-prevention products
- New channels

(Self-Medication Products Wholesaling Business)

 Consigned manufacturing of pharmaceuticals

(formulations with high pharmacological activity)

- Newly developed pharmaceuticals
- Post-marketing surveillance, etc.

New businesses (¥150.0 billion)

- Regenerative medicine supply chain
- Health technology, data-driven business
- Treatment-adjacent business (animal-related, beauty)
- Dispensing center business, etc.

Core businesses(¥3,000.0 billion)

 Ethical Pharmaceuticals Wholesaling Business (27.5% of **Japanese**

market)

Expand share of territory and suppliers Expand specialty pharmaceuticals

Streamline delivery, implement DX, etc.

- Self-Medication Products Wholesaling Business
- Manufacturing Business

Dispensing pharmacy husiness

Fiscal 2022 (actual results)

Net Sales Operating Income ¥2.696.0 billion ¥30.1 billion

ROE 5.4% Enhance and Expand Total Supply Chain Services

Fiscal 2032 (target results)

¥4.0 trillion

¥70.0 or higher

8.0% or higher

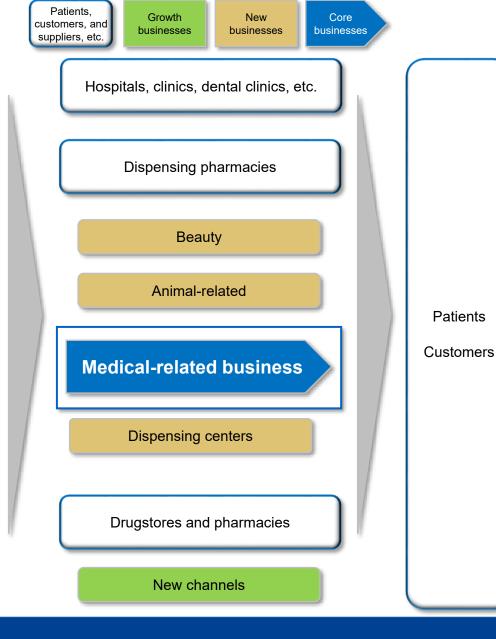
Business Strategy: Target Business Domains and

al

Synergies over the Medium to Long Term (Enhance and expand total supply chain services)

Manufacturers, etc. R&D-based companies in Japan and overseas **Bioventures Manufacturing Business** Newly developed pharmaceuticals Consigned manufacturing Manufacturing of formulations with high pharmacological activity





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

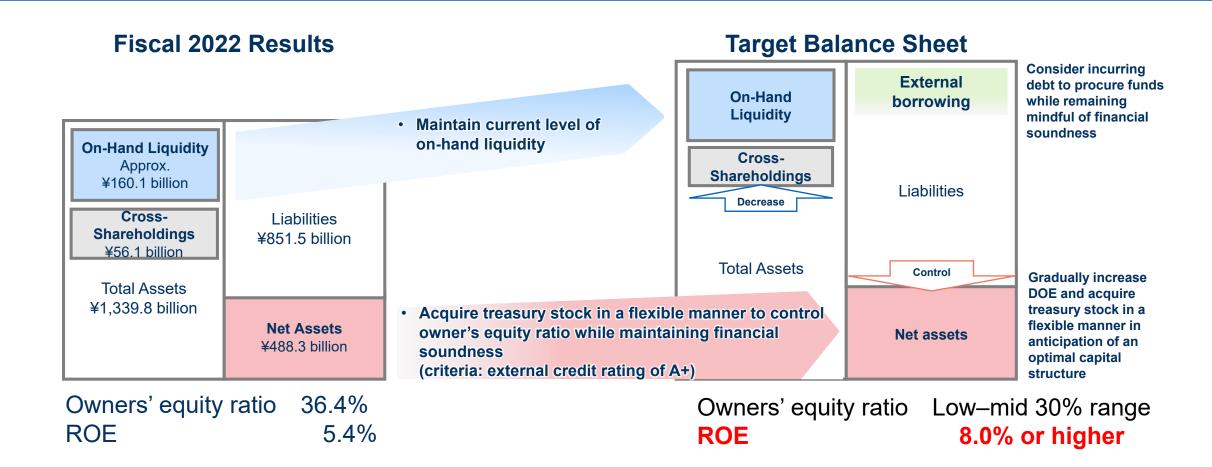
22–24 Mid-term Management Plan Investment Plan						
22–24 Mid-term Mana (three-year cumul		Fiscal 2022 (actual result)	Fiscal 2023–fiscal 2024 (balance)			
Business continuity investments (Capital Expenditures)	¥70.0 billion	¥23.8 billion	¥46.2 billion			
M&A, and investments In new business domains	¥40.0 billion	¥5.1 billion	¥34.9 billion			
Systems investments, DX investments	¥10.0 billion	¥2.3 billion	¥7.7 billion			
Total	¥120.0 billion	¥31.2 billion	¥88.8 billion			

Fiscal 2025–fiscal 2032 (plan)
¥30.0 billion
¥250.0 billion
¥40.0 billion
¥320.0 billion

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



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

Utilizing debt:

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

Reduce cross-shareholdings:
Reduce cross-shareholdings to
less than 10% of net assets by
fiscal 2024

Capital

Utilizing debt

Reduce crossshareholdings

Cash flows from operating activities

Dividends

Business continuity investments / growth investments ¥120.0 billion

Shareholder returns

¥72.0 billion

Of which is acquisition

of treasury stock

¥35.0 billion

Business continuity investments / growth investments:

Active investment toward the sustainable improvement of corporate value

Shareholder returns:

Three-year cumulative total return ratio of 100%

Dividends:

DOE 2.4% or higher

Commemorative fiscal 2023 (20th anniversary) annual dividend ¥10.0

Acquisition of treasury stock:

Implement the <u>Company's largest-ever acquisition of treasury stock</u>

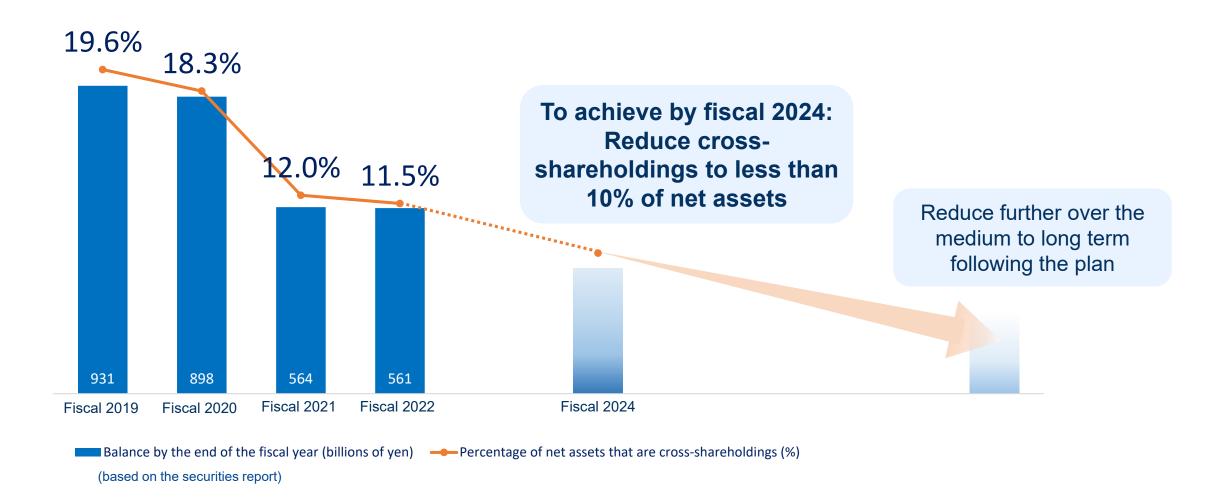
Acquisition of a maximum of 21 million shares (equivalent to 10.4% of the total number of issued shares excluding treasury stock)*

^{*} For details, please refer to the news release titled "Notice regarding Determination of Matters Concerning Share Buyback" published on the Alfresa Holdings Corporation's company website on May 15, 2023.





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

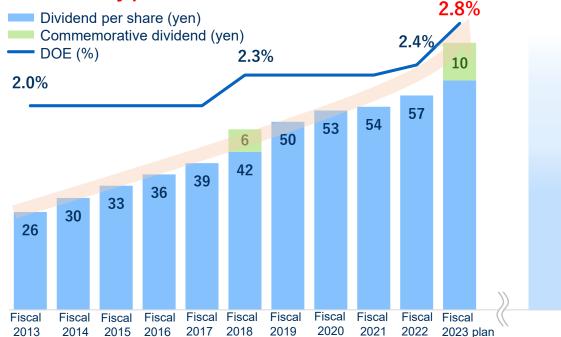


Financial and Capital Strategy: Enhance Shareholder Returns

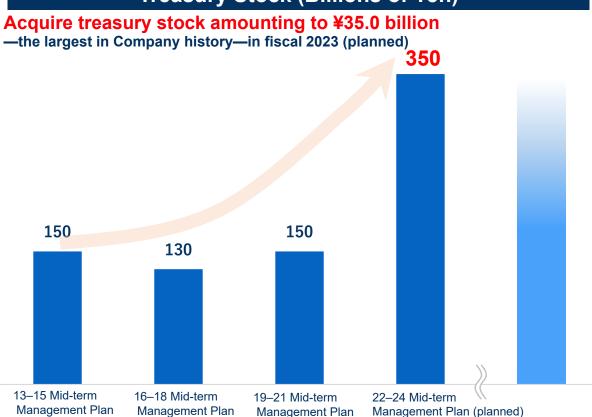


Dividend per share / DOE (results and outlook)

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



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



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

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

