Fresh life for all.
alfresa group

Alfresa Group
Integrated Report 2022

Fiscal Year Ended March 31, 2022



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.

* Healthcare Consortium is a registered trademark owned by the Alfresa Group in Japan.

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.

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Editorial Policy

This integrated report was edited while referring to the following guidelines and disclosure standards:
- International Financial Reporting Standards (IFRS) Foundation's Integrated Reporting Framework and SASB Standards
- Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation
- Global Reporting Initiative Standards

For additional ESG information, please visit the Company's website.

Corporate Governance
https://www.alfresa.com/eng/about/governance

Sustainability
https://www.alfresa.com/eng/csr/

ESG Data
https://www.alfresa.com/eng/csr/report/

Period Covered

April 1, 2021, to March 31, 2022

Production Process

The Alfresa Group utilizes the integrated report while engaging in dialogues with investors to elicit their opinions. In addition, the Group distributes the integrated report to all Group employees and collects their opinions and impressions. The outcomes of these engagements are reflected in the planning and production of the following year's integrated report in a bid to continuously improve its content.

The content of the integrated report is communicated to directors and members of the Audit & Supervisory Board and published with the approval of the officer in charge of corporate communication.

Reflect opinions of investors, employees, and other stakeholders
↓
Plan and produce the report
↓
Report to directors, receive approval from the officer in charge, and then publish
↓
Utilize the report when engaging with investors and employees



Environment Surrounding Stakeholders in the Future

Future Environment

The Alfresa Group's Aspiration (Long-Term Goals) was created to guide our efforts to contribute to a sustainable society and increase our economic value as a corporation.
When creating it, we envisioned what conditions would look like for our stakeholders in the future.

Advances in Technology

People's physical conditions and activities are being turned into data along with advances in cutting-edge IT, such as the Internet of Things (IoT) and artificial intelligence (AI).
Advances in technology to collect and use data at each stage of a person's life journey and shed light on the mysteries of genetic information have expanded and deepened the scope of healthcare. Healthcare is expanding beyond medicine to encompass health promotion and presymptomatic / preventive care. Diagnosis and treatments are being optimized and personalized for the individual patient, thanks to the emergence of new medical technologies, such as genome medicine, regenerative medicine, and digital therapeutics.

Population Decline and Aging Society

Japan is facing severe problems, such as labor shortages due to the falling birthrate and an aging population, and a loss of international competitiveness. Maximizing the use of corporate management resources and efforts to improve productivity and generate the largest return on investments are essential for a revival of the Japanese economy.

Advent of 100-Year Lifespans

Life designs of individual people are changing in terms of how they learn, work, and play, and healthcare is also changing in ways that support these lifestyles. In addition to using new techniques to treat illnesses that were previously untreatable, complete healthcare systems extend healthy life expectancies by providing care before people become sick and also managing their prognosis. An era where people live for 100 years is coming upon us, freeing people from the constraints of age and allowing them to live active lifestyles.

City and Regional Problems

The Japanese population is concentrated in cities, especially the three major metropolitan areas of Tokyo, Nagoya, and Osaka. This population concentration in urban areas can lead to a greater risk of infectious diseases due to overcrowding in cities, and it has also made it more difficult to maintain communities in rural areas, where population outflow has led to shortages of healthcare staff needed for the elderly to live worry-free in communities where they have lived most of their lives.

Anticipated Concerns and Needs of Stakeholders in the Future

Patients / consumers

- Concerns about the social security system and lifestyles in old age
- Personal health
- Family health and taking care of parents, etc.
- Update usage environments for safe and secure digital technology
- Create services tailored to needs of each person (respond to needs for healthcare based on lifestyles and diseases, preventive and therapeutic care that is most effective for each person, and made-to-order medicine, and reflect opinions of individuals in medical treatments)

National / local governments

- Falling birthrate and aging population
- Decline in the working population
- Shortages of workers in regional economies and industries due to exodus of people from rural areas
- Increasing expenditures on social welfare
- Economic effects from advances in new technologies

Our Strengths and the Value We Can Provide to Stakeholders

Doctors / medical institutions

- Workstyle reforms for medical practitioners
- Fusion of medicine and technology
- Need for home healthcare services
- Sustainability of regional healthcare
- Realize the Community-Based Integrated Care System

Our people*

- Increase in jobs for women, the elderly, and people with disabilities
- Workstyle reforms with digital technology
- Work outside of companies (side jobs, etc.)
- Later mandatory retirement age
- Lifestyle after mandatory retirement

* The Alfresa Group refers to its employees as "our people."

Pharmaceutical companies / MRs

- Contraction in the domestic market
- Government policies to keep drug prices down
- Shortening of pharmaceutical development times with the introduction of AI and other technologies
- Create demand with new products and services
- Improve productivity of medical representatives (MRs)

Shareholders / investors

- Creation of long-term value (growth potential, profitability)
- Creation of social value
- Improve brand value
- Increase / decrease in share price
- Dividends and other shareholder returns



Long-Term Vision

Value We Can Provide to Stakeholders through a Healthcare Consortium

Contributing to Regional Healthcare 01

- The Alfresa Group has built a structure for reliably supplying pharmaceuticals and other life-saving products to regional medical institutions, in both normal times and during natural disasters and pandemics. As a result of long-term transactions and relationships built on trust, the Ethical Pharmaceuticals Wholesaling Business now has the number-one share of sales in Japan.
- In the dispensing pharmacy business, we aim to be a "family pharmacy" with roots in the community, and be a part of every stage of local residents' life journeys, from preventive care to terminal care.
- In support of the Community Health Care Vision where patients can receive proper healthcare, we provide health consultations at our dispensing pharmacies in regional areas, facilitate healthcare through marketing specialists (MSs) who have qualifications as Medical Management Specialists, and engage in activities and provide information that makes connections between residents and nursing care services.

Handling All Types of Products 02

- The Alfresa Group handles all types of products made by numerous pharmaceutical manufacturers, based on solid relationships of trust.
- The various functions of the Alfresa Group are what make possible business transactions with numerous pharmaceutical manufacturers.
- Examples of these functions include sales functions that enable proposals of pharmaceuticals with high efficacy and safety for patients, utilizing our sales network that covers most of Japan; price management functions able to manage proper prices based on the value of pharmaceuticals; logistics functions that enable the delivery of pharmaceuticals to medical institutions and their patients across the nation from highly advanced logistics centers that have stringent quality management systems; and information provision functions able to provide diverse kinds of information to pharmaceutical manufacturers and medical institutions.

Addressing Remote Healthcare (Digitalization of Healthcare) 03

- We provide online health checkup systems with functions for interviewing, examining, and monitoring patients. Patients answer questions on their smartphones, and doctors can view patient information. Patients who make reservations for health examinations on their smartphones can have their doctor call in for the examination. Using their smartphones and wearable devices, patients can measure their own blood pressure, blood glucose, and weight, and doctors are able to monitor their patients' health data on a daily basis while guiding their recuperation.
- As for online drug administration instructions, we are working to spread information distribution services for prescriptions from medical institutions before they are filled at pharmacies.
- In prescription drug delivery to patients' homes, we comprehensively support such services, with our business partner Yamato Transport handling everything from raw material procurement to delivery and payment. Our Home Care Delivery service, which makes special deliveries to patients' homes, is a pilot program for the exclusive delivery of specialty pharmaceuticals to the homes of patients.

Contributing to Personalized Medicine with Diagnostic Reagents and Specialized Pharmaceuticals 04

- In personalized medicine, the genetic information of patients is analyzed in detail, and treatment plans are tailored to each patient, who then receives the optimized therapy. Only patients who are likely to see efficacy in their treatments are administered with innovative specialty pharmaceuticals in a timely manner. As a result, the therapies are highly effective and safe, thus cost-saving medical expenditures.
- Many specialty pharmaceuticals require cold storage, and minute fluctuations in temperatures can lead to changes in the quality of their active ingredients. Throughout the entire supply chain, we therefore strictly manage temperatures, and have established a product traceability system to ensure a reliable supply of products while maintaining appropriate levels of inventories.
- The Alfresa Group also focuses on medical products such as diagnostic reagents. We are creating a system that enables the reliable and timely delivery of optimal treatments so that personalized medicine can proliferate, such as through our NOVUMN platform that supports specialty pharmaceuticals for personalized medicine.



Our Strengths and Value We Can Provide to Stakeholders

Increasing Work Efficiency of Medical Institutions with Digital Collaboration 05

- The Alfresa Group uses digital technology to lighten the administrative burden on doctors and increase work efficiency at busy healthcare locations.
- For example, medical questionnaires and digital medical manuals are interlinked, and prior to their medical examinations, patients enter answers to questions on their smartphones, the results of which (and other gathered data) are analyzed by AI. Doctors can then view electronic health records for information about the names of suspected ailments, disease information, differential diagnoses, test cases, and all prescription drugs for a specific patient. Based on the results of the medical questionnaires, the AI can also be used to write comments in patients' electronic health records.
- Linking the data in electronic health records to the NOVUMN platform, we aim to automate the entry of drug administration schedules and expand functionality by showing as medical plan information the links between injectable drugs administered inside hospitals and oral medications prescribed outside hospitals.
- In addition, in order to free up medical practitioners so they can concentrate more on treating their patients, we utilize digital technologies to facilitate the delivery of information from MRs at pharmaceutical manufacturers to doctors, and to facilitate communication among medical practitioners.

Responding to Various Modalities in the Total Supply Chain 06

- By linking together Group functions, the Alfresa Group aims to create a total supply chain from the development of pharmaceuticals to their manufacturing, distribution, sale, and administration.
- The Alfresa Group has temperature management technology research centers that perform validation within the Group in order to ensure the safe delivery of pharmaceuticals. The Group also develops, examines, and commercializes specialized materials for the transportation of pharmaceuticals.
- The Alfresa Group can transport and deliver various modalities, such as biopharmaceuticals and regenerative medicine, with its two distribution stations for regenerative medicine and nine logistics centers with storage facilities for regenerative medicine and similar products.
- Through its supply chain in its broad range of business segments, the Alfresa Group delivers to patients the pharmaceuticals it develops and manufactures. We are also able to efficiently deliver to patients high-quality pharmaceuticals of various modalities that were developed by other pharmaceutical manufacturers.

Training Personnel to Support Social Infrastructure 07

- In its business activities that support social infrastructure, the Alfresa Group strives to create both economic and social value. We provide a work environment for our employees that fosters a strong sense of mission, high ethical standards, the ability to adapt, willingness, and strong expertise.
- The Alfresa Group aims to create a solid network of professionals who work with their coworkers toward a common goal while harnessing their individuality and talents.

Expanding Shareholder Returns 08

- The Alfresa Group will continue to provide stable shareholder returns over the long term while comprehensively considering growth investments and its financial position.
- As its shareholder return policy, management targeted dividend on equity (DOE) of at least 2.3% by the fiscal year ended March 31, 2022, and has increased dividends for 18 consecutive fiscal years.
- Under the new medium-term management plan that began in the fiscal year ending March 31, 2023, management increased its DOE target by 0.1 percentage point, to 2.4% or higher.
- Management takes a flexible stance on share buybacks, considering suitable amounts at appropriate times.

Important Sustainability Issues for the Alfresa Group

Important Sustainability Issues for the Alfresa Group

Important Issues		Contribution to Social Issues (Created Value)
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.	• Increase efficiency of management at medical institutions • Advancement of healthcare services • Improve the quality of life for customers and patients
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.	• Contribute to workstyle reforms of medical practitioners • Improve access to healthcare for patients • Curb increases in social welfare costs
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.	• Contribute to the attainment of a carbon-free society • Contribute to a recycling society • Reduce waste
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.	• Reliable supply of pharmaceuticals (social infrastructure) • Contribute to the Community-Based Integrated Care System
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.	• Realize and improve health management • Improve engagement with employees • Invigorate and grow diverse human resources
6 Compliance	The Group will promote sincere business activities premised on the observance of laws, internal and external regulations, and social norms.	• Contribute to healthcare while complying with laws and regulations • Maintain stable business activities
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.	• Maintain a reliable supply of pharmaceuticals during emergencies • Contribute to the maintenance of medical service provision systems
8 Corporate governance	The Group promotes control and supervision over corporate management in order to fulfill its corporate social responsibilities and improve corporate value.	• Transparent corporate governance • Improve corporate value through sustained growth • Return profit to stakeholders

Important Issues for the Alfresa Group to Sustainably Provide Value

Process for Identifying Important Sustainability Issues

STEP 1

Screen and organize social issues that the Group should address

In light of the latest trends and discussions in ESG fields, we identified and classified relevant issues based on global sustainability reporting guidelines, the SDGs Implementation Guiding Principles issued by the Japanese government, the evaluation criteria of major ESG organizations, and the Alfresa Group's Basic Sustainability Policy.

STEP 2

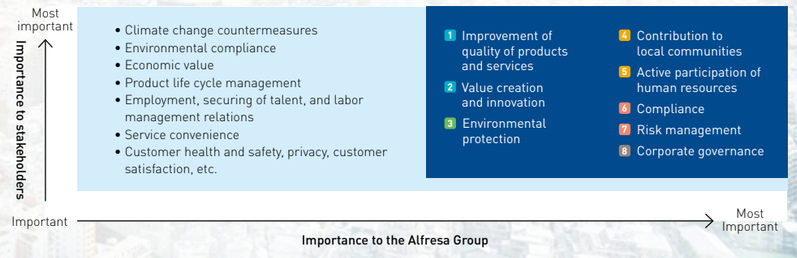
Organize the linkage between the Company's businesses and social issues, and identify priority issues

We established a cross-departmental committee to study these identified and classified issues based on their importance to the Alfresa Group and to our stakeholders, and mapped the elements of higher importance to enhance visibility.

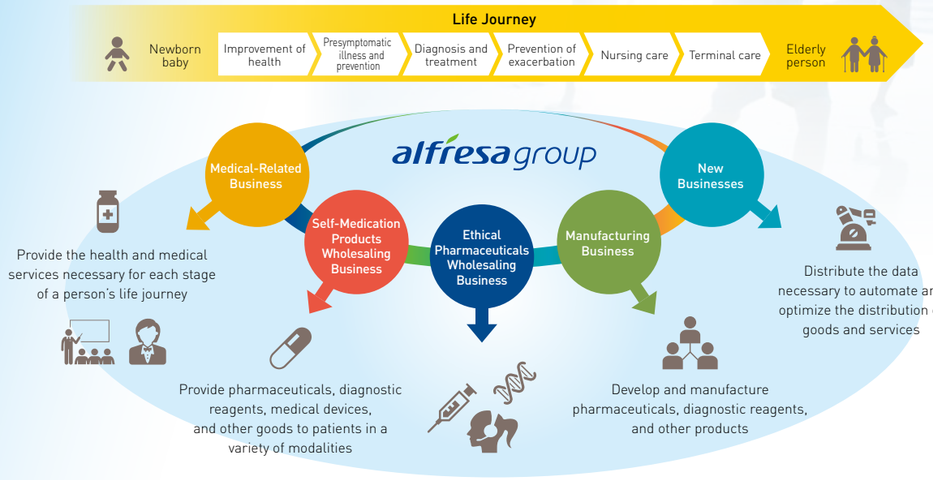
STEP 3

Examine and determine appropriateness

The Corporate Governance Committee, which is chaired by an outside director, examined the identified issues deemed to be of high importance. After ensuring that the contents compiled were objective and appropriate, these materialities were approved by the Board of Directors.



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



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

The Alfresa Group aims to provide information, products, and services in every health-related field, beginning with medicine, for each stage in a person's life journey, starting with presymptomatic illness and prevention, by maximizing the use of its manufacturing functions, wholesale and distribution functions, family pharmacy functions, and information provision functions. In addition to Group companies, we collaborate with other companies involved in healthcare to address diverse needs in the health and medical fields.

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

Aspirations of Each Business Segment

Leveraging Group synergies among business segments, we aim to maximize the use of our manufacturing functions, wholesale and distribution functions, family pharmacy functions, and information provision functions in the health and medical fields.

Ethical Pharmaceuticals Wholesaling Business	To be a true leading company that offers the best proposals and options for all health-related and medical needs
Self-Medication Products Wholesaling Business	To be a true leading company in the fields of beauty* and health that connects with all people * Vitality and youthfulness that comes from within, regardless of gender
Manufacturing Business	To be a company that provides the manufacturing capabilities, production capabilities, and services that the market demands
Medical-Related Business	To operate a chain of pharmacies that can cover every stage of care across a person's life journey, from preventive to terminal care

Message from the President



Ryuji Arakawa
Representative Director & President
Alfresa Holdings Corporation

To “create and deliver a fresh life for all,” we aim for sustainable growth as an entire Group.

19–21 Mid-term Management Plan Laid Foundations for Growth in a Tough Business Environment

The fiscal year ended March 31, 2022, the final fiscal year of the 19–21 Mid-term Management Plan (the "previous management plan"), was a year of weighty preparations for the next stage of strong growth. For the Alfresa Group, which handles pharmaceuticals, it was also a year of powerful headwinds, such as the COVID-19 pandemic restricting medical checkups and decimating foreign tourist demand, and interim NHI drug price revisions in April 2021. The Alfresa Group was also ordered by the government to halt participation in bidding to medical institutions due to violations of the Antimonopoly Act. As a result, net sales totaled ¥2,585.6 billion (compared with the ¥2,756.2 billion target in the previous management plan), the operating profit margin was 1.1% (target: 2.0%), the net profit margin was 1.2% (target: at least 1.4%), total investment over the three years came to ¥66.5 billion (target: ¥120.0 billion), ROE was 6.7% (target: 8.0%), and DOE*1 was 2.3% (target: at least 2.3%). Other than shareholder return metrics, the Group did not achieve its management targets.

*1 DOE: Dividend on equity

Results of the 19–21 Mid-term Management Plan

Item	19–21 Mid-term Management Plan	Performance for March 2022
Net sales	**¥2.75 trillion** (¥2.7562 trillion)*2	**¥2.5856 trillion**
Operating profit margin	**1.7% or over** (2.0% or over)*2	**1.1%**
Net profit*3 margin	**1.4% or over**	**1.2%**
Total invested (cumulative)	**¥120.0 billion**	**¥66.5 billion**
ROE	**8.0% level**	**6.7%**
Return to stockholders	**DOE 2.3% or over**	**DOE 2.3%**

*2 Figures reflecting the earning recognition criteria and the modified labeling applied from the March 2022 term
*3 Net profit (margin) belonging to the parent company's shareholders

The Alfresa Group laid foundations for the next stage of growth and engaged in business activities based on the five Group management policies in the 19–21 Mid-term Management Plan, namely "build up a Group collaboration structure," "reform business models," "contribute to the health of community members," "further improve productivity," and "develop talent."

In the Ethical Pharmaceuticals Wholesaling Business, for example, Alfresa Corporation launched the Next Ordinary Value for Universal Medicine Network (NOVUMN), a support platform for personalized medicine that aims to form a pharmaceutical network for providing the next generation of universal value by creating new value in information via the distribution of pharmaceuticals. Not only are Group companies in each business segment members on the Council for Personalized Medicine and Pharmaceutical Traceability, which conducts activities to promote NOVUMN, but we have also opened the doors for our sector peers to participate in the council with the aim of improving the convenience of medical institutions, and we are taking action to help our customers improve their business efficiency. In the Self-Medication Products Wholesaling Business, among exclusive products, we focused in particular on delivering to consumers "only-one" products that are based on scientific evidence and data. Coordinating with the Ethical Pharmaceuticals Wholesaling Business, this segment held study groups about exclusive products and expanded sales channels to medical institutions. In the Manufacturing Business, profitability improved and scale expanded in manufacturing operations with long-listed drugs inherited from Daiichi Sankyo Co., Ltd., and Ono Pharmaceutical Co., Ltd., and collaboration was strengthened with the Ethical Pharmaceuticals Wholesaling

Business. The Medical-Related Business worked closely with the Ethical Pharmaceuticals Wholesaling Business to contribute to regional healthcare, advanced initiatives for home care services, and held health fairs and nursing care study groups. The Ethical Pharmaceuticals Wholesaling Business expanded functions that support the creation of the Community-Based Integrated Care System and increased the number of MSs*4 with qualifications as Medical Management Specialists to more than 2,000.

During the three years of the previous management plan, the Alfresa Group invested approximately ¥4.6 billion in 13 venture firms for the purpose of developing health technology ("healthtech"), expanding medical products, and acquiring unified distribution systems for pharmaceuticals, in addition to investing in information systems, logistics centers, and manufacturing facilities. We will continue these initiatives with the hope that they will lead to solutions for social issues, by helping patients with more effective treatments and addressing diverse medical needs through the planting and growth of seeds in mainly the Ethical Pharmaceuticals Wholesaling Business.

The Alfresa Group aims to strengthen and increase efficiency in its business foundation by consolidating management resources in each business segment. In April 2021, in the Self-Medication Products Wholesaling Business, Alfresa Healthcare Corporation conducted an absorption-type merger with its subsidiary Mogi Pharmaceutical Co., Ltd. In the Medical-Related Business, Apollo Medical Holdings Inc., Nihon Apoch Co., Ltd., and Chunichi Pharmacy Corporation merged together to establish APOCREAT Corporation. In May 2022, in the Manufacturing Business, Alfresa Pharma Corporation and Sannova Co., Ltd., signed a basic merger agreement with Alfresa Pharma Corporation as the surviving company.

*4 MSs (Marketing Specialists): Sales personnel who have special knowledge about products and services in the pharmaceuticals wholesaling business

Spirit of the Alfresa Group's Principles and Basic Sustainability Policy

As sustainability becomes even more important, we formulated the Alfresa Group's Basic Sustainability Policy with the aim of contributing to the realization of a sustainable society, or more to the point, a sustainable healthy society. Revisiting the value of sustainability management and carefully rethinking the reasons why the Alfresa Group exists, we reaffirmed our raison d'être as a social infrastructure that delivers pharmaceuticals and health-related services that protect the health and lives of patients, in line with Our Philosophy, "we create and deliver a fresh life for all," and the Alfresa Group's principles. Our Basic Sustainability Policy has adopted the same wording as Our Philosophy, and we aim to instill this policy and philosophy in the more than 14,000 employees across the Group. Based on the Basic Sustainability Policy, we have positioned the Alfresa Group's Diversity Policy, Environmental Policy, and Human Rights Policy. With these policies in place, through disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, we were able to prepare for sustainable business activities in the future.

As we make progress on sustainability management, we have identified eight topics that strongly relate to the business activities of the Alfresa Group and called them Important Sustainability Issues for the Alfresa Group. While all of these issues are essential, "improvement of quality in products and services" and "value creation and innovation" are especially important in terms of realizing a healthy society and driving growth for the Group. Our aim is to comprehensively create economic value for the Alfresa Group and solve social issues faced by medical institutions, their patients, and our customers. The other important issues are the foundation upon which the Alfresa Group will sustainably enhance corporate value as a good corporate citizen.

To raise awareness of these policies and important issues among management at each Group company, we create opportunities for top management from each company to gather through the Group Management Committee and the Business Strategy Committee. In addition to the Fresh Members Seminar for new employees, we are raising awareness at the Third-Year Employees Seminar, which crosses business segments, and training for next-generation manager candidates.

High Viewpoint Gained from Backcasting

When the business environment becomes challenging and management becomes more complex, I believe it becomes even more important to remember Our Philosophy and purpose in society and carefully think about the best course of action. In formulating the 22–24 Mid-term Management Plan (the "new management plan"), we also drew up the Alfresa Group's Aspiration (Long-Term Goals) based on the Basic Sustainability Policy, backcasting to where we are now. We envisioned how society would change in the future and the situation that our stakeholders would be in, and then thought of the value we could provide and our strengths in this context. The Alfresa Group's Aspiration—a guide to how we can deliver this value—is to provide the health and medical services necessary for each stage of a person's life journey, from diagnostic treatments and presymptomatic and preventive care to nursing and end-of-life care.

More specifically, the Alfresa Group develops and manufactures pharmaceuticals and diagnostic reagents; distributes pharmaceuticals, diagnostic reagents, and medical equipment provided by various modalities; provides products and services to patients; and handles data necessary for automating and optimizing the distribution of products and services. The new management plan, which was created by backcasting from Our Vision, is positioned as a set of initiatives that we should take over the next three years to achieve Our Aspiration.

In discussions about Our Aspiration, we talked about objectives that are more significant than numerical targets for sales, market share, and profits, and became convinced that we should become a truly leading company while following the Group's principles. I believe a truly leading company is one that is No. 1 in the minds of its customers, a corporate group that customers approach first for a consultation to help solve issues related to health and medicine. I am excited to work with each of our people as we become a truly leading company.



Contrary to the process we used to formulate the 19–21 Mid-term Management Plan, the new management plan was created as a result of discussions in working groups mainly consisting of younger employees who will lead the Alfresa Group into the future. As the working group members and Board members exchanged opinions, we were able to talk more about the future from a high viewpoint, which sparked changes in the perspectives of the members creating the management plan, while following the process of backcasting from Our Aspiration. The process of formulating the new management plan, which spanned a year, involved free-spirited discussions where all members voiced their opinions in an environment that welcomed individualism and talent, creating a code of conduct that was very meaningful for the Alfresa Group.

Creation of Corporate Value through the Group's Management Policies for the Enhancement of Business Models and Creation of New Value

Over the three years of the new management plan, we will create the foundations to realize Our Aspiration. The Alfresa Group successfully slashed selling, general and administrative (SG&A) expenses and improved profitability during the 2010s, but over the past two years our pursuit of greater efficiency was sidelined by the COVID-19 pandemic, a major change in the business environment, reminding us of the risk that responding nimbly to change can be hard. For this reason, our new medium-term plan sets aside a total of ¥70 billion for capital investment in business continuity. Although this will increase depreciation in SG&A expenses, we believe that this investment is essential to fulfill our mission as an important element of social infrastructure and to reinforce our resilience in support of sustainable growth. The Alfresa Group plans a total of ¥40 billion in new investments to expand business domains, while continuing to cautiously invest in venture firms in the drug discovery and healthtech businesses that gained momentum in the previous management plan. We plan to spend ¥10 billion on information system and digital transformation (DX) investments to better utilize digital tools, the key to increasing business efficiency throughout the Group and building a total supply chain.

Our new management plan defines five Group management policies: "enhancement of business models and creation of new value," "contribution to local health and treatments through united Group efforts," "contribution

toward a sustainable society through initiatives to protect the environment," "promotion of a human resource strategy focused on diversity," and "cultivation of a corporate culture with compliance as its highest priority."

The first policy, "enhancement of business models and creation of new value," is our wellspring for creating corporate value in the future. The Alfresa Group is reinforcing its business models by concentrating more on growth domains, such as specialty pharmaceuticals and medical products in the Ethical Pharmaceuticals Wholesaling Business, exclusive products in the Self-Medication Products Wholesaling Business, contract manufacturing and the nervous system and diagnostic reagent domains in the Manufacturing Business, and home care services in the Medical-Related Business. By proactively getting involved in medical products, such as diagnostic reagents, medical equipment, and medical materials, we are in a better position to help solve issues faced by medical institutions in terms of supplying diagnostic reagents and medical equipment, while creating points of contact with new divisions other than dispensing pharmacies that have received deliveries of pharmaceuticals.



We aim to build a total supply chain by leveraging the strengths of our four business segments. We will also create new value. During the previous management plan, management aimed to increase efficiency and reinforce the business foundation by consolidating management resources in each business segment. Under the new management plan, management is keen to create synergies that span across business segments and harness the comprehensive capabilities of the entire Group. For example, the Ethical Pharmaceuticals Wholesaling Business and the Manufacturing Business are working together to acquire unified distribution systems for pharmaceuticals. With a solid track record in high-quality contract manufacturing, the Alfresa Group can be consigned to handle nationwide distribution, facilitating the entrance of foreign pharmaceutical manufacturers and venture firms into the Japanese market with their groundbreaking pharmaceuticals, by eliminating the considerable initial cost of setting up manufacturing and distribution facilities. We aim to provide solutions for issues such as this one.

Aiming to Develop Business in New Domains with Digital Tools

The Alfresa Group is taking on the challenge of creating new value with digital tools that bring together diverse stakeholders in the healthcare field. More than two years have passed since the pandemic began, changing the behavior of people in many ways. Not being able to meet in person and having to communicate remotely was one factor that caused these major changes in behavior. Alfresa Corporation launched Mydodes as a communications tool for connecting doctors to the MRs*5 of pharmaceutical companies through chat and online meeting services. Mydodes was made available as an application on Nichibyo Mobile, a smartphone service solely for medical institutions that is provided by Frontier Field, Inc. This tool has allowed doctors in hospitals to obtain appropriate information from pharmaceutical manufacturers in a timely manner, thereby increasing medical information gathering by doctors and enhancing collaboration in regional healthcare. We aim to generate earnings in new business fields by solving issues in healthcare settings through a combination of know-how and digital tools from our perspective as a pharmaceutical wholesaler.

DX in the medical field has gained momentum with the start of online health checkups, online drug administration guidance, and online qualification verifications as well as the rollout of digital prescriptions from January 2023. As new needs emerge as a result of this DX, we will be expected to address these needs. The Alfresa Group intends to expand the value it provides to society through the deployment of its management resources, while investing in external partners, such as healthtech venture firms that have functions the Group lacks, and also considering M&A.

Aiming to create an integrated data platform to support these efforts during the new management plan, we strive to realize data-informed management that connects decision-making to actions, smoothly obtaining accurate business information in a timely manner based on quantitative on-site data. With regard to defensive DX, we are pursuing optimizations in back-office departments throughout the Group, while integrating and making more efficient Group workflows through digitization with shared services for peripheral divisions.

The Alfresa Group is challenging itself to reform management and change its business models with digital technologies.

*5 MRs (Medical Representatives): Salespeople at pharmaceutical manufacturers who have knowledge of drugs and provide information to doctors and pharmacists.

Nurturing a Corporate Culture of Strict Compliance with Ongoing PDCA Cycle

In line with one of the Group's management policies, "cultivation of a corporate culture with compliance as its highest priority," in the new management plan, the Alfresa Group will continue to take specific initiatives and actions as a unified Group to sincerely address its past transgressions.

The Alfresa Group continues to rotate through a PDCA cycle with the objective of preventing a recurrence of violations of the Antimonopoly Act. In the fiscal year ended March 31, 2021, we set up the Subcommittee for the Ethical Pharmaceuticals Wholesaling Business under the Compliance and Risk Management Committee. Meeting once every six months, this subcommittee has taken specific actions to prevent a recurrence, such as strengthening the commitment of top management at each Group company, and mandating that all sales personnel sign an oath to comply with the Antimonopoly Act. For sales personnel, we have updated the content of behavior rules and guidelines for complying with the Antimonopoly Act and created and distributed a Q&A pamphlet. We aim to improve awareness of compliance by taking concrete steps, such as setting up a dedicated hotline and implementing training and comprehension tests. The Alfresa Group performs self-checks on-site, and its internal audit departments also monitor compliance with the law.

Through our business activities, we feel a duty to contribute to our customers (medical institutions) and their patients. Instead of prioritizing the achievement of company sales and profit targets, we must instill in our corporate culture a strong sense of mission among our employees so that violations of the Antimonopoly Act never happen again. At every opportunity, such as training sessions and Group meetings, I talk about ethics being more important than sales and profits. I will continue to send out this message without end.

Toward a Healthcare Consortium That Provides Products and Services in Every Health-Related Field

In financial terminology, a consortium is used to mean that a number of financial institutions cooperate to finance a big project. In Latin, the roots of this word mean "a shared mission." We added "healthcare" to "consortium" to create the phrase "Healthcare Consortium."

The Alfresa Group is involved in a wide range of health and medical fields. People interact with the healthcare system at various stages of their long lives and expect medical-related companies to provide advanced specialized care at each stage. However, it is impossible for a single company to provide every type of highly specialized service. Instead, specialized healthcare providers can form a consortium to provide comprehensive services. This is what we mean when we say Healthcare Consortium.

As the omicron variant of COVID-19 continues to fuel the pandemic, medical practitioners are working hard every day to treat their patients. There are also patients who are afflicted by illnesses that have not been named yet, struggling for years to find cures for their ultra-rare diseases. With a duty to help find solutions to these medical issues, I believe we must delve deeper into this problem by collaborating with many internal and external partners to complement our own strengths.

Based on the Alfresa Group's principles, we will move together as one to become a Healthcare Consortium that provides products and services in every health-related field, with the aim of creating and delivering a fresh life for all. To this end, I ask for the understanding and unwavering support of all our stakeholders as we embark on these endeavors.

August 2022



Pharmaceuticals Distribution Industry and the Alfresa Group

The Alfresa Group has built a robust distribution network for ethical pharmaceuticals that it refers to as a capillary-type distribution network. We will continue to ensure a stable supply of needed pharmaceuticals when and where they are required.

With the start of interim-year revisions (i.e., annual revisions) to NHI drug prices, the NHI drug prices of pharmaceuticals with significant deviations between their NHI drug prices and the actual market prices are declining at a faster pace, making it more important than ever for the pharmaceuticals wholesaling business to properly manage sales prices based on the value of pharmaceuticals. During the 22–24 Mid-term Management Plan, in continuation from the 19–21 Mid-term Management Plan, the Alfresa Group will promote sales at appropriate prices based on the value of pharmaceuticals.

Based on pharmaceutical jurisprudence and health insurance systems, we will ensure quality, the reliable and efficient delivery of pharmaceuticals, and provide and collect pharmaceutical information.

Japan's Demographics and Social Security Costs

Japan's social insurance system depends fairly heavily on public funding, while keeping a definitive relationship between the benefits from and payments into the social insurance system. In recent years, this dependency on public funding has increased markedly, as the number of later-stage elderly people receiving healthcare and nursing benefits has grown. The government is therefore trying to curtail the increase in expenditures related to social insurance relative to growth in the number of elderly people. The cost of pharmaceuticals is being reviewed, and a more efficient and high-quality healthcare provision system is being created.

Framework for Pharmaceuticals Distribution in Japan

Pharmaceuticals include ethical pharmaceuticals that are prescribed by doctors and used in accordance with their instructions, and over-the-counter (OTC) pharmaceuticals that consumers can choose and buy on their own. Approximately 95% of pharmaceuticals handled by pharmaceuticals wholesalers are ethical pharmaceuticals, and 98% of these ethical pharmaceuticals are procured from manufacturers by pharmaceuticals wholesalers, who deliver them to medical institutions. Pharmaceuticals wholesalers distribute just under 60% of OTC pharmaceuticals to drugstores, etc.

Pharmaceuticals wholesalers play a key role in the distribution of pharmaceuticals in Japan.

Source: The Federation of Japan Pharmaceutical Wholesalers Association's Guide for Fiscal 2020

NHI Drug Price Standard System and Actual Market Prices

Through the National Health Insurance (NHI) Drug Price Standard system, the national government sets official drug prices and lists the drugs that are covered by the NHI system. Medication charges that arise when medical institutions bill for medical fees or when dispensing pharmacies bill dispensing fees are calculated based on NHI drug prices. Starting in April 2021, NHI drug price revisions became annual revisions in practice with the introduction of interim-year revisions. These revisions are designed to reflect actual market prices (wholesale prices) into official drug prices in a timely fashion, thereby closing the gap between official and market prices.

NHI drug price
The official price of ethical pharmaceuticals decided by the national government

Wholesale price (Market price)
The price of pharmaceuticals sold by pharmaceuticals wholesalers to medical institutions

Wholesale procurement cost
The price that pharmaceuticals wholesalers pay to procure pharmaceuticals from manufacturers

Structure of Profits at Ethical Pharmaceuticals Wholesalers

Profits at ethical pharmaceuticals wholesalers are derived from the primary trade price spread between the wholesale price and wholesale procurement cost, rebates*1 and allowances*2 that manufacturers pay to wholesalers, and information provision fees, etc.*3 Negative primary trade price spread*4 continues at ethical pharmaceuticals wholesalers.

*1 Rebates: Discounts and refunds based on transaction volume, payment conditions for purchases, and delivery methods, etc.
*2 Allowances: Rewards for sales marketing activities
*3 Information provision fees, etc.: Fees for providing information about sales records, product recall fees, and post-marketing survey fees
*4 Negative primary trade price spread: Where the wholesale price is lower than the wholesale procurement cost

Industry-Specific Business Practices and the Guidelines*5

In 2018, the government drew up guidelines (revised in January 2022) for the purpose of accelerating initiatives to improve distribution and address issues in the distribution of ethical pharmaceuticals, striving to eliminate the negative primary trade price spread, ending the practice of deliveries prior to price agreements,*6 and promoting unit price-based transactions.*7 Related parties to the guidelines have been following them accordingly.

*5 The guidelines: *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
*6 The practice of deliveries prior to price agreements: Transactions where products are delivered to medical institutions, etc., prior to agreements on wholesale prices
*7 Unit price-based transactions: Transactions with wholesale prices set for individual pharmaceuticals to end the practice of bundled transactions, where discounts are negotiated on the total price of several pharmaceuticals

History of the Alfresa Group

Until September 2003: Formation of Pharmaceuticals Wholesaling Distribution System

As products that play an essential role in human life, pharmaceutical products need to be delivered on time to every location. Most pharmaceuticals wholesaling companies, therefore, started out as sales agencies for designated ethical pharmaceutical manufacturers, and over many years they have built close relationships in every area to form a distribution network for ethical pharmaceuticals wholesaling.

September 2003: Establishment of Alfresa Holdings Corporation

In 2003, Alfresa Holdings Corporation was established as the joint holding company of Fukujin Co., Ltd., based in the Kanto region, and AZWELL Inc., based in the Tokai and Kansai regions, marking the start of its journey as a next-generation group of pharmaceuticals wholesaling companies.

March 2009: Becoming Japan's Top Wholesaler Group*8 for Ethical Pharmaceuticals

Leading regional companies that share our vision for a Healthcare Consortium joined the Alfresa Group, which became Japan's top wholesaler of ethical pharmaceuticals after building a nationwide distribution network. This distribution network played a vital role in ensuring the steady supply of pharmaceuticals in society after the Great East Japan Earthquake in 2011.

*8 Source: Internal data

At present: Expansion into Domains Related to Health and Medicine

The Alfresa Group meets changing market and customer needs with its supply chain for pharmaceuticals and other products, spanning production, wholesale, and retail sales. In addition, the Group has built collaborative and cooperative relationships with companies outside the Group in different sectors to diversify its business domains and create new value-added services.

Business Domains and Business Models

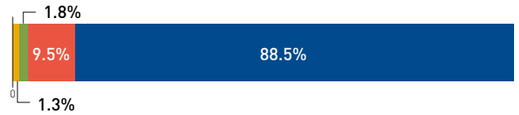
Medical products, starting with the pharmaceuticals that are prescribed at hospitals and distributed at dispensing pharmacies, play a vital role in maintaining people's health and lives. The Alfresa Group is engaged in a range of business fields, including the manufacture and wholesale of pharmaceuticals and other products to the operation of dispensing pharmacies. The Group works as one to support the pharmaceutical supply chains that are part of Japan's social infrastructure and strives to meet the full range of medical needs.

Alfresa Group

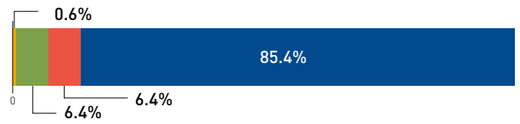
No.1*

Net sales in the ethical pharmaceuticals wholesaling industry

Net Sales / Composition Ratio
¥2,585.6 billion



Operating Income / Composition Ratio
¥29.0 billion



* Source: "Pharmaceuticals Industry Rankings: Ranking of 10 Largest Wholesaler Groups" (Drug Magazine Co., Ltd.)

Ethical Pharmaceuticals Wholesaling Business
Self-Medication Products Wholesaling Business
Manufacturing Business
Medical-Related Business

Number of distribution bases 220

Number of employees: 14,282*1 (consolidated)

Suppliers

Approx. **1,680** manufacturers

Pharmaceutical manufacturers, etc.

Manufacturing contracts

Procurement

Procurement

Procurement

Information

Strengths and Value Proposition ❷
Handling all types of products

Investors and shareholders

Investments

Shareholder returns, etc.

Strengths and Value Proposition ❽ Expanding shareholder returns

alfresa group

Strengths and Value Proposition ❼
Training personnel to support social infrastructure

Manufacturing Business		Manufactures and markets active pharmaceutical ingredients (APIs), pharmaceuticals, diagnostic reagents, medical devices, and other products, and undertakes consigned manufacturing of pharmaceuticals
Ethical Pharmaceuticals Wholesaling Business		Provides ethical pharmaceuticals and other products, including diagnostic reagents and medical devices and materials, and provides services to hospitals, clinics, dispensing pharmacies, and other customers
Self-Medication Products Wholesaling Business	**Strengths and Value Proposition ❻** Responding to various modalities in the total supply chain	Provides OTC drugs, health foods, supplements, and other products to drugstores and pharmacies
Medical-Related Business		Provides a range of services to patients via the dispensing pharmacy business and other businesses
Business Development		While collaborating with business segments within the Group, we aim to support the Community-Based Integrated Care System with digital technology, and develop data-driven businesses.
Overseas Business Development		Develops our business mainly in Asia through our own initiatives as well as partnerships with overseas companies
Development of Information Systems for Customer and Supplier Support		Develops and promotes shared use of information systems for the Group, aiming to improve the efficiency and sophistication of pharmaceuticals distribution

Products Products

Pharmaceutical information providers
Medical Representatives (MRs)

SPD*2 business

Pharmaceuticals sales force
Marketing Specialists (MSs)
3,135 persons

Products

Delivery specialists
Sales Assistants (SAs)
2,226 persons

Dispensing pharmacists
874 persons

Service

Information

Customers

Approx. **170,000** locations

Medical institutions (hospitals, clinics, etc.)

Dispensing pharmacies, drugstores, nursing care facilities, etc.

Dispensing

Strengths and Value Proposition ❸
Addressing remote healthcare (digitalization of healthcare)

Strengths and Value Proposition ❹
Contributing to personalized medicine with diagnostic reagents and specialized pharmaceuticals

Strengths and Value Proposition ❺
Increasing work efficiency of medical institutions with digital collaboration

Patients

Fresh life for all.

Strengths and Value Proposition ❶
Contributing to regional healthcare

For more details on our eight strengths and value propositions, please see the Long-Term Vision "Value We Can Provide to Stakeholders through a Healthcare Consortium" on **pages 4–5**.

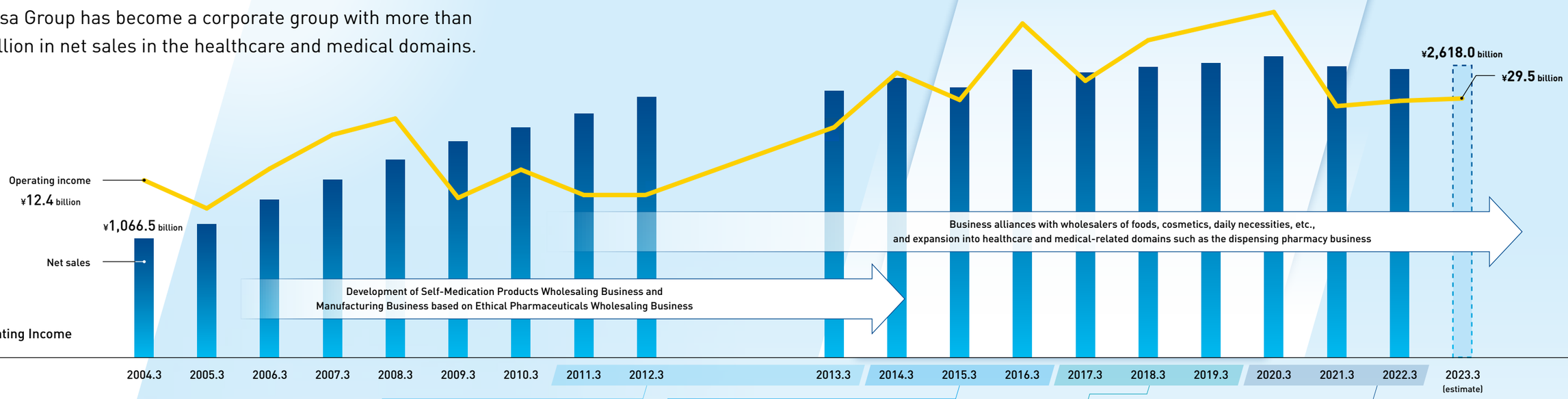
*1 Includes part-time and temporary employees (2,357 = Average number of workers per year) (As of March 31, 2022)
*2 SPD: Supply, processing, and distribution

Awareness of Current Situation

Review of Past Medium-Term Management Plans and Future Outlook

The Alfresa Group has become a corporate group with more than ¥2,500 billion in net sales in the healthcare and medical domains.

No.1 net sales in the ethical pharmaceuticals wholesaling industry



	Advancement and Expansion–Next Stage	The Challenge of Reform ~Uniting to Climb Next Peaks~	Break Through to Tomorrow	The Challenge of Further Growth Together with Health, Together with Communities
Background to Plan Creation	Through tie-ups and collaboration with other companies, the Alfresa Group aimed to be more useful for everyone's health and sought to strengthen ties with wholesalers of medical devices and diagnostic reagents, while also forging partnerships with wholesalers of daily necessities, cosmetics, and foods. Moreover, we aimed to establish a foothold overseas and expand business while developing and strengthening the dispensing pharmacy business.	The Alfresa Group aimed to create a Healthcare Consortium capable of providing health- and medical-related products and services by expanding service areas and business domains with wholesaling and manufacturing operations at the core, in addition to expanding scale in primarily ethical pharmaceuticals.	The Alfresa Group formulated a plan to advance business reforms ahead of changes in the business environment. The plan was based on the assumption that the functions we provide to customers will become more advanced and diversified on the road to 2025, when all those of the baby boomer generation will reach an elderly age, alongside reforms to the healthcare system with the Community-Based Integrated Care System and family pharmacies.	While structural changes advanced through the government-led Community Health Care Vision and the Community-Based Integrated Care System, the Alfresa Group assumed the ethical pharmaceuticals market would not grow strongly over the next five years due to government curbs on social welfare spending. The Company created a plan to transform into a more robust corporate structure able to keep up with change and try new fields, with an eye on future changes in the external conditions over the medium to long term.
Basic Policies	• Reinforce efforts toward realizing the Healthcare Consortium • Expand the wholesaling business network and pursue added value • Build up the foundations for growth for the manufacturing business • Develop overseas business • Advance CSR-oriented management based on sincere business activities	• Aim to become a corporate group trusted by society • Foster personnel to pioneer the new era • Aim at the next stage of the ethical pharmaceuticals wholesaling business • Pursue Group synergies (promote collaboration among Group businesses and with outside companies) • Seek to advance into health- and medical-related businesses	**"Challenge 3"** • Strengthen Business Foundation with One Alfresa Initiatives • Expand the Health- and Medical-Related Fields • Reform Business Model Ahead of Changes in the Business Environment	• Build up a Group collaboration structure • Reform business models • Contribute to the health of community members • Further improve productivity • Develop talent
Successes and Issues	We established a nationwide sales network in the Ethical Pharmaceuticals Wholesaling Business, including in the Hokkaido and Chugoku regions, built a nationwide network and business foundation for the Self-Medication Products Wholesaling Business, and expanded contract manufacturing and our product lineup in the Manufacturing Business. The Great East Japan Earthquake damaged the Tohoku area in particular, home to Odashima Limited and Kowa Pharmaceuticals Co., Ltd., but with support from Alfresa Corporation and other Group companies, we were able to continue supplying pharmaceuticals to medical institutions by replenishing products.	The Alfresa Group moved aggressively to integrate business and bring companies into the Group, such as the establishment of TS Alfresa Corporation and turning Alfresa Shinohara Chemicals Corporation into a wholly owned subsidiary. As a result, net sales grew to exceed ¥2.5 trillion. As a part of our effort to enter growth fields, we established Specialty Medical Distribution Corporation to engage in the distribution business for specialty pharmaceuticals. In overseas operations, we prepared for the next stage of business development by establishing companies in Vietnam and China.	The Company posted a record high in net income attributable to owners of the parent thanks to efforts to stabilize earnings. The Company aggressively invested in the business, setting up the Tonomachi Regenerative Medicine Distribution Station—a base for storing and transporting regenerative medicine products—as well as encouraging MS staff to obtain qualifications as Medical Management Specialists and restructuring operations in the Tohoku and Hokkaido regions.	Amid the switch to annual NHI drug price revisions, the Alfresa Group aggressively invested in bio venture and healthtech venture firms that provide products and services in tune with diverse medical needs, as well as ramped up collaboration with other companies, to transform its business model.

19–21 Mid-term Management Plan Details



Summary of the 19–21 Mid-term Management Plan

Focus on Expansion of Business Domains and Creation of the Community-Based Integrated Care System

The Alfresa Group contributed to the creation of the Community-Based Integrated Care System while expanding from its traditional pharmaceuticals-oriented operations into a broader range of businesses in the health domain. However, the Company fell short of its target for net sales, operating profit margin, and net profit margin, owing to NHI drug price revisions, the government order to halt bidding on orders from medical institutions, and the COVID-19 pandemic. The Company did not spend its entire investment budget for reinforcing and expanding businesses, and thus did not reach its target for investments.

Results of the 19–21 Mid-term Management Plan

Item	19–21 Mid-term Management Plan	Performance for March 2022	Major Factors
Net sales	**¥2.75 trillion (¥2.7562 trillion)*1**	**¥2.5856 trillion**	• Suppressed patient visits and decreased purchases by inbound tourists during the COVID-19 pandemic • Suppressed prescription drug market growth due to NHI drug price revisions in the interim year • Suspended qualification as an ethical pharmaceuticals wholesaler able to participate in public bidding tenders due to violation of the Antimonopoly Act • Reduced profit margin in the ethical pharmaceuticals wholesaling business due to influence from COVID-19 and NHI drug price revisions in the interim year • Increased net profit due to profit from selling investment securities
Operating profit margin	**1.7% or over (2.0% or over)*1**	**1.1%**	
Net profit*2 margin	**1.4% or over**	**1.2%**	
Total invested (cumulative)	**¥120.0 billion**	**¥66.5 billion**	• Planned expansion of business investments (M&A, investment in other enterprises, etc.) left partially unimplemented
ROE	**8.0% level**	**6.7%**	• Reduced due to decrease in net profit*2
Return to stockholders	**DOE*3 2.3%**	**DOE 2.3%**	• Continuing the policy of stable dividend payment (dividend increased for 18 consecutive terms)

	Plan	Actual
Business-reinforcing investment	¥79.0 billion	¥52.1 billion
Business-expanding investment	¥36.0 billion	¥9.3 billion
Investment in information systems	¥5.0 billion	¥5.1 billion

*1 Figures reflecting the earning recognition criteria and the modified labeling applied from the March 2022 term
*2 Net profit (margin) belonging to the parent company's shareholders
*3 DOE: Dividend on equity

19–21 Mid-term Management Plan: Group Management Policies and Results

The five Group management policies in this plan were to build up a Group collaboration structure, reform business models, contribute to the health of community members, further improve productivity, and develop talent. In the Ethical Pharmaceuticals Wholesaling Business, we reached 2,000 employees with Medical Management Specialist qualifications in order to help advance the creation of the Community-Based Integrated Care System. In the Self-Medication Products Wholesaling Business, we redoubled efforts with exclusive manufacturers and exclusive products. In the Manufacturing Business, the Group expanded products taken over from Daiichi Sankyo Co., Ltd., and Ono Pharmaceutical Co., Ltd., and launched rapid antigen testing kits for COVID-19. In the Medical-Related Business, we launched APOCREAT Corporation through a business merger.

Establishment of a trans-Group companies' coalition system

- Establishing a nationwide distribution network of regenerative medicine products, etc., within the Ethical Pharmaceuticals Wholesaling Business segment
- Expanding the lineup of products meeting the Group's needs in the Ethical Pharmaceuticals Wholesaling Business

Business model innovation

- Starting the operation of individualized healthcare supportive platform NOVUMN
- Starting the service of prescription drug delivery from dispensing pharmacies to patients with the cooperation of the Yamato Group
- Business and capital tie-ups with venture companies, etc., involved in development of regenerative medicine products and medical devices or development / operation of online clinical care systems

Contribution to the health of local inhabitants

- Storage, control, and transport of COVID-19 vaccines and needles / syringes used for COVID-19 vaccinations
- Transport and delivery of specific alcohol products for disinfection under the government's instruction
- Organizing multidisciplinary meetings by MSs serving as a promoter of regional comprehensive care system development

Further productivity improvement

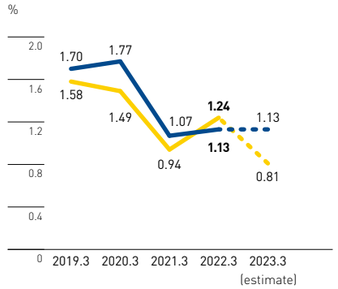
- Efficiency improvement and management base reinforcement through mergers among subsidiary companies in the Self-Medication Products Wholesaling Business and the Medical-Related Business
- The DX Promotion Department was newly organized within Alfresa Holdings Corporation to improve business efficiency and promote digital business innovation throughout the Group

Human resource development

- The Human Resource Planning Department was newly organized within Alfresa Holdings Corporation to facilitate human resource development for achieving the growth strategy, value creation, and productivity improvement of the Alfresa Group
- The Alfresa Group's Diversity Policy was devised to improve the percentage of women in managing roles and ensure the basis for more active roles by female employees

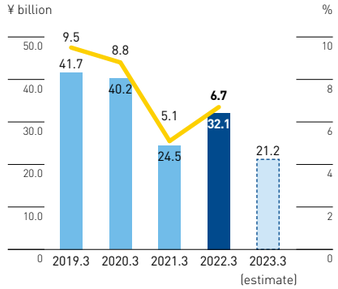
Performance Highlights and Future Outlook

Operating income margin / Profit attributable to owners of the parent margin



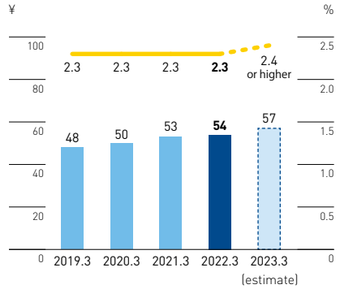
Due to the COVID-19 pandemic, it remained difficult to secure adequate time to negotiate wholesale prices with customers. In the fiscal year ended March 31, 2022, profit expanded thanks to stronger management of sales prices and improvement in the gross profit margin, owing to the promotion of medical products, such as medical devices and materials, as well as diagnostic reagents.

Profit attributable to owners of the parent / ROE



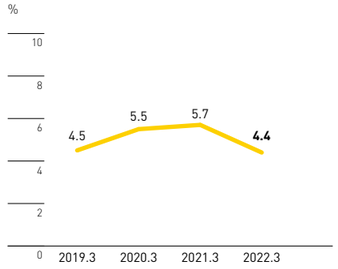
ROE was 6.7%, reflecting a decline in profit attributable to owners of the parent, failing to reach the target for ROE of 8.0% in the 19–21 Mid-term Management Plan.

Dividends per share / DOE



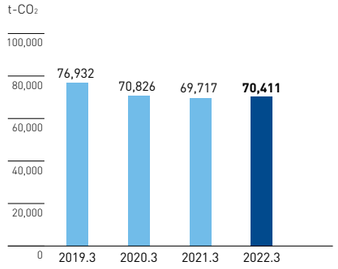
Dividends were increased for the 18th consecutive fiscal year as a result of efforts to return profits steadily and continuously to shareholders, in line with the Alfresa Group's basic dividend policy for a dividend on equity (DOE) of at least 2.3%, based on a comprehensive analysis of consolidated earnings and the need to reinforce the financial position, stabilize the business foundation, and invest in future business development.

Ratio of women in management positions



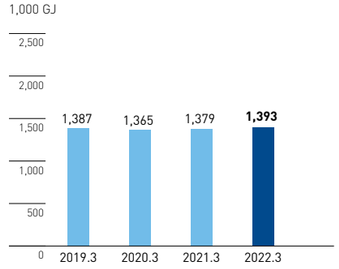
Along with reforms to the personnel system in the fiscal year ended March 31, 2022, the ratio of women in management positions was 4.4% (6.3% under the previous system). The Alfresa Group promotes diversity, including women in the workplace, and aims to have at least 6.0% of management positions filled by women across the entire Group by the fiscal year ending March 31, 2026, and at least 10.0% by the fiscal year ending March 31, 2031.

CO_2 emissions



We endeavor to reduce CO_2 emissions by using energy efficiently. CO_2 emissions totaled 70,411t-CO_2, a year-on-year increase of about 1.0%, reflecting the start of operations at a new logistics center. The Alfresa Group's direct emissions amounted to 33,101t-CO_2, or 37,319t-CO_2 when including the electricity supplied by other companies.

Total energy used



The Company aims to efficiently use electricity in its offices and plants and fuel, in particular, for vehicles used in sales activities and product deliveries. Our efforts to conserve electricity include being aware of the amount of electricity used and trying to conserve it. We are also installing LED lights at our logistics centers. To reduce the impact on the environment, we are switching to energy-conserving vehicles and encouraging economical driving.

22–24 Mid-term Management Plan

Creating New Value across Segments

Under the 22–24 Mid-term Management Plan, which commenced in the fiscal year ended March 31, 2022, the Alfresa Group is targeting net sales of ¥2.7 trillion and an operating income margin of 1.5% or higher, while budgeting ¥120.0 billion for capital investment over three years.
By adhering to appropriate prices in the mainstay Ethical Pharmaceuticals Wholesaling Business, the Alfresa Group intends to put profit back on a growth trajectory while investing heavily in future earnings potential. With regard to shareholder returns, compared with the 19–21 Mid-term Management Plan, the Company raised its DOE target by 0.1 percentage point, to 2.4% or higher, and aims to continue increasing this target.

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

Targets for the Fiscal Year Ending March 31, 2025

Net Sales
¥2.7 trillion

Investment Plan (Cumulative)
¥120.0 billion

Operating Income Margin
1.5% or higher

Shareholder Returns
DOE 2.4% or higher

1 Enhancement of business models and creation of new value

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



*1 Products with drug creation premiums and patented drugs

The Alfresa Group will build a solid foundation by concentrating on growth fields, such as specialty domains and medical goods in the Ethical Pharmaceuticals Wholesaling Business; exclusive products in the Self-Medication Products Wholesaling Business; contract manufacturing and central nervous system and diagnostic reagent domains in the Manufacturing Business; and home care services in the Medical-Related Business.

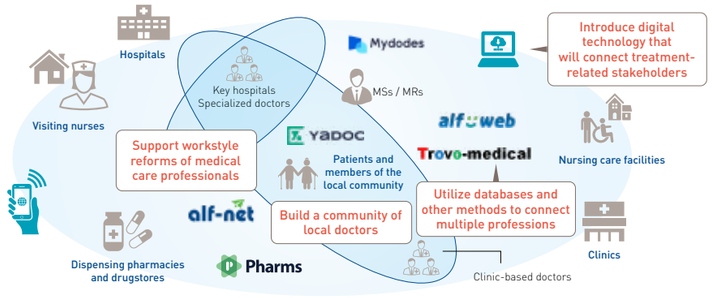
P.36 Aspirations and Business Policies for Each Business Segment

Create total supply chain services and generate new value

Regarding the creation of new value, we aim to generate new value across segments by comprehensively leveraging the Group's supply chains and the strengths in each segment.

*2 The regenerative medicine-related business procures and supplies cellular raw materials used in regenerative medicine and similar products.

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



We aim to help our customers solve their problems while creating new value with various digital tools, such as digital health and health technology. By advancing DX, we are keen to move into new business domains related to health and medicine to improve customer satisfaction and advance our healthcare-related activities to a new stage.

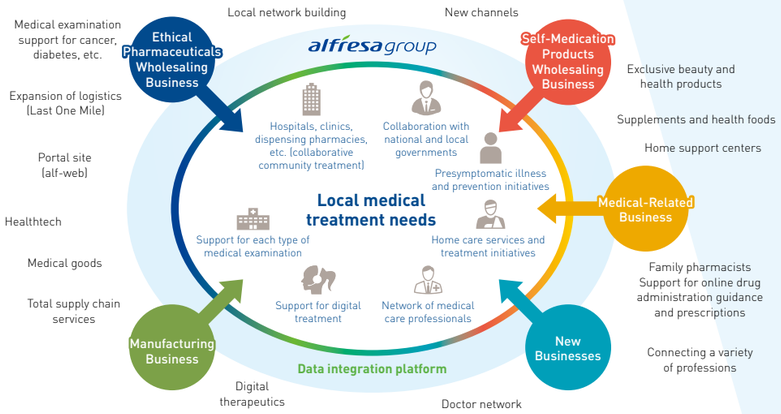
P.31 Furthering Digital Transformation (DX)

22–24 Mid-term Management Plan

2

Contribution to local health and treatments through united Group efforts

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



In order to contribute to regional health and treatments through unified Group initiatives, operating companies in each business segment collaborate to reinforce their business models and create new value. By working together as a Group, we strive to meet regional healthcare needs and help support the realization of 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 CO_2 emissions

Fiscal 2024 **10% decrease***1
Fiscal 2030 **30% decrease***1, 2
Fiscal 2050 **Net zero**

*1 Compared with the fiscal 2020 level
*2 The 30% decrease in CO_2 emissions targeted for fiscal 2030 corresponds approximately with the government target of reducing such emissions by 46% from the fiscal 2013 level.

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)

The Alfresa Group contributes to society by participating in initiatives for carbon neutrality, recycling resources, preventing environmental pollution, and coexisting with living organisms in order to contribute to a sustainable society through efforts to protect the environment.

Compared with the fiscal 2020 level, we aim to reduce CO_2 emissions by 10% by fiscal 2024 and 30% by fiscal 2030, which are on the path to reaching net-zero emissions by fiscal 2050. Our reduction target for fiscal 2030 is approximately equivalent to the Japanese government's target of reducing emissions by 46% of the estimated fiscal 2013 level.

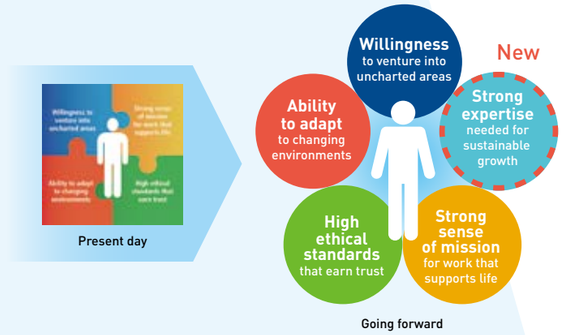
P.53 Environmental Initiatives

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 August 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

To promote its human resource strategy focused on diversity, in addition to the four key requirements in its human resources—namely, a strong sense of mission, high ethical standards, ability to adapt, and willingness to venture into uncharted areas—the Alfresa Group trains human resources with strong expertise while drawing out their individuality and talents, building an abundance of knowledge and experience so that personnel can perform in functions that are critical for the sustained growth of the Group. As a collection of strong individuals collaborating with their individuality and talents on display, we are moving together toward our goals while accepting the diversity of everyone working in the Group.

P.58 Respect for Human Rights and Human Resource Strategy

5

Cultivation of a corporate culture with compliance as its highest priority

Seriously examine past mistakes and work as a group to make stronger and 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

To foster a corporate culture that prioritizes strict compliance, the Alfresa Group continues to take specific actions and techniques to deal directly with its past errors.

The Alfresa Group has established a subcommittee specializing in the Antimonopoly Act for the Ethical Pharmaceuticals Wholesaling Business under the Compliance and Risk Management Committee, and periodically convenes meetings. In addition to setting up dedicated compliance departments and counseling hotlines at each Group company, the Alfresa Group has established a dedicated Groupwide counseling hotline staffed by attorneys specializing in the Antimonopoly Act, and increased dialogues with frontline salespeople. As a check function, internal audit departments are monitoring these initiatives.

P.63 Compliance and Risk Management

Value Creation Model

Based on the Alfresa Group's principles and the Basic Sustainability Policy, the Alfresa Group creates social value and economic value in line with its Aspiration (Long-Term Goals), by tackling, as a unified Group, the eight important sustainability issues it has identified.

The Alfresa Group's Principles

Our **Philosophy** | Our **Vision** | Our **Promises**

The Alfresa Group's Basic Sustainability Policy

- The Alfresa Group's Environmental Policy
- The Alfresa Group's Human Rights Policy
- The Alfresa Group's Diversity Policy
- Corporate Governance Guidelines
- The Alfresa Group Compliance Guidelines

Important Sustainability Issues

1. Improvement of quality of products and services
2. Value creation and innovation
3. Environmental protection
4. Contribution to local communities
5. Active participation of human resources
6. Compliance
7. Risk management
8. Corporate governance



Social value

Economic value

Targets for the Fiscal Year Ending March 2025

Net Sales ¥**2.7** trillion

Operating Income Margin **1.5**% or higher

DOE **2.4**% or higher

22–24 Mid-term Management Plan

Leap into the Future
"An Evolving Healthcare Consortium"

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

The Alfresa Group aims to provide information, products, and services in every health-related field, beginning with medicine, for each stage in a person's life journey, starting with presymptomatic illness and prevention.

Aspirations of Each Business Segment

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

Self-Medication Products Wholesaling Business
To be a true leading company in the fields of beauty and health that connects with all people

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

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

Our Strengths and the Value We Can Provide to Stakeholders

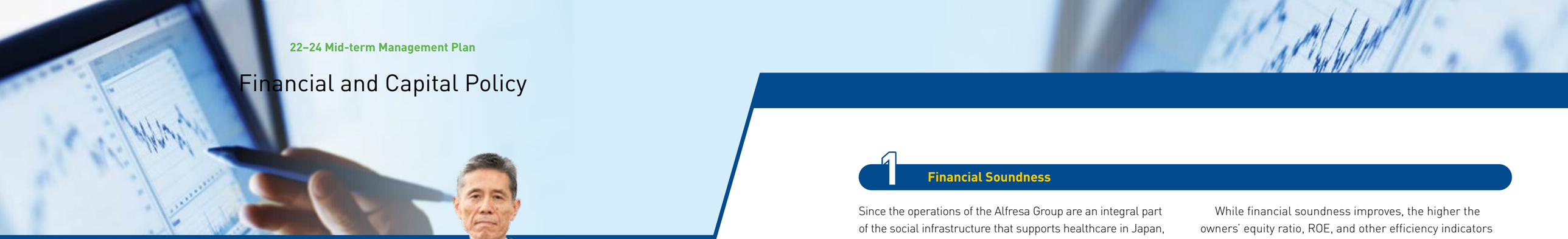
01 Contributing to regional healthcare
02 Handling all types of products
03 Addressing remote healthcare (digitalization of healthcare)
04 Contributing to personalized medicine with diagnostic reagents and specialized pharmaceuticals
05 Increasing work efficiency of medical institutions with digital collaboration
06 Responding to various modalities in the total supply chain
07 Training personnel to support social infrastructure
08 Expanding shareholder returns

Concerns and Needs of Stakeholders

Patients / consumers | Doctors / medical institutions | Pharmaceutical companies / MRs | National / local governments | Our people | Shareholders / investors

Future Environment

Advances in Technology | Population Decline and Aging Society | Advent of 100-Year Lifespans | City and Regional Problems



22–24 Mid-term Management Plan

Financial and Capital Policy

Seiichi Kishida
Alfresa Holdings Corporation
Director, Deputy President, Assistant to the President,
Financial Planning, Corporate Communication

Review of Fiscal Year Ended March 31, 2022, and the 19–21 Mid-term Management Plan

In the fiscal year ended March 31, 2022, net sales decreased year on year due to the COVID-19 pandemic, NHI drug price revisions for the interim year, and a government order to suspend bidding nominations from medical institutions because of a violation of the Antimonopoly Act. However, operating income increased compared with the previous fiscal year as a result of efforts to improve the gross profit margin with methodical management of sales prices. Furthermore, profit attributable to owners of the parent increased sharply, owing in part to the booking of extraordinary income from the sale of investment securities.

Return on equity (ROE), an indicator of capital efficiency, was 6.7%, higher than the cost of capital but less than our target of 8.0%. The Company maintained an appropriate owners' equity ratio in the 35% to 39% range.

The Alfresa Group maintained a credit rating of A+ for a fourth consecutive fiscal year (since the fiscal year ended March 31, 2019), its currently targeted credit rating.

Management Indicators (¥ billion)

	2019.3	2020.3	2021.3	2022.3
Net sales	2,640.5	2,698.5	2,610.4	2,585.6
Operating income	44.7	47.6	27.9	29.0
Profit*1	41.7	40.2	24.5	32.1
Total assets	1,341.9	1,351.6	1,316.6	1,303.9
Owners' equity ratio (%)	32.9	35.0	37.2	36.2
Return on equity (ROE) (%)	9.5	8.8	5.1	6.7
Earnings per share (EPS) (¥)	195.91	190.26	115.75	153.57
Issuer rating from R&I*2: A+ (Stable)				

*1 Profit attributable to owners of the parent
*2 Rating and Investment Information, Inc.

Capital Policy of the 22–24 Mid-term Management Plan

The basic capital policy in the 22–24 Mid-term Management Plan is the same as the policy in the previous 19–21 Mid-term Management Plan: namely, to pursue an optimal balance between financial soundness with aggressive investments in growth, as well as capital efficiency and shareholder returns, while aiming to raise corporate value further.



1 Financial Soundness

Since the operations of the Alfresa Group are an integral part of the social infrastructure that supports healthcare in Japan, the Company must have a stable financial foundation in order to maintain operations in any business environment. We believe our current levels of cash and deposits are necessary, considering needs in times of crisis, such as natural disasters, investments for the near future, and shareholder returns.

While financial soundness improves, the higher the owners' equity ratio, ROE, and other efficiency indicators decline. We, therefore, intend to maintain current levels as an optimal balance.

The Alfresa Group aims to obtain the same issuer rating as the previous year to secure diverse fundraising channels.

2 Capital Efficiency

During the 22–24 Mid-term Management Plan, the Alfresa Group aims to maintain and improve ROE at levels above the cost of capital by increasing the operating income margin and total asset turnover ratio while recognizing levels appropriate for its business. We will also proactively invest in growth to continue improving corporate value.

1. Results of Investments under the 19–21 Mid-term Management Plan and Investment Plans for the 22–24 Mid-term Management Plan

During the 19–21 Mid-term Management Plan, the Alfresa Group concentrated on acquiring business opportunities and building an earnings foundation for sustained growth, and it invested in laying a foundation for improving corporate value.

Over the course of the three years of the 19–21 Mid-term Management Plan, to expand business scale, the Alfresa Group invested a total of ¥4.6 billion in 13 venture firms in medical-related fields that provide products and services satisfying diverse healthcare needs.

Additionally, the Alfresa Group invested a total of ¥9.3 billion in business expansion, including the acquisition of manufacturing and sales rights for long-listed drugs from two pharmaceutical manufacturers with the objective of expanding the line of products it handles.

Regarding investments to strengthen operations, the Company invested in constructing five new logistics centers, including the Shizuoka Distribution Center and the Tsukuba Distribution Center, upgrading existing distribution centers, and expanding production facilities in the Manufacturing Business and information systems. The investment totaled ¥57.2 billion.

During the 22–24 Mid-term Management Plan, the Alfresa Group has budgeted a total of ¥120 billion for investments to accelerate growth. Of this amount, ¥70 billion is earmarked for business continuity investments, such as the construction of logistics centers, production equipment, R&D facilities, and home support centers. Furthermore, the Company has allocated ¥40 billion for investments in start-up firms in drug discovery and healthtech fields, as well as initial investments in new growth domains, with the objective of establishing new sources of income. Plans also call to spend ¥10 billion on information systems and digital transformation (DX) projects, including core systems, peripheral systems, the building of a data integration platform, and the introduction of artificial intelligence (AI) software.

With the aim of continuously improving corporate value, the Alfresa Group will maintain discipline while vigorously investing in further growth.

19–21 Mid-term Management Plan

Results for fiscal year ended March 31, 2020	Business-expanding investment ¥2.0 billion Business-reinforcing investment ¥20.7 billion	**Business-expanding investment** • Digital related • Regenerative medicine related • Expansion of products handled, etc. **Business-reinforcing investment** • Reinforcement of distribution functions • Expansion of production facilities • Investment in information systems, etc.
Results for fiscal year ended March 31, 2021	Business-expanding investment ¥3.5 billion Business-reinforcing investment ¥17.3 billion	
Results for fiscal year ended March 31, 2022	Business-expanding investment ¥3.8 billion Business-reinforcing investment ¥19.2 billion	
Total	Business-expanding investment ¥9.3 billion Business-reinforcing investment ¥57.2 billion	Total investment: ¥66.5 billion

Investment Budget for the 22–24 Mid-term Management Plan

Business continuity investments	Ethical Pharmaceuticals Wholesaling Business	• Investments related to distribution centers and offices, etc.	**¥70 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	• 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 medical-related domains • Initial investments in new business domains, etc.	**¥40 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 billion**

Total ¥120 billion

Financial and Capital Policy

2. Reduction of Cross-Shareholdings

The Alfresa Group is proceeding to reduce cross-shareholdings in an appropriate manner while gaining an understanding of investee companies, based on evaluations of necessity in its business strategy and economic rationality of the relative cost of capital.

As of March 31, 2022, the balance of cross-shareholdings was ¥56.4 billion as disclosed in securities filings, a reduction to 12% of net assets.

In the fiscal year ended March 31, 2022, the Alfresa Group made considerable progress reducing cross-shareholdings through large-lot sales, and intends to reduce more cross-shareholdings during the three years of the 22–24 Mid-term Management Plan. Management is negotiating with the companies in which the Alfresa Group has invested with the aim of reducing the ratio of cross-shareholdings to net assets to below 10%.

Investment Securities
(Based on disclosures in securities filings by three companies)

		2020.3	2021.3	2022.3
Investment securities	(No. of stocks)	70	64	60
	(¥ billion)	93.0	89.7	56.4
Ratio to net assets (%)		19.6	18.3	12.0

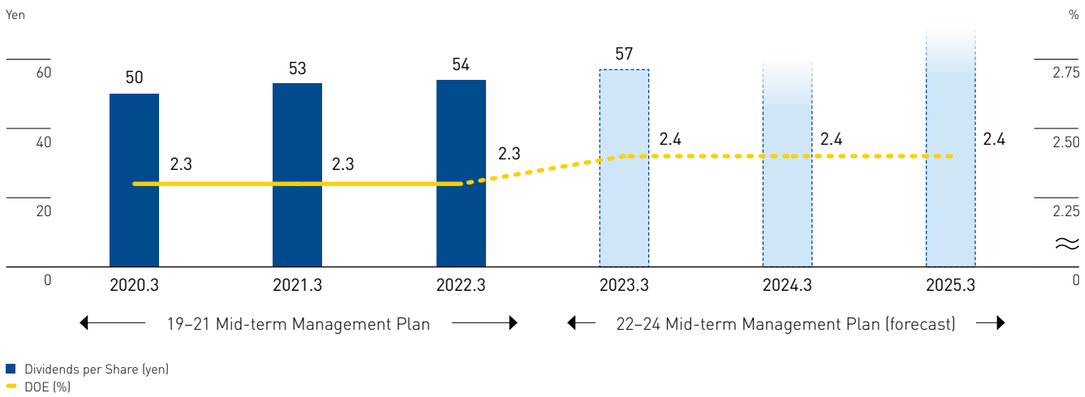
3 Enhancement of Shareholder Returns

Regarding shareholder returns, during the 19–21 Mid-term Management Plan, the Company paid a dividend equivalent to consolidated dividend on equity (DOE) of 2.3% for three consecutive years, based on its policy of paying dividends with surplus funds while targeting a DOE of at least 2.3%. As a result, for the fiscal year ended March 31, 2022, we increased the annual dividend by ¥1 year on year, to ¥54 per share, marking the 18th consecutive year of dividend hikes since the Company's founding. Compared with the 19–21 Mid-term Management Plan, the Company raised its DOE target by 0.1 percentage point, to 2.4% or higher for the 22–24 Mid-term Management Plan, in order to enhance the return of profits to shareholders. For the fiscal year ending March 31, 2023, the Company targets an annual dividend of ¥57 per share. By consistently returning profits to shareholders while comprehensively considering economic conditions and investment plans, the Alfresa Group aims to encourage shareholders to retain ownership of the Company's share over the long term.

During the fiscal year ended March 31, 2022, the Alfresa Group bought back 9,147,800 of its shares, for a total of about ¥15 billion. Under the 22–24 Mid-term Management Plan, the Company will take a flexible approach to share buybacks to improve capital efficiency, comprehensively considering cash on hand, share prices, and the dividend payout ratio.

Regarding capital allocation, including investments and shareholder returns, the Company plans to tap into its own cash flow from operating activities and cash flow from the sale of assets, including the unwinding of cross-shareholdings, as a primary source of funds.

Dividends per Share / DOE



Furthering Digital Transformation (DX)



Toshiki Tanaka
Alfresa Holdings Corporation
Director, Vice President & Executive Officer, General Affairs,
Human Resources Planning, Digital Transformation (DX), Compliance

Awareness of DX and Aims

According to the "'DX Promotion Indices' and Guidance Therefor" published by the Ministry of Economy, Trade and Industry, the aim of digital transformation (DX) is to establish competitive advantages by not only changing products, services, and business models but also reforming business, organizations, processes, and the corporate culture.

The Alfresa Group promotes innovation that leads to new value creation through DX-driven reforms in the development and manufacture of pharmaceuticals and diagnostic reagents; the distribution of pharmaceuticals, diagnostic reagents, and medical equipment and their provision to patients; and the distribution of related products and services.

Alfresa Holdings created the DX Promotion Department in April 2021 to act as the control center for DX strategies throughout the Group and to preside over DX promotion meetings attended by managers from Group companies.

DX initiatives in the 22–24 Mid-term Management Plan call to "optimize back-office departments and unify operations," "promote the sophistication, standardization, and optimization of logistical functions (pharmaceuticals wholesaling business), "increase sales capabilities of MSs and MRs (pharmaceuticals wholesaling business and manufacturing business)," and "enable data-informed management." Additionally, we are training human resources, reforming the corporate culture, and updating IT platforms that support DX.

DX Initiatives in the 22–24 Mid-term Management Plan

1. Optimize back-office departments and unify operations
2. Promote the sophistication, standardization, and optimization of logistical functions (pharmaceuticals wholesaling business)
3. Increase sales capabilities of MSs and MRs (pharmaceuticals wholesaling business and manufacturing business)
4. Enable data-informed management

Overview and Road Map

The Alfresa Group has drawn up a map of its approach to DX, as shown below.

The Alfresa Group's three main DX strategies are optimizing back-office departments and unifying operations, as defensive DX, enabling data-informed management by utilizing information within the Group, and developing digital businesses that provide solutions to customers, as aggressive DX.

To facilitate these three strategies, we are asking all employees to change their awareness so that they first ask themselves whether digital technology can solve an issue. The Alfresa Group is also developing and training DX personnel who will be in charge of digitization and digitalization, as well as updating its data integration platform, which is the IT infrastructure that forms the basis of data-informed management.

Furthering Digital Transformation (DX)

Map of the Alfresa Group's Approach to DX

Reform awareness	Present vision and disseminate information	• Instill a mindset of "first ask oneself whether digital technology can solve an issue"
Defensive DX	Optimize back-office departments and unify operations	• Expense settlement system, workflow system • Shared back-office operations
	Enable data-informed management	• Increase sophistication by using information gathered on the data integration platform ➡ Management, sales, logistics, personnel, etc.
Aggressive DX	Commercialize digital businesses	• Solutions for customers ➡ Improve connectivity with digital technology
Build platforms	DX personnel	• Develop, train, and expand the scope of DX personnel
	IT platform	• Update data integration platform

1 Defensive DX: Optimize Indirect Operations and Consolidate Business

The optimization and increase in efficiency of indirect divisions is the first step in DX, and this will be realized through business process re-engineering (BPR) with the application of digital technology. After identifying issues in indirect operations that should be solved with digital technologies, productivity will be improved by creating optimized business processes. For operations that are shared across Group companies, we will integrate business processes among Group companies in the pursuit of even greater efficiency.

The Alfresa Group is investing in the introduction of new technologies to improve productivity further and enhance security, such as going paperless with document management, workflow, and expense bookkeeping systems. Additionally, we are advancing the use of common systems while integrating work operations, such as routine daily and monthly work, and the workflow for circulating and approving paper documents.

In addition to increasing productivity and work efficiency by using digital technologies in existing operations, we are exploring the use of shared services in indirect operations by consolidating back-office work. By connecting individual pieces of digitalized operations, we aim to improve productivity further and reform operations through the use of AI and other tools that take advantage of work data among divisions.

2 Realize Data-Informed Management

Data-informed management is a type of management that makes decisions and takes actions by retrieving and referring to essential data in a timely manner after it has been uniformly collected from Group operations and individual businesses.

The Alfresa Group obtains and stores vast amounts of information (shipment, sales, and product information) associated with its business execution, thanks to its broad supply chains from upstream (pharmaceuticals, etc.) to downstream, and from manufacturing to wholesale and delivery to customers at dispensing pharmacies. Gathering this information in its data integration platform, the Alfresa Group intends to make decisions while retrieving and referring to this information about its corporate activities involving management, sales, distribution, and personnel.

By enabling data-informed management based on this information, we are able to increase the value added to our corporate activities through the provision of services that satisfy customers even more, in addition to the existing management resources of the Alfresa Group, namely its robust nationwide distribution network and a broad array of business transactions based on relationships of trust with customers and suppliers.

The Alfresa Group is spreading data-informed management to various fields. For example, our sales dashboard centralizes the data necessary in the sales activities of MS personnel, such as customer information and pharmaceuticals data, and equips them with this information in a bid to improve the sales capabilities and productivity of MS and MR personnel. Our logistics functions DX project aims to cut delivery costs by using AI-driven projections of delivery volumes, and it also aims to reduce waste by sharing data on product inventories among Group wholesalers, in a bid to advance, standardize, and optimize logistics functions. By creating a Group human resource database, we are gathering data and matching personnel to jobs across business segments and companies.

3 Aggressive DX: Bring Connectivity to the Next Stage

As the baby boomer generation reaches an advanced elderly age by 2025, the Japanese government is keen to create the Community-Based Integrated Care System and differentiate, strengthen, and facilitate collaboration among healthcare functions.

Now that the falling birthrate and aging population have gained momentum in Japan, services are required for an ultra-elderly society, and the needs of customers and regions must be urgently addressed.

The Alfresa Group provides digital tools for customers, especially in the pharmaceuticals wholesaling business. We strive to improve levels of satisfaction among related parties by bringing connectivity to the next stage with digital tools that facilitate connectivity among doctors within the same region; connectivity among various healthcare professionals; connectivity between medical institutions and patients with specific ailments or rare diseases; and connectivity between pharmacies and patients. Additionally, we aim to solve issues for medical institutions, such as assisting with workstyle reforms for medical practitioners.

The Alfresa Group is also stepping up investments in healthtech firms. We are keen to enter new business domains related to health and medicine while pursuing synergies with the companies in which we have invested.

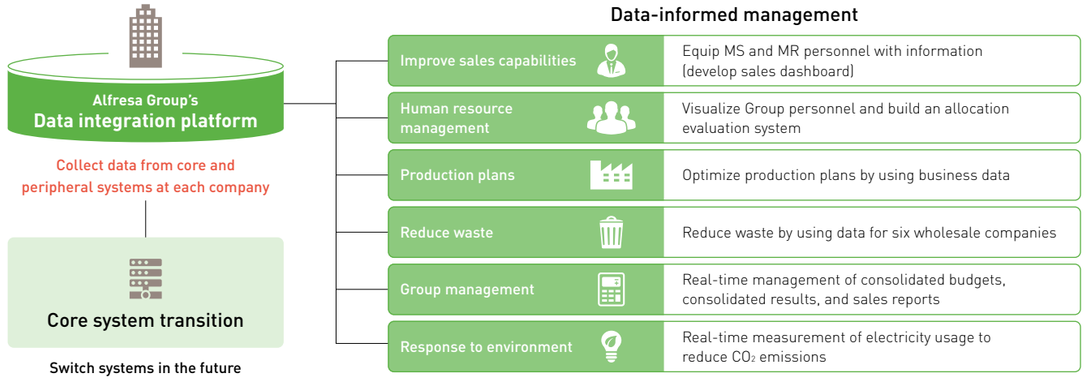
Development and Training of Human Resources That Support DX

In the 22–24 Mid-term Management Plan, a new requirement was added to human resources for the Alfresa Group, namely "strong expertise" that can support sustained growth.

We define DX personnel as human resources with knowledge of digital technologies who are able to find simple solutions to issues based on their understanding of operations and the identification of issues that need to be solved. We will expand our scope and train DX personnel through ongoing training in knowledge and techniques for practical work and DX promotion across the entire Group.

Data Integration Platform That Supports Data-Informed Management

Under the 22–24 Mid-term Management Plan, the Alfresa Group intends to enable data-informed management, optimize each business segment with the data integration platforms needed to collect and analyze data necessary for Group operations, and steadily move toward a scalable systems architecture. We are currently working on gathering basic data in the wholesaling and manufacturing businesses. The Alfresa Group will gather, analyze, and visualize data, including external data, that relates to data-informed issues.



Message from the Director in Charge of the Ethical Pharmaceuticals Wholesaling Business





Yusuke Fukujin
Alfresa Holdings Corporation
Director, Deputy President
In charge of the Ethical Pharmaceuticals Wholesaling Business
Alfresa Corporation
Representative Director & President

Ethical Pharmaceuticals Wholesaling Business

Building a Foundation for Quality Growth with the 19–21 Mid-term Management Plan as the Business Environment Changed

The 19–21 Mid-term Management Plan was created with the expectation that the pharmaceuticals market would expand to a certain degree. However, the market has moved in a different direction than these assumptions due to the COVID-19 pandemic and changes in the business environment, such as reforms to the National Health Insurance (NHI) drug price revision system with the introduction of interim price revisions. In a strong growth market, the best strategy is to target top-line growth, but in markets with poor growth prospects, it becomes more important to improve profitability. For this reason, during the last two years of the 19–21 Mid-term Management Plan, the Alfresa Group pivoted to a disciplined approach to managing selling prices in order to ensure steady earnings in each business.

In addition, as many pharmaceutical manufacturers have begun to concentrate on the development and sale of new drugs targeting rare diseases that do not afflict that many people, we believe we were able to gain deeper trust from pharmaceutical manufacturers by managing selling prices in accordance with the value of pharmaceuticals, and meeting needs for a more advanced distribution infrastructure.

While it is true that the Alfresa Group's results for the fiscal year ended March 31, 2022, diverged from initial forecasts due to these changes in market conditions, management reformed the business structure while adjusting policies in line with changes in the real business environment, instead of adhering to its initial forecasts. As a result, the Alfresa Group was able to build a foundation for growth in the 22–24 Mid-term Management Plan while focusing on quality in the Ethical Pharmaceuticals Wholesaling Business.

Improving Earnings via Qualitative Advancements and Functional Expansion in the Ethical Pharmaceuticals Wholesaling Business

The 22–24 Mid-term Management Plan was formulated by backcasting from Our Aspiration (Long-Term Goal) for the Ethical Pharmaceuticals Wholesaling Business, based on assumptions that market conditions will be difficult with the possibility of slow or even negative growth in the future. The Company aims to increase earnings through qualitative advancements and the expansion of functions in the Ethical Pharmaceuticals Wholesaling Business without pursuing top-line growth at all costs.

Specialty pharmaceuticals, especially biopharmaceuticals and regenerative medicines, have grown into a field that strongly supports the Alfresa Group. For blockbuster pharmaceuticals that target a large number of patients, push marketing strategies have been the main way to efficiently sell these pharmaceuticals on the overall market. On the other hand, specialty pharmaceuticals are produced in small lots of wide varieties for a limited number of patients, so it is important to efficiently deliver them to the patients who need these pharmaceuticals. In other words, it is necessary to adopt a pull sales strategy that utilizes various data sources. The Alfresa Group began to make such changes at an early stage. By utilizing data, it has become possible to not only develop business by finding patients who would benefit from specialty pharmaceuticals but also provide products and services over longer periods of time, namely, the entire journey of the patient until they receive treatment.

Moreover, the Alfresa Group is concentrating on the medical products market, such as medical devices and diagnostic reagents that can have significant synergies with specialty pharmaceuticals. Patients with rare diseases must undergo various evaluations in order to receive the best treatments, and depending on the method of treatment, it may also be necessary to administer pharmaceuticals with special medical devices. By taking a cross-market approach to the pharmaceuticals and medical products markets, the Alfresa Group is able to contribute more broadly to healthcare domains through its business activities, and this approach should also begin to create ripple effects in the Ethical Pharmaceuticals Wholesaling Business, which has been bolstered by stronger sales of medical products.

We are approaching these two growth markets with the intention of solving social issues and securing earnings for the Alfresa Group. To this end, it is essential that we leverage our diverse human resources with an abundance of knowledge, experience, and unique and specialized skills. For example, one person alone cannot possibly have all the needed specializations. Instead, we require people with digital skills in the field of personalized medicine, people who are experts in genome testing in the field of cancer treatments, and women who are well-versed in "femtech" fields of women's health. We continue to seek better ways to deploy our diverse human resources in order to sustain the growth of the entire Group and the development of society as a whole.

Achieving Our Aspiration "To Be a True Leading Company"

Our Aspiration (Long-Term Goal) for the Ethical Pharmaceuticals Wholesaling Business is "to be a true leading company that offers the best proposals and options for all health-related and medical needs." Being a true leading company does not necessarily mean being the largest company in terms of sales. We believe it means being a company that is respected and emulated by its peers and one that makes the healthcare industry better in Japan.

Taking a bird's-eye view of Japan's healthcare industry, national government policy aims to take a "broad approach" with regional collaboration in healthcare and nursing care. Pharmaceutical manufacturers have switched to a "pinpoint approach" of concentrating on the development and sale of pharmaceuticals targeting rare diseases. The Alfresa Group can take a broad approach with its physical resources, such as its distribution system for delivering pharmaceuticals and people who engage in face-to-face activities. For example, initially, we collect a wide range of information through surveys that can discover patients struggling with a specific disease. At the same time, we use digital technology to take a pinpoint approach to the flow of information about when, where, and why patients are undergoing medical treatment. We then deliver pharmaceuticals to these patients, and this completes the transaction in the sales channel. Last, since medicine is a field where people take care of people, not everything can be digitalized. With that said, to connect these broad and pinpoint approaches, we must find a way to fuse digital information together with real people and physical distribution systems. This is the path that the Alfresa Group has chosen to advance along.

The key to our strategy of growing into a true leading company is how we can create new value by leveraging our strengths in a market that is unlikely to grow in the near future. The Alfresa Group's track record and large scale as the No. 1 seller in the ethical pharmaceuticals wholesaling industry facilitate the creation and provision of value, but growth is not always our end goal. Interest and needs in healthcare have grown with the times, and society is changing at a faster pace. As we respond to these changes in society and help healthcare evolve, we can assist even more patients in healing and become healthy again. This is why the Alfresa Group exists and will lead to a more sustainable society in the future.

Aspirations and Business Policies for Each Business Segment

Review of the 19–21 Mid-term Management Plan

22–24 Mid-term Management Plan: Segment Aims

Segment	Policies	Performance	Our Aspirations	Business Policies
Ethical Pharmaceuticals Wholesaling Business 	Further "evolution" of the MS function • Reinforcing proposal-oriented marketing • Implementing the area strategy • Committing to regional comprehensive care systems • Emphasizing medical products*1 Emphasis on specialty products "Sophistication," "efficiency improvement," and "standardization" of logistics within the Group	• Achieved the target of 2,000 employees qualified as licensed Medical Management Specialists within the Group • Promoted marketing strategy tailored to regional characteristics, such as organizing the Area Marketing Headquarters • Promoted home healthcare by connecting the dispensing pharmacy business • Organized multidisciplinary meetings involving regional care managers, pharmacists, physicians, and nurses • Increased percentage of sales staff for medical products and increased sales of such products • Increased the number of distribution centers handling regenerative medicine products to nine in Japan • Established council for the personalized healthcare support platform NOVUMN • Increased number and sales of exclusive distribution products • Started the operations of Koriyama Logistic Center and Shizuoka Logistic Center and the construction of Tsukuba Logistic Center • Expanded the number of business companies using the drug delivery support tool "saios" • Arranging logistic centers coping with PIC/S GDP*2 (underway) • Improving the efficiency of delivery through delivery-need prediction and introduction of optimum truck allocation plan in cooperation with Yamato Transport Co., Ltd. (underway)	To be a true leading company that offers the best proposals and options for all health-related and medical needs	Focus resources in specialty domains and medical products, and utilize DX to reform business Enhancement of Existing Businesses Profitability through Business Reform Groupwide Optimization, Efficiency, and Standardization
Self-Medication Products Wholesaling Business 	Establishment of a stable and long-lasting business base Product proposals from the standpoint of consumers Reinforcement of the handling of exclusive manufacturers / products Investment into the future • Establishing new clients and new channels • Creating next-generation supply chains • Expanding the products handled (household goods / beauty goods) Reinforcement of the link between individual business segments	• Merged two business companies • Promoted the CDT*3 theory • Expanded the number of exclusive products • Increased sales by cultivating new channels • Expanded the routes of exclusive product wholesaling and increased sales of our exclusive products by holding internal study meetings	To be a true leading company in the fields of beauty and health that connects with all people	Achieve high profitability in existing domains and venture into new domains Initiatives Aimed at High Profitability Enhancement of Group Collaboration Enhancement of Profitability through Business Reform
Manufacturing Business 	Promotion of manufacture of reliable, safe, and sincere products Expansion of the lineup of products in line with the Group's needs Expansion of the consignment manufacture and active pharmaceutical ingredient business Expansion of overseas businesses	• Completed the preparatory steps for introduction of a production control system (introduced from April 2022) • Reduced costs • Expanded the number of products transferred from other companies (Daiichi Sankyo Co., Ltd., Ono Pharmaceutical Co., Ltd.) • ALSONIC® COVID-19 Ag marketed • Expanded the indications of Midafresa® 0.1% IV	To be a company that provides the manufacturing capabilities, production capabilities, and services that the market demands	Maximize corporate value by "building a foundation for the next generation" Reliable, Safe, and Sincere Manufacturing Efforts to Achieve Total Supply Chain Services New Initiatives That Utilize Digital Technology
Medical-Related Business 	Shops reorganized according to their function Achievement of more efficient and higher-level functions aimed at improving profit Contribution to local communities through multifunctional activities Reinforcement of the collaboration between business segments	• Certified shops as regional coalition pharmacies and as pharmacies cooperating with specialized medical facilities • Merged three business companies • Improved the efficiency of management by disposing of unprofitable shops, etc. • Introduced online drug intake guidance service and drug intake follow-up system to all shops • Increased the number of home healthcare cases handled • Increased the number of health support pharmacies • Linked regional activities to the Ethical Pharmaceuticals Wholesaling Business (organizing health fairs and home patient care seminars)	To operate a pharmacy chain that can cover every stage across a person's life journey, from preventive to terminal care	Provide family pharmacies that can be used at any stage across a person's life journey, from preventive to terminal care Home Care Service Initiatives to Achieve Business Growth DX-Driven Business Reforms Presymptomatic Illness and Prevention Initiatives

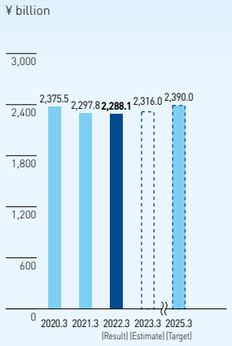
*1 Medical products: Diagnostics, medical devices / materials, food supplements
*2 PIC/S GDP: International standards on temperature control, hygienic control, and manuals related to drug distribution processes
*3 CDT (Consumer Decision Tree): A technique for analyzing consumers' purchase patterns (how consumers perform a purchase and what priorities are adopted for their purchasing behaviors)

Ethical Pharmaceuticals Wholesaling Business

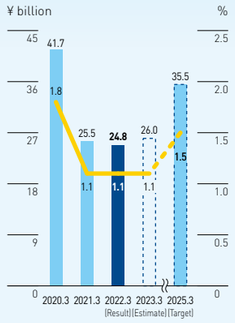
Operating Companies

- Alfresa Corporation
- Shikoku Alfresa Corporation
- TS Alfresa Corporation
- Meisho Co., Ltd.
- RYUYAKU CO., LTD.
- Tohoku Alfresa Corporation
- Alfresa Medical Service Corporation
- Alfresa Shinohara Chemicals Corporation

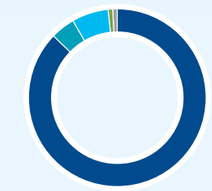
Net Sales



Operating Income / Operating Income Margin

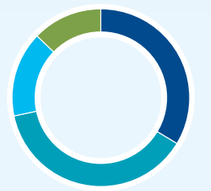


Sales Composition by Field



- Ethical pharmaceuticals ····· 87.4%
- Diagnostic reagents ····· 4.5%
- Medical devices / equipment ····· 6.7%
- Nutritional foods ····· 0.8%
- Others ····· 0.6%

Sales Composition by Product Category



- Products with drug creation premiums ····· 33.7%
- Patented drugs, etc. ····· 38.1%
- Long-listed drugs ····· 15.5%
- Generic drugs ····· 12.7%

Total Investment Amount in the 22–24 Mid-term Management Plan: Approx. ¥63.0 Billion

Review of the 19–21 Mid-term Management Plan

From the fiscal year ended March 31, 2020, to the fiscal year ended March 31, 2022, the COVID-19 pandemic accelerated the adoption of digital technology in the medical field, changing the business environment more quickly than anticipated for the Alfresa Group. As an integral part of social infrastructure in Japan, the Alfresa Group continued to unwaveringly fulfill its fundamental role of reliably distributing pharmaceuticals for the healthcare industry.

The Alfresa Group made progress collaborating with various companies, investing a total of ¥4.6 billion in 13 venture capital firms in medical-related domains that provide products and services in tune with diverse medical needs, with the aim of creating new business models and developing new businesses.

In addition, we are accelerating efficiency gains through investments in IT and DX, and stabilizing the business foundation through reforms to business models. We will continue to take measures to prevent a recurrence of Antimonopoly Act violations, and work hard to regain the trust of society that we have lost.

Awareness of Current Situation

In the ethical pharmaceuticals industry, the Alfresa Group's main market, the business environment is changing with major drugs going off patent, revisions to medical fee reimbursement systems and NHI drug prices, and the government encouraging the use of generic drugs. When bringing new drugs to market, pharmaceutical manufacturers are concentrating more on specialty drugs and less on treatments for lifestyle-related ailments. The healthcare industry is also embracing the use of digital technologies.

Viewing these changes as opportunities, the Alfresa Group is assisting with the proliferation of specialty pharmaceuticals and proactively investing management resources in businesses related to medical products, such as diagnostic reagents and medical equipment, and digital healthcare, in an effort to expand functions and improve quality in the Ethical Pharmaceuticals Wholesaling Business. Additionally, we are constructing an optimal logistics network based on PIC/S GDP guidelines, and working to control costs better by revising the cost structure, with the objective of increasing optimization, efficiency, and standardization throughout the business segment.

Management Policies in the 22–24 Mid-term Management Plan

Concentration of Resources in Specialty Domains and Medical Products, Business Transformation with DX

Related Important Sustainability Issue 1

Enhancement of Existing Businesses

As a corporation, having a solid business foundation is essential for the Alfresa Group to fulfill its social mission as a pharmaceutical wholesaler. The Group must move aggressively to transform its business model, which depends on products where NHI drug prices are constantly declining.

We are focusing on two growth drivers as a way to reinforce existing businesses. The first growth driver is specialty domains, and the second is medical products.

In specialty domains, the Group is concentrating more than ever on sales of products with drug creation premiums, and it supports R&D in these products by providing financing to drug discovery venture firms. Our aim is to help bring to market gene therapies and regenerative medicines that have long-term therapeutic benefits after a single use of the therapy, while the Alfresa Group handles all aspects of distribution.

Medical products include diagnostic reagents, medical equipment and materials, and health foods. For example, advanced medical equipment has enabled minimally invasive surgery that lessens the burden on patients and also reductions in medical expenditures. By spreading superior medical equipment, we are able to have a major impact on society by helping thousands or tens of thousands of patients. Medical products in stable markets are an attractive field and one that we should develop further. We are increasing and reinforcing our medical product teams, while creating sales teams to step up our efforts in this field.

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

Specialty Domains

Areas of growth	Distinguishing features of wholesaling
• Continued launch of new drugs • High profitability • Increasing number of new patients taking medication	• Difficulty in 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
Raise 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 for customers and manufacturers

Medical Products

Areas of growth	Market stability
• 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	• 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 products
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

Increasing Profitability through Business Reforms

Related Important Sustainability Issues: 1 2

We see the need to contribute to the creation of a society where patients are able to efficiently obtain medical services, medical practitioners are able to provide higher-quality healthcare services with digital platforms, in light of trends toward digitalization and DX that have accelerated during the pandemic, and reforms exist to the healthcare system to bring down medical expenditures amid increasing demand for medical services by 2025, when the baby boomer generation becomes elderly.

Under the 22–24 Mid-term Management Plan that began in the fiscal year ending March 31, 2023, the Alfresa Group is transforming its business model with DX, such as by further advancing health technologies, to lead markets for pharmaceuticals, diagnostic reagents, medical devices, and medical materials. By developing a data-driven business, we are creating a new earnings foundation while contributing to the health and medical care of patients, engaging in marketing activities targeting manufacturers of pharmaceuticals and medical equipment, and providing optimal medicines to medical institutions.

Lately, new types of contactless communications that use ICT technologies have become more common, such as over smartphones and online meeting systems. For example, YaDoc is an online telemedicine system developed by Integrity Healthcare Co., Ltd., with which the Alfresa Group has a capital tie-up, and we provide YaDoc to medical institutions with various functionalities, such as monitoring, online questioning, and online observations. By fully utilizing online services and data, medical practitioners are able to understand in real time a patient's condition, based on their daily status updates, such as not feeling well or experiencing a health problem. This makes it possible to provide the best personalized medical care in a timely manner to patients. The Alfresa Group's role in bringing healthcare and society closer together is becoming even more important.

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

Medical / nursing robots

Digital service

Mydodes
YaDoc

Gene therapy

Gene Therapy Research Institution

Build a new earnings base by expanding data-driven business

Manufacturing Business	Ethical Pharmaceuticals Wholesaling Business	Marketing Specialists (MSs)*	Medical-Related Business (APOCREAT)
Manufacturing data	**Sales data**	**Activity data**	**Drug dispensing data**

Data utilization

Medical institutions	Pharmaceutical manufacturers Medical device manufacturers	Patients
Provide optimal medical treatment	**Utilize marketing**	**Contribute to health and treatment**

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

Pursuit of Optimization, Efficiency, and Standardization across the Group

Related Important Sustainability Issues: 1 3

Currently, the Ethical Pharmaceuticals Wholesaling Business comprises eight companies, and we are working to advance optimization, efficiency, and standardization. We continue to aggressively invest in maintaining and strengthening our optimized logistics network in tune with international PIC/S GDP guidelines for pharmaceutical distribution.

In addition to investing to ensure quality in the distribution process for pharmaceuticals, which are vital to the health and lives of people, we are investing in the creation of structures that facilitate the reliable nationwide distribution of regenerative medicine and similar products, such as by establishing major logistics centers in nine locations across Japan, for storing regenerative medicine products, along with ultra-low-temperature storage and transportation facilities applicable to regenerative medicines. Moreover, we are sharing across the Group the development of transportation tools compatible with new modalities (cellular products, gene therapies, etc.).

We will continue to thoroughly increase efficiency, a forte of the Group, and improve productivity in ways that also preserve the environment. One example of this is the delivery vehicle system that uses big data and AI to plot the best routes and forecast delivery work volumes that is being jointly built specifically for healthcare products by Alfresa Corporation and Yamato Transport Co., Ltd. The delivery volume forecast system uses big data and AI to analyze sales, logistics, products, and demand trends to forecast the volume of deliveries for each customer (order volume, probability of delivery requests, and time required to deliver products). It is possible to improve the accuracy of the forecasts by training the AI and therefore create more efficient delivery plans. The delivery vehicle planning system automatically creates delivery plans based on data obtained from the delivery work volume forecast system. In addition to Yamato Transport's accumulated know-how in logistics and vehicle routing, data on road conditions, such as traffic jams, is used in the planning of optimal delivery routes based on daily work volumes. With these systems in place, we expect to see delivery productivity improve by as much as 20%, while reducing by as much as 25% the distance traveled and amount of CO_2 emissions. By shifting to packaged deliveries, a digital system for inspecting products before they leave the warehouse, it is no longer necessary to inspect individual products when they are delivered to medical institutions, reducing on-site work hours by up to 20%.

Under the 22–24 Mid-term Management Plan, the Alfresa Group is proactively working to effectively control costs by reviewing the cost structure.

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

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

① Build a system that meets PIC/S GDP guidelines 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 the cost structure

Fiscal year ending March 31, 2023
- Promote GDP guidelines at each Group company
- Operate facilities that handle regenerative medicine products

Fiscal year ending March 31, 2024
- Develop and introduce advanced transport and delivery tools
- Introduce a system for managing regenerative medicine and other products

Fiscal year ending March 31, 2025
- Build a management system for ensuring high quality at each Group company

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

COLUMN

Field Test of Pharmaceutical Delivery EV

Alfresa Corporation jointly developed a pharmaceutical delivery EV with ITE Co., Ltd., and Kirix Lease Co., Ltd., and launched a field test in May 2022 in advance of a full-scale rollout. Easy on the environment, this EV was developed for the purpose of delivering pharmaceuticals based on PIC/S GDP guidelines. Tests are being carried out to make sure temperatures inside the EV can be maintained between 15°C and 25°C, no matter the outside temperature.



EV for delivering pharmaceuticals

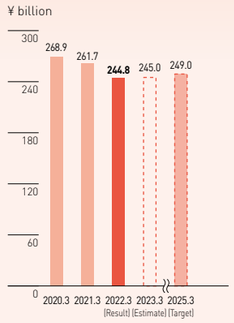
Self-Medication Products Wholesaling Business



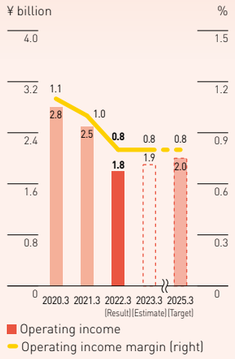
Hisashi Katsuki

Alfresa Holdings Corporation
Director
Alfresa Healthcare Corporation
Representative Director & President

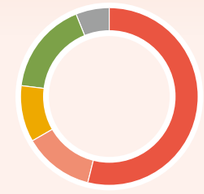
Net Sales



Operating Income / Operating Income Margin

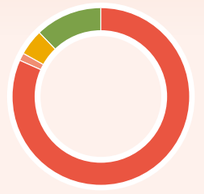


Sales Composition by Product



- OTC pharmaceuticals 53.9%
- Supplements and health foods 13.0%
- Foods 10.3%
- Daily necessities 16.8%
- Cosmetics and others 6.0%

Sales Composition by Customer



- Drugstores 81.9%
- Pharmacies 1.2%
- General merchandise stores 4.7%
- Others 12.2%

Total Investment Amount in the 22–24 Mid-term Management Plan: Approx. ¥0.3 Billion

Review of the 19–21 Mid-term Management Plan

The business environment was challenging during the three years of the 19–21 Mid-term Management Plan, as demand from foreign tourists in Japan plummeted due to the COVID-19 pandemic. Against this backdrop, the Alfresa Group worked to reinforce collaboration across business segments and invested in future growth, while establishing a stable and sustainable business foundation, proposing products with an eye on consumer needs, and strengthening initiatives with exclusive manufacturers and products.

More specifically, in April 2021 Alfresa Healthcare Corporation conducted an absorption-type merger with its subsidiary Mogi Pharmaceutical Co., Ltd., with the aim of reinforcing the business foundation and effectively and efficiently deploying the management resources of both companies. In addition, we expanded the number of exclusive products and launched "Pharmacist-Recommended Alkaline Natural Water," "Adult Liver Oil Drops," and "Kioku no Bannin®." The Alfresa Group is developing new sales channels, such as by expanding wholesale routes through study groups about exclusive products, in a bid to boost sales.

Awareness of Current Conditions

The business environment remains challenging amid industry restructuring, M&A among major drugstore chains, and rising logistics-related costs, while the foreign tourism market is just starting to recover after shrinking during the pandemic.

Meanwhile, interest in preventive care and self-medication is on the rise as a means to reduce medical expenditures. Opportunities for growth are expanding as foreign tourist demand recovers, the number of items handled at drugstores increases, and diversification in distribution channels expands online sales and consumer spending.

With its nationwide delivery wholesale functions and merchandising functions, the Self-Medication Products Wholesaling Business aims to increase profitability in existing domains by collaborating with other segments, leveraging its strengths in the development and sale of exclusive value-added products for niche markets. We aim to be a truly leading company in the field of beauty and health, where everyone can be connected, and take on new challenges in growth fields.

Management Policies in the 22–24 Mid-term Management Plan

Achieve high profitability in existing domains and venture into new domains

Related Important Sustainability Issue 2

Initiatives Aimed at High Profitability

We aim to enhance profitability by leveraging, more than ever before, our strengths as a THMW* in the Self-Medication Products Wholesaling Business. We also aim to improve margins and expand the product lineup without competing on prices, such as by increasing contracts with excellent exclusive manufacturers and expanding the lineup of exclusive products that rivals find hard to imitate, such as "only one" products with abundant evidence of efficacy, patented products, and products that can only be sourced from specific regions. Moreover, we will promote these products with digital technologies as a driver of further growth.

While promoting Group collaboration across business segments, we will develop new channels by approaching sales channels linked to clinics and dedicated dispensing pharmacies.

* THMW: Total Healthcare Merchandising Wholesaler

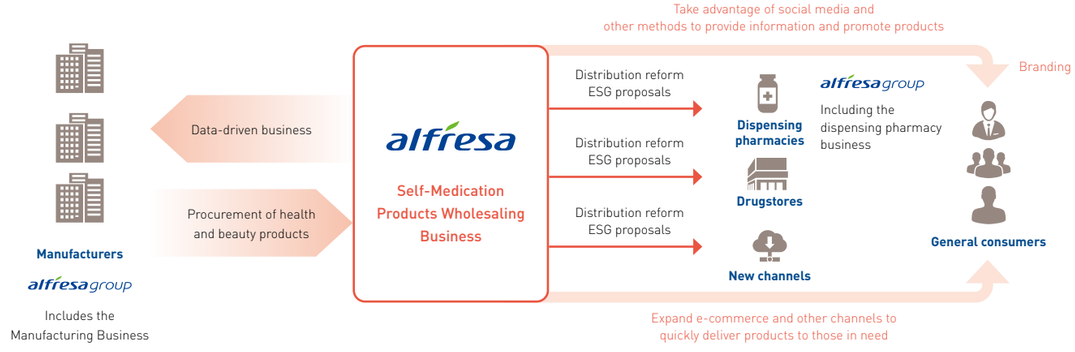
Related Important Sustainability Issue 1

Enhancement of Group Collaboration
Enhancement of Profitability through Business Reform

Up until recently, the Alfresa Group has provided products and services to customers and clients through each of its four business segments, but from now, we will encourage collaboration with other business segments. For example, by collaborating with the Medical-Related Business, we are offering health consultations and health seminars with a focus on preventive care and self-medication for people in communities, with the intention of solving issues related to the health of people at the local community level.

It has become more important to promote sales digitally, now that growth in online spending has accelerated as a side effect of the pandemic. The Alfresa Group is disseminating information on social networking sites, providing timely sales information, and developing e-commerce* channels so customers can obtain what they need right away. At the same time, we are keen to latch onto new earnings opportunities by shaping the Alfresa Group's brand and helping our customers through marketing activities by providing them with timely data on sales and distribution. We will steadily work toward realizing this by training the necessary personnel in-house while hiring externally as needed.

* E-commerce: Electronic commerce is an IT term that means buying and selling products and services on the internet.

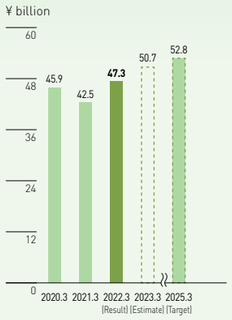


Manufacturing Business

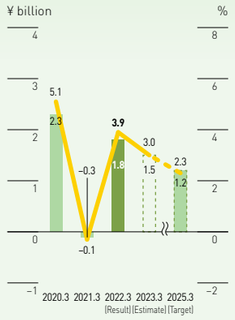


Koichi Shimada
Alfresa Holdings Corporation
Director
Alfresa Pharma Corporation
President & CEO

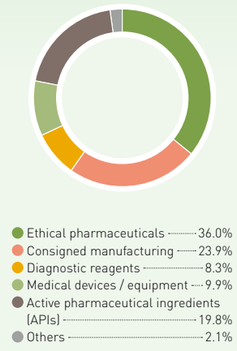
Net Sales



Operating Income (Loss) / Operating Income (Loss) Margin



Sales Composition by Field



Total Investment Amount in the 22–24 Mid-term Management Plan: Approx. ¥21.0 Billion

Review of the 19–21 Mid-term Management Plan

The Manufacturing Business focused on the priority measures set forth in the 19–21 Mid-term Management Plan to strengthen Group synergies and further expand the scale, namely to "advance reliable, safe, and sincere manufacturing," "expand products in line with Group needs," and "expand the scale of the consigned manufacturing and the active pharmaceutical ingredients business."

As specific outcomes of these measures, the Alfresa Group increased the number of long-listed drugs inherited from Daiichi Sankyo Co., Ltd., and Ono Pharmaceutical Co., Ltd., launched the ALSONIC® COVID-19 Ag antigen rapid test kit, and expanded indications for Midafresa® 0.1% IV, an anticonvulsant drug.

We also finished preparations to roll out a production management system, which was scheduled to begin from April 2022.

While preparing for the merger of Alfresa Pharma Corporation and Sannova Co., Ltd., that was announced in May 2022, the Alfresa Group is updating its structure to facilitate the strengthening of business models and the creation of new value, as outlined in the Group management policies in the 22–24 Mid-term Management Plan.

Awareness of Current Conditions

Although earnings have been recovering from the impact of the COVID-19 pandemic, the industry environment remains challenging, with market expansion stalling out due to interim-year NHI drug price revisions and a contracting market for small molecule drugs.

With quality scandals at generic drug manufacturers becoming a social problem, companies are expected to update their legal compliance systems for the Pharmaceuticals and Medical Device Law that applies to drugmakers and related companies, while thoroughly managing quality and reliably delivering products. Moreover, as corporate ESG initiatives gain attention, companies are strongly expected to take steps to protect the environment in product manufacturing processes and must reduce their environmental footprint by cutting CO_2 emissions and minimizing waste.

Given these circumstances, we endeavor to realize sustained value by balancing further growth with our response to sustainability, while leveraging our total synergies as a Group.

Management Policies in the 22–24 Mid-term Management Plan

Maximize corporate value by "building a foundation for the next generation"

Related Important Sustainability Issues: 1 3

Reliable, Safe, and Sincere Manufacturing

To increase corporate value, we believe it is important to adhere thoroughly to the basics of developing new products and sincerely manufacturing and selling products with the highest priority placed on stringent quality management. We are advancing the following initiatives on this basis.

In pharmaceuticals and diagnostic reagents, we are advancing co-promotions in the core domains of both product categories and exploring one-stop services and products. In medical equipment, we aim to increase OEM products and expand the scope for existing products, while handling new products and materials for the surgery field. We are also working to expand contract manufacturing and win new customers for bulk pharmaceuticals.

Moreover, in order to improve quality and work efficiency further, the Alfresa Group is introducing MES, a production management system.

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

Pharmaceuticals Diagnostic reagents	Development of new drugs
	Co-promotion in key domains
	Search function for our one-stop services and products
	Large-scale fecal occult blood testing equipment (new model)
Medical devices	New surgical products
	More indications covered by existing products
	Expanded manufacturing of OEM products
Consignment	Expansion of consigned manufacturing
Pharmaceutical ingredients	Acquisition of new customers
System	Manufacturing execution system Laboratory information management system

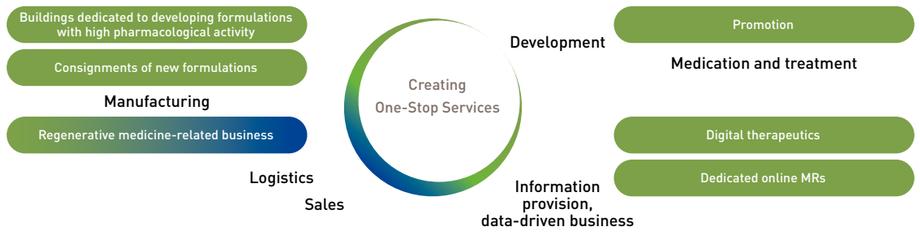
Efforts to Achieve Total Supply Chain Services

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

New Initiatives That Utilize Digital Technologies

Innovate MR activities
Venture into digital therapeutics

Related Important Sustainability Issue: 2



The Alfresa Group contributes to healthcare through the building of total supply chain services that utilize its diverse functions, ranging from development to production of bulk pharmaceuticals and products, the distribution and sale of pharmaceuticals, and information provision and data business, as well as drug administration and medical care.

With the objective of improving efficiency and strengthening the contract sales structure, and for executing growth investments, Alfresa Pharma Corporation and Sannova Co., Ltd., entered into a basic merger agreement, effective April 1, 2023, to combine Alfresa Pharma's strengths in pharmaceutical manufacturing and sales, as well as the manufacturing, import / export and sales of diagnostic reagents, medical equipment, and bulk pharmaceuticals, with Sannova's strengths in the contract manufacturing of pharmaceuticals and quasi drugs.

In new initiatives with digital technologies, we are changing the activities of online-specialist MRs and taking on the challenge of providing healthcare with digital technologies.

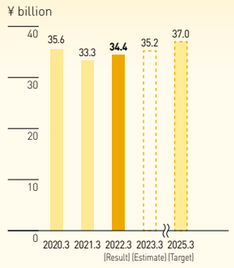
Medical-Related Business



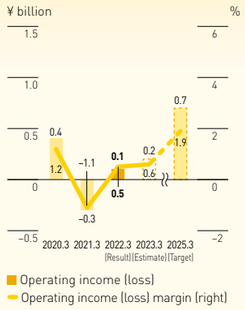
Shizuhisa Kanemoto

APOCREAT Corporation
President

Net Sales



Operating Income (Loss) / Operating Income (Loss) Margin



Total Investment Amount in the 22–24 Mid-term Management Plan: Approx. ¥0.1 Billion

Review of the 19–21 Mid-term Management Plan / Awareness of Current Conditions

Expectations for and the role of dispensing pharmacies are shifting toward a focus on patient care, and away from a focus on merchandise. By 2025, when the generation of baby boomers reaches an advanced elderly stage, Japan needs to build the Community-Based Integrated Care System while splitting up and strengthening medical institutions and encouraging greater collaboration.

Looking ahead, the national government might review the evaluation system for dispensing operations, put a greater emphasis on face-to-face operations, reassess evaluations based on dispensing pharmacy functions and efficiency, promote in-home services, and evaluate the use of ICT.

We took steps to obtain certifications as community cooperation pharmacies and specialized medical institution cooperation pharmacies, streamline unprofitable dispensing pharmacies, roll out to all locations an online drug administration guidance and follow-up system, increase the number of home care service calls, increase the number of health-support pharmacies, and hold more health fairs and caregiving study groups by collaborating with the Ethical Pharmaceuticals Wholesaling Business.

Since April 1, 2021, when three Group companies were merged together, we have been reinforcing the management foundation and increasing efficiency in the dispensing pharmacy business.

Management Policies in the 22–24 Mid-term Management Plan

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

Related Important Sustainability Issues: 1 4

As the falling birthrate and aging population gain momentum, it is imperative that we create pharmacies in tune with an ultra-aging society. The Alfresa Group is working to fulfill the needs of patients and communities as community cooperation pharmacies and specialized medical institution cooperation pharmacies. Coordinating initiatives in comprehensive regional healthcare, we aim to create a home-centric care system within communities by establishing home support centers equipped with a pharmacy.

The scope of services provided by the Alfresa Group covers all stages in a person's life's journey, from preventive care to treatments and terminal care at home.

With strong roots in communities, we aim to solve social issues in regions while connecting a variety of professions.

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



Business Development and Overseas Business Development



Shigeki Ohashi

Alfresa Holdings Corporation
Director, Vice President & Executive Officer, Group Business & Affiliate Control, Business Development & International Business

Awareness of Current Conditions for Business Development

During the three years of the 22–24 Mid-term Management Plan, technological innovation and digitalization are likely to see further progress. The Alfresa Group aims to realize growth by creating new value while moving away from its traditional business structure, in tandem with the promotion and finalization of the Community-Based Integrated Care System and the functionalization of hospital beds, as well as the right-sizing of medical expenditures.

Management Policies in the 22–24 Mid-term Management Plan

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

Related Important Sustainability Issues: 2 4

Faced with significant changes in the business environment, for the creation of new value the Alfresa Group aims to bring "connectivity" to the next stage with digital tools.

Our first example of connectivity entails contributing to regional medical cooperations formed by doctors and medical institutions. We will create a framework for sharing issues through the Alfresa Group and finding solutions to these issues.

The second example of connectivity is contributing to a variety of professions through cross-disciplinary community sites. We will help solve issues by providing community sites with digital tools for people working in various medical professions with roots in local communities, including hospitals, pharmacies, nursing care providers, and patients, in addition to local governments.

The third example of connectivity is collaborating with nursing care providers. The Alfresa Group aims to solve issues affecting nursing care practitioners by entering the nursing care business. Moreover, the information given on nursing care is combined with medical reception data to facilitate the use of data.

Through these three connectivity activities, we support the advancement of comprehensive regional care with the use of digital technologies. We also aim to develop data-driven businesses through cooperation across the business segments of the Group.

Awareness of Current Conditions for Overseas Business Development

One major change in the business environment surrounding the Alfresa Group is growing social welfare expenditures, such as for retirement pensions, healthcare, and nursing care. These expenditures are putting pressure on the national finances of Japan, and the Japanese government is moving to right-size medical expenditures for its citizens by dividing up and coordinating hospital bed functions and encouraging the use of generic drugs.

While working to solve social issues such as these in Japan, we must endeavor to expand growth domains and also turn our sights to overseas markets to leverage our knowledge gained in Japan.

Management Policies in the 22–24 Mid-term Management Plan

Expand business in Asia

Related Important Sustainability Issues: 1 2 4

The Alfresa Group is keen to distribute more of Japan's quality healthcare-related products to other countries through REMEJE PHARMACEUTICALS (CHINA) CO., LTD., and Alfresa Codupha Healthcare Vietnam Co., Ltd., which were established to serve as a bridge between Japanese companies and overseas markets. We aim to grow the Japan–China and Vietnam businesses further by expanding the number of products handled.

Moreover, the Alfresa Group is concentrating efforts on developing overseas markets and new businesses, examining new markets to enter, and forging business tie-ups with foreign companies.

Roundtable Discussion with Outside Directors

Advancing Sustainability Management

Sustainability management is a key point in our efforts to enhance the corporate value of the Alfresa Group. We sat down with outside directors Takashi Hara, Manabu Kinoshita, and Toshie Takeuchi to discuss sustainability management.



Takashi Hara
Outside Director

Improving Employee Engagement by Further Instilling Group Principles

Hara The 22–24 Mid-term Management Plan (hereinafter, "the new management plan") was created following adequate discussion, by the Board of Directors about the Alfresa Group's Important Sustainability Issues and the Basic Sustainability Policy that form the basis for Group sustainability management. I, therefore, believe the new management plan appropriately reflects the Group's ESG initiatives that align with the nature of the Company.

Sustainability management strives to realize sustainable conditions in the environment, society, and economy. To this end, I believe it is important to have a corporate culture that has values and a code of conduct that is shared by all employees. While complying with laws and regulations, it is vital to nurture a corporate culture that can gain the trust of society.

Kinoshita I think that an open and healthy corporate culture is the most important aspect of sustainability management at the Alfresa Group. Organizations can become rigid when the number of people waiting for instructions increases due to overly strict internal controls that result from measures to reinforce compliance. The Alfresa Group has a culture where the people working on the front lines of healthcare are confident as they go about their work every day, enabling them to innovate and take on challenges without fear of failure.

For this reason, I think management needs to listen carefully to each and every employee as they engage in dialogues more often.

Takeuchi I think that internal branding is key to getting everyone to try their hand at innovation with confidence. In 2021, the Alfresa Group conducted its first-ever employee engagement survey. The survey data showed that the Alfresa Group's level of employee engagement is higher than the average for the distribution sector. However, there are a total of 16 Group companies in the scope of consolidation, and the total number of employees is higher than 14,000 across the Group. I believe management needs to make a greater effort to convey the Group's principles to employees through internal branding in order to continue understanding and improving the levels of motivation and satisfaction among all employees. Employee engagement should improve further if they are made more aware of the mission behind the social infrastructure that distributes pharmaceuticals.

Hara I believe it is important for top management to instill their ideas and thoughts in mid-level management in particular. This is because mid-level managers understand the business and can more clearly convey these ideas and thoughts to the front lines of workplaces. At the same time, mid-level management is responsible for reporting actual conditions on the front lines back to top management.

Kinoshita Indeed, it is important for top management to convey their ideas and thoughts to the mid-level management that oversees employees on the front lines who execute strategy. In the end, executing a strategy is more important than the creation process. Strategy cannot be achieved without people on the front lines executing it with awareness and commitment. I believe the directors need to lend their support to the business execution side while sounding out various opinions and moving through the PDCA cycle in a timely manner.



Manabu Kinoshita
Outside Director

Toshie Takeuchi
Outside Director



Inclusion for Diverse Human Resources with Strong Expertise

Hara The new management plan notes that "promotion of a human resource strategy focused on diversity" is a Group management policy. For example, conditions in the Ethical Pharmaceuticals Wholesaling Business have changed considerably compared with the past. Against this backdrop, the Board of Directors has discussed ways to train human resources with strong expertise. Following a passionate discussion, the Alfresa Group newly added a requirement for its human resources, namely "having an abundance of knowledge and experience, along with strong expertise and the ability to leverage their individual talents in the functions necessary to sustain growth."

Kinoshita Current expertise could become less valuable due to unfavorable changes in the competitive landscape. For this reason, through ongoing dialogues, management needs to impress upon each and every employee the importance of reskilling for the future by growing into new fields of expertise.

Takeuchi From the standpoint of diversity, the Alfresa Group actively encourages women to advance their careers

through Female Leader Candidate Training designed to train the next generation of female leaders, and Diversity Management Training aimed at increasing understanding of diversity as a management strategy. In addition to training, I believe management should make more of an effort to have real conversations with all female employees about their future growth paths and careers.

Hara In the two years since our appointments as outside directors, the COVID-19 pandemic has made it harder to have real face-to-face conversations with employees at workplaces. However, I hope such opportunities can be created going forward. In May 2022, the Corporate Governance Committee decided to increase opportunities in the fiscal year ending March 31, 2023, for outside directors to visit sales offices, logistics centers, and manufacturing sites with the objective of increasing their understanding of actual conditions at these workplaces and broader conditions in the industry. With a deeper understanding of current conditions, the outside directors should be able to participate more actively in deliberations about human resource strategies at Board of Directors' meetings.

Takeuchi One key performance indicator (KPI) in the human resource strategy is the ratio of women in management positions. The Company aims to increase this ratio from 4.4% in the fiscal year ended March 31, 2022, to at least 6.0% by the fiscal year ending March 31, 2026, and then to at least 10.0% by the fiscal year ending March 31, 2031. Approximately 50%* of new Group hires are women, increasing the likelihood of female employees being promoted to management positions in the future. I would like to see a scenario take shape where the ratio of women in management positions increases as these female employees take more active roles.

Hara First of all, I think it is important to set quantitative targets for increasing awareness of diversity across the entire Group. As people are given the opportunity to become manager through the performance of their duties and responsibilities, their awareness often changes considerably, and their skills develop to fit the role. While making steady progress on increasing the ratio of women in management positions in the context of actual workplace conditions, management could also focus on improving the ratio through the setting of ambitious quantitative targets for the future.

Kinoshita Through the visualization of non-financial data, such as the results of the employee awareness survey and the actual ratio of women in management positions, issues that were invisible before may come to the surface. These issues can inform discussions about obtaining more accurate data. In recent years, the way people work has changed substantially. After accurately grasping the actual work conditions, I would like to increase the weight of discussions on human resource strategies in a comprehensive manner, including hiring, training, and compensation.

Realizing a Sustainable Society with an Evolving Healthcare Consortium

Kinoshita One of the Group management policies in the new management plan is "the creation of new value." In the Ethical Pharmaceuticals Wholesaling Business, the Alfresa Group aims to "promote the sophistication, standardization, and optimization of logistical functions" through aggressive DX projects. This initiative also ties in with the Group management policy of "environmental protection" by helping to reduce CO_2 emissions by increasing efficiency with data-driven delivery services and to reduce waste loss by matching supply to demand for pharmaceuticals. Leveraging the Group's strong advantage in logistics and differentiating on the environmental front is one way for the Group to solve important issues related to sustainability, in my opinion.

Takeuchi In the new management plan, under environment-related threats, the Company identifies "introduction of carbon taxes on delivery of products," and "problems related to the impact of discarded products on the environment." From a sustainability perspective, logistics should not only consider the environment when supplying products but also take on the challenge of reducing logistics without returning or disposing of products. Such efforts are unlikely to have much impact on society as a whole unless they spread beyond the Alfresa Group. Like the NOVUMN platform the Group is working on, I would like to see the Alfresa Group collaborate with other companies and get the government involved in finding solutions to these social issues.

Hara Innovation is key to helping protect the environment. As an outside director, I will push the Company to invest aggressively in growth, such as DX. Even if just one of these investments pays off in terms of solving many social issues, it will not only boost Group profits but also be beneficial to society as a whole. I will proactively support the Group's efforts to create corporate value.

Kinoshita Since 2020, I have chaired the Nomination and Remuneration Committee for directors and executive officers. I intend to have deeper discussions about systems that incorporate non-financial indicators in the evaluation and compensation of Board members in order to enhance the awareness of ESG and sustainability. Amid ongoing challenges in the industry environment, in addition to short-term earnings, I believe it is important to take a long-term perspective in KPIs for non-financial indicators such as ESG. For the Alfresa Group to be properly appreciated, I will encourage discussions for the next medium-term plan about the Alfresa Group's long-term outlook for society and how it will create more social and economic value.

Hara It is crucial that the Alfresa Group increases its performance, the basis for improving corporate value, while thoroughly conveying its vision for the future to society. In order to do so, at the Board of Directors' meetings, I will be more vocal in advocating for investments in human resources and in new business growth with the objective of realizing the Group's vision of becoming a "Healthcare Consortium that provides products and services in every health-related field."

Takeuchi I strongly agree with the concept of the Alfresa Group's Healthcare Consortium. As an outside director, I will fulfill my duties and responsibilities while moving closer to realizing the Healthcare Consortium vision.



* Please see page 60 for detailed information on "Data on Promoting Women's Participation and Diversity (Groupwide)."

Initiatives to Address ESG Issues

Basic Approach

At the Alfresa Group, management begins with the Alfresa Group's principles, which comprise three parts: Our Philosophy, Our Vision, and Our Promises. These principles serve as higher-level concepts for all that we do in our business.

Our Philosophy upholds the principle "we create and deliver a fresh life for all." We approach our day-to-day operations as a company responsible for the social infrastructure that delivers pharmaceuticals with reliability, safety, and sincerity.

Our Basic Sustainability Policy is a direct expression of Our Philosophy, expressing our commitment to contribute to the development of a society in which everyone can live in good health by conducting business activities based on such principles and by addressing social and environmental issues.

By carrying out ESG initiatives, the Alfresa Group aspires to contribute to global environmental conservation and the sustainable development of society through its products, services, and operations, while achieving Group growth at the same time.



Key Issues and Promotion Structure

The Alfresa Group's ESG issues listed in the 22–24 Mid-term Management Plan cover a wide range of environmental (E) and social (S) issues, including "environmental protection," "diversity," "employee health and work motivation," "respect for human rights," "contribution to local communities," and "distribution efficiency and stable supply."

As a promotion structure, the CSR Promotion Committee, Human Resource Committee, Compliance and Risk Management Committee, and other meeting bodies composed of members from Alfresa Holdings Corporation and Group companies work with relevant departments within each Group company to advance actions on each issue.

The Compliance and Risk Management Committee has prepared the Fiscal 2022 Risk Action Plan to ensure the stable supply of pharmaceuticals. Risks we have identified as common to all Group companies include "earthquake, wind, and flood damage," "pandemics," "cyberattacks and critical system failures," "harassment and labor law violations," "insider trading," and "traffic violations." Each Group company devises and implements measures to manage these risks. For climate-related risks, we established the TCFD Subcommittee, composed of Alfresa Holdings Corporation and six companies representing each business segment. The subcommittee works to roll out initiatives to each Group company.

Environmental Initiatives

Related Important Sustainability Issue 3

Our Basic Approach to Environmental Preservation

As a corporate group operating in health-related domains, the Alfresa Group regards global environmental problems as an important management issue that can affect people's health and livelihoods. In accordance with the Alfresa Group's Environmental Policy, formulated in April 2021, the Alfresa Group has advanced measures for becoming carbon neutral, recycling resources, preventing environmental pollution, and coexisting with living organisms. We contribute to a sustainable society by helping to resolve environmental issues through proactive efforts to reduce the environmental footprint of our business activities.

With the aim of realizing a society where all people can live healthy lives, we intend to coexist with and develop alongside regional society through business activities rooted in each region of Japan, while complying strictly with laws and regulations related to the environment.

Information Disclosure Based on TCFD Recommendations

Under the Corporate Governance Code revised in June 2021, companies listed on the Prime Market, in particular, are encouraged to enhance the quality and quantity of their disclosures about the impact of climate change in terms of their own risks and earnings opportunities.

For the Alfresa Group, climate change is an important issue that can influence sustainability management. We are advancing measures under a framework based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

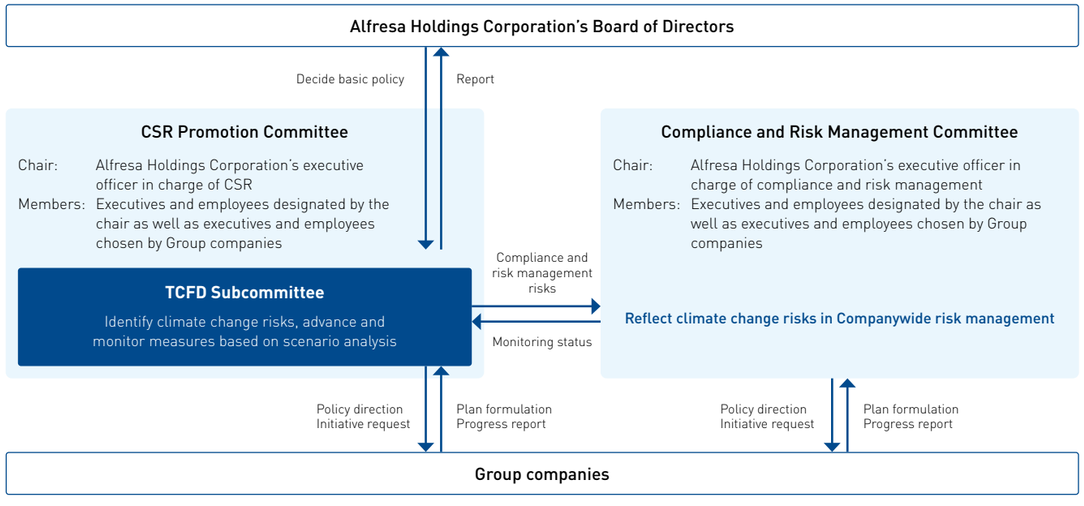
Response to Climate Change
https://www.alfresa.com/eng/csr/esg/environment/climate_change/

Governance

In April 2022, the TCFD Subcommittee was established under the CSR Promotion Committee to improve the Alfresa Group's creation, advancement, and monitoring of strategies to address climate change and to enhance information disclosures.

The TCFD Subcommittee coordinates with the Compliance and Risk Management Committee, which oversees risk management for the entire Group, to identify climate-related risks and opportunities, evaluate their importance, and advance and monitor countermeasures.

Details and progress on these measures are regularly reported to the Board of Directors twice a year.



Strategy

Interviews are conducted in each business segment to identify risks and opportunities in the business based on the 1.5°C scenario and 4°C scenario. The size of the financial impact is qualitatively categorized as one of five levels, and measures to address matters of high importance are evaluated. Responses to climate change are examined as medium- to long-term management issues and reflected in business strategies.

Major risks and opportunities in 1.5°C scenario

Category	Outline of possible scenarios	Business risks and opportunities		Details of risks and opportunities	Timeframe*	Strategic response to risks and opportunities
Government policies and regulations	• Need to rapidly reduce CO_2 emissions in order to become carbon neutral by 2050 • Introduction of carbon pricing system for CO_2 emissions for companies and their supply chains 2030: $130 / t-$CO_2$ 2050: $250 / t-$CO_2$	Increase in costs to accelerate reductions in GHG emissions	Risks	• More costs to reduce GHG emissions, such as energy conservation and procurement of renewable energy at logistics bases, plants, and pharmacies as well as replacement of boilers at plants to reduce carbon emissions	Short term	• Monitor trends and forecasts related to carbon pricing systems and energy conservation regulations • Examine plans and targets to reduce emissions while estimating costs of measures to conserve energy, use renewable energy, and install equipment, and the emissions reduced as a result of these measures
		Rise in costs from introduction of carbon pricing	Risks	• Possible increase in operating costs in a carbon pricing system, centered on the Alfresa Group's own GHG emissions		
Technologies	• Increasing importance of improving efficiency in transportation from standpoint of carbon neutrality	Opportunities from efficiency gains in transportation	Opportunities	• By increasing transportation efficiency through the development and introduction of navigation apps and delivery forecasting systems, help reduce energy use and CO_2 emissions	Short term	• Potential increase in opportunities from ongoing efforts to develop more efficient transportation
Markets	• Medium-term increase in price of electricity due to changes in power source composition and impact from carbon pricing	Rise in electricity prices	Risks	• Increase in cost of electricity for logistics bases, plants, and pharmacies	Medium term	• Monitor changes in energy prices and expect an impact from price fluctuations • Work to increase efficiency of energy use
	• As gasoline demand declines, increase in naphtha prices because naphtha is a main product of oil refining	Increase in naphtha prices	Risks	• Increase in costs of petrochemical-based bulk pharmaceuticals and packaging, centered on the Manufacturing Business, as a result of higher naphtha prices	Long term	
Reputation	• Increasing demand from investors and financial institutions for companies to make investments and provide loans that consider risks of climate change and set science-based targets for recipients of investments and loans • Heightening demand from customers for companies to utilize renewable energy and reduce CO_2 emissions • Growing interest from graduates seeking employment in initiatives to counter climate change	Decline in trust of stakeholders due to delays in addressing climate change	Opportunities Risks	• Possibility of aggressive initiatives to counter climate change, thus improving brand name, capital procurement, business dealings, and personnel hiring • Possibility of delays in efforts to counter climate change, thus tarnishing brand name and adversely affecting capital procurement, business dealings, and personnel hiring	Short term	• Advance aggressive measures to reduce GHG emissions • Disclose information based on the TCFD framework

Major risks and opportunities in 4°C scenario

Category	Outline of possible scenarios	Business risks and opportunities		Details of risks and opportunities	Timeframe*	Strategic response to risks and opportunities
Markets	• Increase in crude oil prices due to stronger demand as a result of little progress toward decarbonization	Increase in crude oil prices	Risks	• Increase in energy costs due to higher crude oil prices • Increase in costs for petrochemical-based bulk pharmaceuticals and packaging, centered on the manufacturing business	Medium term	• Monitor changes in energy prices and anticipate and respond to price fluctuations • Work to increase efficiency of energy use
Acute climate change impact	• Increase in frequency of flooding in regions including Japan • Greater frequency of devastating typhoons in regions including Japan	Impact on bases from wind and water damage	Risks	• Possible damage to property, such as facilities and machinery, from strong winds and flooding, which may reduce profits due to business suspensions and make it difficult for employees to get to work	Short term	• Evaluate in advance the risk of wind and water damage when moving and building new bases, in addition to promoting the business continuity plan (BCP) at logistics bases, pharmacies, and plants • Examine evaluations of wind and water damage risk in future climates • Evaluate the risk of wind and water damage at each base while referring to hazard maps and examine countermeasures with a priority on high-risk bases
		Supply chain disruptions due to wind and water damage	Risks	• Increase in risk of supply chain disruptions at procurement and transportation stages due to more frequent damage caused by strong winds and flooding	Short term	• Update systems and rules while coordinating with other firms in the supply chain in order to respond to emergency situations causing supply chain disruptions • For disasters that can be foreseen to a degree, take preventive steps including stockpiling inventories and delivering products to customers ahead of schedule • Examine possibility of decentralizing suppliers, as necessary, and evaluate risk of wind and water damage, especially at critical suppliers of raw materials with no alternatives
Chronic climate change impact	• Increase in infectious diseases as a result of people living closer to ecosystems—namely, climate change causing changes in temperatures and humidity, thereby expanding vectors (mosquitoes, mites, etc.) for infectious diseases to spread—damage from flooding degrading hygienic environments, melting of permafrost, and acceleration of the destruction of forests	Increase in infectious diseases	Opportunities Risks	• Growing demand for and significance of treatments and diagnostic reagents for infectious diseases • Possibility of the spread of infectious diseases and the restriction of people's movement leading to a potential decline in footfall at hospitals and pharmacies as well as to a curbing of the marketing activities of the Company's MR staff	Medium term	• Prepare systems to handle disease-related products • Reduce risks as much as possible by responding to prevailing conditions, such as online services and door-to-door sales
	• Increase in average temperatures	Temperature management and higher air-conditioning costs	Risks	• Increase in costs to manage temperatures and air-conditioning at logistics bases, pharmacies, plants, and offices due to rising temperatures • Increase in costs to manage temperatures during pharmaceutical storage and transportation • Possible costs for replacing equipment at plants that degrades in the heat	Medium term	• Costs likely to increase as outdoor temperatures rise, based on past trends in costs

* Short term: up to 2025; medium term: up to 2030; long term: up to 2040; ultra-long term: up to 2050

Risk Management

In the fiscal year ended March 31, 2021, the Alfresa Group identified and evaluated risks related to climate change, created processes to manage these risks, and examined how these processes should be integrated with the comprehensive risk management practices of the Alfresa Group. Looking ahead, the Alfresa Group will gather information, identify and evaluate risks and opportunities, advance initiatives and manage progress in risk management, and report its progress. By repeating this process, we will address the impact on our business activities attributable to climate change.

1. Gather information

The TCFD Subcommittee monitors external trends related to climate change and gathers information about risks and opportunities related thereto from Group companies.

2. Identify and evaluate risks and opportunities

Using the gathered information, risks and opportunities are identified and sorted into TCFD categories for each of the four business segments, and the degree of impact is ranked as one of five levels.

The relative importance of other risks is evaluated in conjunction with climate-related risks through the use of evaluation standards for Companywide risk management.

Management then comprehensively evaluates risks and opportunities within the scope of the entire business and designates major risks and opportunities for the entire Group.

3. Manage initiatives pertaining to risk management

The TCFD Subcommittee is in charge of examining and monitoring countermeasures and provides scenarios to the Compliance and Risk Management Committee.

The Compliance and Risk Management Committee builds a consensus on how to deal with climate-related physical risks (the risk that climate change will materialize), advances measures, and monitors progress on initiatives to counter these risks.

Under the CSR Promotion Committee, the TCFD Subcommittee monitors and builds consensus on how to deal with climate-related transitional risks (risks associated with the transition to a carbon-free society), advances Groupwide initiatives, and monitors progress.

4. Report to the Board of Directors

The TCFD Subcommittee and the Compliance and Risk Management Committee share information and collaborate, with the TCFD Subcommittee monitoring progress and reporting biannually to the CSR Promotion Committee, which then submits reports to the Board of Directors.

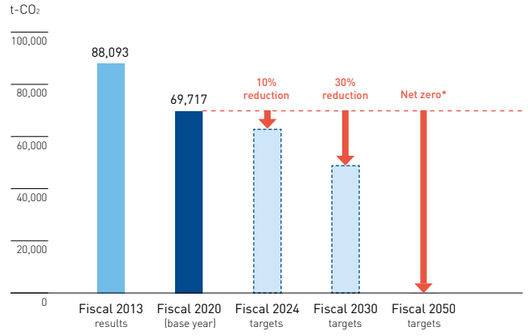
Indicators and Targets

The Alfresa Group has set a target for reaching net-zero CO_2 emissions, an important indicator of climate change, by the fiscal year ending March 31, 2051.

Based on Scope 1 and 2 CO_2 emissions in the fiscal year ended March 31, 2021, the Alfresa Group aims to reduce emissions by 10% of this level by March 31, 2025, as a short-term goal, and 30% by March 31, 2031, as a medium-term goal. We are working toward these goals by using renewable energy and switching to environmentally friendly vehicles.

Our CO_2 emissions (Scopes 1 and 2) totaled 70,411t-CO_2 in the fiscal year ended March 31, 2022, owing to the construction of a new logistics center.

CO_2 emissions (Scope 1, Scope 2)



* Same timing as government targets

Note: Fiscal 2013 emissions reflect the addition of the Company's annual emissions to the scope for fiscal 2014 onward. Meanwhile, the 30% reduction target for fiscal 2030 broadly corresponds to the government's target of a 46% reduction versus fiscal 2013 levels.

Increasing Pharmaceuticals Distribution Efficiency and Reliable Supply

The Alfresa Group strives to reliably supply and ensure the safety of products and services so that all customers can use pharmaceuticals without worry.

Increasing the Efficiency of Distribution with DX

Introduction of Systems That Use Big Data and AI to Predict Delivery Work Volume and Optimize Vehicle Dispatch

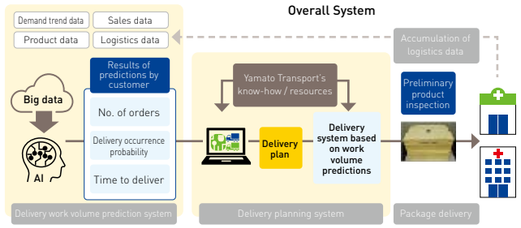
Related Important Sustainability Issues 1 3

In August 2021, Alfresa Holdings Corporation's subsidiary Alfresa Corporation and Yamato Holdings Co., Ltd.'s subsidiary Yamato Transport Co., Ltd., announced the development and installation of a system that predicts delivery work volume and a system that optimizes vehicle dispatch using big data and AI. They are now using these systems.

The delivery work volume prediction system uses big data and AI to analyze data on sales, logistics, products, and demand trends, which is collected by Alfresa Corporation to formulate a prediction of delivery work volume for each customer.

The delivery vehicle dispatch system automatically creates vehicle dispatch plans based on data obtained from the delivery work volume prediction system. In addition to the logistics and vehicle dispatch know-how of Yamato Transport, the system uses road information (on traffic jams, etc.) to efficiently and reliably create vehicle dispatch plans.

By installing and using these systems, Alfresa is able to set optimal delivery routes based on daily work volumes, thereby improving delivery productivity, shortening the distance traveled by delivery vehicles, and reducing CO_2 emissions.



Quality Management in Distribution Network for Ethical Pharmaceuticals

Acquisition of International Certification in Quality Management

Related Important Sustainability Issue 1

In the Manufacturing Business, in order to reliably manufacture and provide high-quality pharmaceuticals, diagnostic reagents, and medical devices, the Alfresa Group strictly adheres to laws, regulations, and international standards, including Good Manufacturing Practice (GMP) regulations (standards related to pharmaceuticals production and quality management), ISO 9001*1 (obtained by Alfresa Pharma Corporation for its Chiba Plant), ISO 13485*2 (obtained by Alfresa Pharma Corporation for its head office, Chiba Plant, Okayama Plant, and Ibaraki Research Center), QMS regulations (standards related to medical device production and quality management), and CE markings (which indicate products satisfy standards in the European Union). The Alfresa Group thoroughly manages the quality of active pharmaceutical ingredients (APIs) it manufactures and sells, as well as products it manufactures under contract for other pharmaceutical manufacturers.

Alfresa Medical Service Corporation provides SPD*3 services designed for streamlining and efficiency through the integrated management of pharmaceuticals and pharmaceutical materials within a medical institution, from purchasing to distribution and consumption. Alfresa Medical Service has acquired ISO 9001 certification. Every year, a customer satisfaction survey with questions for all 118 of its SPD bases is sent directly from the head office, without involving local staff, to the customers' administrative, nursing care, medical, and pharmacy departments. Through this survey and other activities (PDCA cycle) required by ISO 9001 certification, Alfresa Medical Service endeavors to continuously improve its services.

*1 International standard for quality management systems for products and services
*2 International standard for quality management systems for medical devices
*3 SPD: Supply, processing, and distribution

Advanced Temperature Management Logistics

Related Important Sustainability Issue 1

Alfresa has developed alf-GDP-®Shipper and alf-GDP-®Container as tools for the transportation and delivery of pharmaceuticals that must be stored at certain temperatures to comply with PIC/S GDP, international standards for the proper distribution of pharmaceuticals. These tools enable precise temperature management for pharmaceuticals that must be stored within certain temperature ranges, even during the summer or winter, enabling even higher quality transportation and delivery of pharmaceuticals.



alf-GDP-®Container (left)
alf-GDP-®Shipper (right)

Contributions to Regional Communities

Related Important Sustainability Issue 4

As a corporate group with bases across Japan, the Alfresa Group engages in business activities that are tailored to each region. Through business with deep regional roots, the Alfresa Group proactively contributes to society with the intention of coexisting with regional communities and aims to develop alongside local communities.

Community Support Activities Such as Activities for Elderly People and People Suffering from Dementia

All Group companies involved in the Ethical Pharmaceuticals Wholesaling Business have formed agreements with local governments to help watch over the community in order to cooperate with the Community-Based Integrated Care System. Furthermore, another major issue is building patient support systems in local communities to cope with an increasing number of patients with dementia due to the aging of society. As companies that support Japan's medical system, Group companies strive to train "dementia supporters"—people with an accurate knowledge of dementia who can understand dementia patients and their families well. Through our promotion of community support activities for the elderly and those with dementia, we will treasure our involvement and connections with local communities and support efforts to create communities that are comfortable for anyone to live in.

7,065	93	185
Dementia supporters	Caravan Mates*	Agreements with local governments to help watch over the community

* People who work as instructors at Dementia Supporter Training Sessions held to develop dementia supporters

As of March 31, 2022

Helping to Improve the Health of the Community

At APOCREAT Corporation in the Medical-Related Business, we broadly and proactively support the health of people through dispensing pharmacies in local communities. In addition to helping with the administration of medicine at the homes of patients who need to recuperate at home, we work to raise awareness of health among local residents through health events where participants can seek health advice and measure their blood pressure, blood circulation, body fat ratio, bone density, lung age, and skin age, for example. At some pharmacies, we let children experience the work of a pharmacist in a bid to nurture interest in medicine and pharmacy as a career.



Health consultation group



Pharmacist career experience for children

Contributions to Social Welfare

Donations of wheelchairs, welfare vehicles, etc.

Every year, Shikoku Alfresa Corporation and TS Alfresa Corporation donate wheelchairs, welfare vehicles, and other items to local governments and social welfare groups in the regions where they operate. APOCREAT donates the money it charges customers for plastic bags at dispensing pharmacies to the Japan Environment Association's Children Eco Club in support of children's environmental preservation activities and environmental education. We will continue these initiatives while nurturing our connections with local communities.



Shikoku Alfresa Corporation donates a welfare vehicle to Shimanto City, Kochi Prefecture



TS Alfresa Corporation donates a welfare vehicle to Okayama City Council of Social Welfare, in Okayama Prefecture

Call for Help with Blood Donations

Many people need blood transfusions and blood-derived products to overcome illnesses and injuries. As a part of our corporate social responsibility in healthcare, we ask the people we work with to donate blood. At Group companies, we periodically have a mobile blood donation vehicle come by as a part of our ongoing efforts.

Respect for Human Rights and Human Resource Strategy

Related Important Sustainability Issues 5 6 8

Before we can fulfill Our Philosophy where "we create and deliver a fresh life for all," it is important for all of our employees to be motivated in their work. The Alfresa Group respects the human rights of its employees and strives to create better work environments.

The Alfresa Group's Human Rights Policy

The Alfresa Group is dedicated to the realization of "a society in which everyone can live in good health." With our belief that respect for human rights is a fundamental requirement of a society in which everyone can live in good health, we have established the Alfresa Group's Human Rights Policy based on the Alfresa Group's principles and the Alfresa Group's Basic Sustainability Policy.

The Alfresa Group is committed to respecting the human rights of all people affected by our business activities. In the event that any adverse impact on human rights occurs resulting from our business activities, we will take appropriate corrective actions to remediate the situation. We will also endeavor to ensure that our relationships with our business partners and other stakeholders do not contribute to adverse impacts on human rights.

1 Scope
This policy applies to all directors and employees of the Alfresa Group, including full-time, contract, part-time, and temporary employees. We also expect our business partners and other stakeholders to understand and comply with the principles to respect human rights in line with this policy, and we will work together with our stakeholders to promote respect for human rights.

2 Respect for International Norms
We uphold the International Bill of Human Rights, including the Universal Declaration of Human Rights, as well as the ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work, and the Guiding Principles on Business and Human Rights. In cases where there is a conflict between internationally recognized human rights and the laws and regulations of the country or region in which we operate, we will strive to seek ways to respect internationally recognized human rights principles while complying with the laws and regulations of the country or region in question.

3 Our Governance
The Board of Directors of Alfresa Holdings Corporation will be responsible for overseeing the Alfresa Group's compliance with this policy and the Group's human rights efforts.

4 Human Rights Due Diligence
We will conduct human rights due diligence in order to identify, prevent, and mitigate adverse impacts on human rights related to our business activities.

5 Human Rights Issues Related to Our Business

Discrimination
We do not engage in any form of discrimination based on factors such as sex, age, disability status, health status, ideology, faith, sexual orientation or gender identity, race, ethnicity, nationality, religion, social status, family origin, occupation, or employment status.

Harassment
We do not engage in harassment (or any language or conduct that could be perceived as harassment by others) and will strive to maintain an inclusive, harassment-free work environment.

Working Hours and Wages
We manage the working hours, holidays, vacations, and wages of our employees appropriately in accordance with the relevant laws and regulations.

Freedom of Association and the Right to Collective Bargaining
We respect freedom of association and the right to collective bargaining.

Forced Labor and Child Labor
We do not tolerate or engage in forced labor or child labor.

Workplace Health and Safety
We maintain a safe, secure work environment, prevent workplace accidents, and create engaging and fulfilling workplaces.

Privacy
We recognize that protecting personal information is an important social responsibility and strive to protect personal information accordingly.

Access to Healthcare
We strive to provide a stable supply of pharmaceuticals and other products, and will contribute to maintaining and improving access to healthcare.

6 Engagement with Stakeholders
We strive to engage in dialogue with relevant stakeholders in order to identify and respond appropriately to human rights-related impacts.

7 Grievance Mechanisms
In order to respond appropriately and effectively to the human rights impacts of our business activities, we will establish and continuously improve our remediation procedures, including related reporting systems.

8 Remediation
If it becomes apparent that our business activities are causing or contributing to adverse impacts on human rights, we will strive to implement appropriate remediation measures.

9 Education and Awareness
We will conduct ongoing education and awareness-raising to ensure that all directors and employees understand this policy and act in line with our human rights commitment.

10 Reporting on Our Human Rights Efforts
We will report on our human rights efforts based on this policy on a regular basis via our website and various reports.

Established April 28, 2022

Ryuji Arakawa
Representative Director & President
Alfresa Holdings Corporation

Internal Enlightenment and Spreading Knowledge

The Alfresa Group's Compliance Guidelines call for respect for human rights, respect for diversity, and prevention of discrimination and harassment. While referring to the Alfresa Group's *Compliance Handbook*, Group companies conduct compliance training and ongoing enlightenment activities. We also aim to spread knowledge of hotlines and consultation windows for problems and concerns about human rights abuses and harassment.

Starting in the fiscal year ending March 31, 2023, we plan to spread awareness of our Human Rights Policy, which was created on April 28, 2022, through the internal intranet to employees throughout the Group.

Engagement with the Labor Union

The Alfresa Group considers that mutual trust and cooperation between labor and management will assist the Group's development going forward. As of March 31, 2022, labor union membership among the Group's regular employees stood at 91.7%. We aim to provide regular opportunities for dialogue between labor and management of Group companies and to cooperate with one another to build healthy relationships.

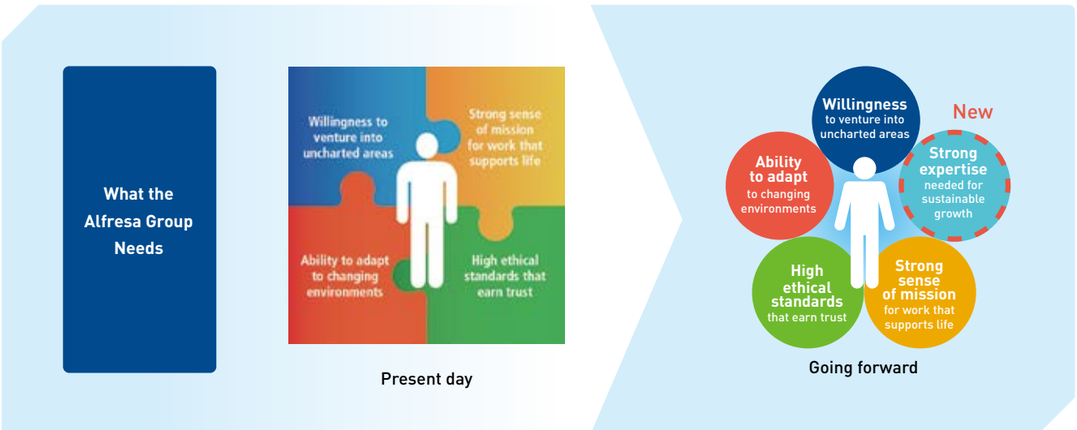
Human Resource Strategy

The Alfresa Group believes that human resources are its most important asset for realizing sustained growth, and that they are the driving force behind the Alfresa Group's growth.

The Alfresa Group trains human resources in order to drive sustained growth into the future, and it creates groups of professionals who are successful in working with their coworkers toward a common goal, while harnessing the individuality and talents of each employee.

Talent Needed

In addition to the four traits that the Alfresa Group has identified that it needs in its human resources, namely a strong sense of mission, high ethical standards, the ability to adapt, and willingness, "strong expertise" was added as a trait needed in its human resources to achieve the sustained growth of the Group by harnessing their individuality, talents, and abundant knowledge and experience. As employees put into practice these five requirements for human resources in their daily work, we believe this will lead to the sustained growth of the Group and the continued development of society as a whole.



Respect for Human Rights and Human Resource Strategy

The Alfresa Group's Diversity Policy

The Alfresa Group takes care of and proactively welcomes diverse talent by preparing workplaces that facilitate diverse workstyle choices.
The Group nurtures a corporate culture that can constantly take on new challenges by allowing all of our people to utilize their abilities to their fullest in a rewarding and vibrant environment.

The Alfresa Group's Diversity

The Alfresa Group's diversity refers to the diversity of our valuable people, and includes not only appearance but also personality and factors such as gender, age, race, nationality, disability and health status, culture, religion, occupation and employment status, workstyle, and values.

Based on the Alfresa Group's Diversity Policy, we are advancing initiatives to promote diversity and work–life balance in order to harness the abilities of our diverse human resources, the driving force of the Alfresa Group. We aim to sustain the Group's growth while putting into place environments where all employees can use their abilities to the utmost, create work environments where diverse human resources can work with motivation, and help each employee grow while pursuing happiness.

While proactively hiring and promoting women, we are utilizing diverse human resources, hiring elderly people and people with disabilities, and updating work environments so that employees can maximize their individual abilities.

Promotion of Diversity

To realize a Healthcare Consortium, the Alfresa Group understands the importance of accurately identifying all types of diverse needs and adapting to changes in the business environment. The Alfresa Group proactively hires and promotes women for the purpose of fostering an organization composed of human resources with a wide variety of values and individuality. Along with hiring elderly workers and people with disabilities, we hire and train diverse human resources while maintaining work environments that allow each employee to use their abilities to the fullest.

Initiatives to Empower Women

The Alfresa Group is empowering women throughout the Group by proactively hiring and promoting female employees. Each Group company holds roundtable discussions with female MS personnel and provides training for female employees by women in management positions. Group companies also coordinate group training for female candidates to become leaders. As of the fiscal year ended March 31, 2022, the percentage of women in management positions was 4.4%, reflecting reforms to the personnel system.

In 2020, Alfresa Pharma Corporation received the Eruboshi Mark (Level 3), and in 2021 Alfresa Medical Service Corporation obtained the Eruboshi Mark (Level 2).





Both Alfresa Pharma Corporation and Alfresa Medical Service Corporation have obtained the Eruboshi Mark.

5.5%
As of March 31, 2020

4.4%*1
As of March 31, 2022

Percentage of female managers

*1 The percentage of female managers declined due to changes in the personnel system.

Targets for Women in Management Positions

At least 6.0% in the Alfresa Group by the fiscal year ending March 31, 2026

At least 10.0% in the Alfresa Group by the fiscal year ending March 31, 2031

Data on Promoting Women's Participation and Diversity (Groupwide)

		2020.3	2021.3	2022.3
Promoting women's participation*2	Number of female executive officers*3	4	4	5
	Percentage of female managers	5.5	5.7	4.4
	Percentage of female regular employees	28.6	29.9	30.8
	Percentage of female new employees	54.9	59.0	48.4
	Average years of service of female employees	11.6	11.8	11.2
	Average years of service of male employees	19.2	19.0	18.8
	Difference of average years of service between female and male employees	7.6	7.2	7.6
Number of elderly workers (over age 60)		1,319	1,428	1,524
Number of workers with disabilities		291	292	295

*2 Regular-employee basis
*3 Includes directors, Audit & Supervisory Board members, executive officers, and some Company officers

Human Resource Training Policy

The Alfresa Group combines Groupwide talent development programs and individual talent training programs at each Group company in human resource training programs designed to drive future growth.

Alfresa Holdings Corporation operates and further expands the Group training programs every year with the aim of nurturing talent required throughout the Group and fostering core personnel as next-generation management members.

Amid a rapidly changing business environment, the Alfresa Group will strengthen human resource initiatives with the intention of realizing sustainable growth and constantly creating new value.

Group Training Record

Group Training Record (as of March 31, 2022)

Training program and purpose		Target	No. of participants	No. of programs held	Training hours
Director and executive officer training	Acquire basic mindset as management, increase Company decision-making capability	Directors and executive officers	Around 10	3 times	60 hours
AEP (Alfresa Group Executive Program)	Develop next-generation management	General managers	Around 15	8 times	70 hours
ASPAC (Alfresa Group Study Program Abroad Course)	Cultivate global thinking and perspective	Branch / section managers to executive officers / general managers	Around 15	7 times	60 hours
ABS (Alfresa Group Business School)	Nurture candidates for next-generation management	Section managers to young branch managers	Around 20	8 times	90 hours
Training female candidates for leadership positions	Training next-generation female leaders	Women in chief and assistant manager positions	About 20	1 time	41 hours
Training for women in sales	Explore and take measures to address issues faced by women in sales positions	Women in sales positions	About 270	1 time	6 hours
Diversity management training	Promote understanding of diversity as a management strategy	All Board members and managers at consolidated Group companies	About 1,800	1 time	2 hours
Third-Year Employees Seminar (WEB)	Nurture a spirit to take on challenges among third-year employees	Employees in their third year	Around 200	3 times	1 hour
Fresh Members Seminar	Share the Group's principles, etc.	New recruits	Around 230	14 times	4 hours
Hospital sales representative training	Establish a marketing style to match the environmental changes in hospitals	Hospital sales representatives in their early 30s	Around 10	8 times	70 hours
Training costs in the fiscal year ended March 31, 2022 (amount per employee*4)	**¥24,590**				

*4 All Group employees

Seminars for Training Female Candidates for Leadership Positions

We held seminars for training female candidates for leadership positions for all Group companies. Women receiving training and their managers participated in the seminars, which featured discussions and presentations by outside lecturers. The training was meaningful for the participants, one of whom commented, "I thought that being a leader was off the table for me, but after participating in this seminar, I became confident that I too could become a leader."



Training female candidates for leadership positions

Respect for Human Rights and Human Resource Strategy

Preparation of a Rewarding Work Environment and Promotion of Health

Advancement of Work–Life Balance

We are reducing overtime hours and encouraging the use of paid leave as a part of our aim to keep our employees motivated and working while raising labor productivity and advocating diverse workstyles in the context of advancing work–life balance. We are also striving to create an environment where people feel free to utilize childcare and nursing care leave. Some Group companies are introducing a job return system, an expansion of the scope of applicable people for short working hours for childcare, and the payment of a childcare allowance.

		2020.3	2021.3	2022.3
Percentage of paid leave days taken*5		53.8	48.0	62.3
Number of people taking childcare leave	Male	12	26	44
	Female	127	142	174
Percentage of people taking childcare leave	Male	5.9	12.6	21.1
	Female	96.2	98.6	98.9
Number of people taking nursing care leave		11	13	16

*5 Includes contract and part-time employees

Alfresa Group's Fresh-Up Campaign

This campaign is a Groupwide effort designed to promote work–life balance by aiming for "a clearly defined approach to work" and working as a Group on the themes of "no overtime day"*6 and encouraging the use of paid leave.

*6 Programs such as "no overtime day," "go-home-early day," "fresh-up day," and so forth involve deciding schedules at each Group company to promote the reduction of long working hours.

Promotion of Health

Group companies provide regular health checkups and encourage those with positive findings to have secondary examinations. The Group has also expanded support for women's cancer screenings and is enhancing initiatives such as making screening results visible by introducing a health management system and providing health improvement education.

In addition, as an initiative to maintain our people's mental health, each Group company conducts stress checks and has provided the Alfresa Group Mental Health Special Help Desk that our people and their families can use for consultation at any time. The Group helps to resolve concerns and identify early signs of mental illness by providing adequate support.

Certified Health and Productivity Management Outstanding Organization

The Alfresa Group engages in efforts to help its employees maintain and promote their health, invigorate organizations, and maintain and improve productivity. In March 2022, a total of seven Group companies became a 2022 Certified Health and Productivity Management Outstanding Organization, comprising five companies in the large enterprise category and two companies in the small-to-medium-sized enterprise category. Alfresa Corporation and Alfresa Medical Service Corporation have received this certification in the large enterprise category for three years and two years, respectively. Alfresa Fine Chemical Corporation received the certification for a second straight year in the small-to-medium-sized enterprise category.

2022 健康経営優良法人 Health and productivity

- Alfresa Corporation (for three straight years)
- TS Alfresa Corporation
- Ryuyaku Corporation
- Alfresa Healthcare Corporation
- Alfresa Medical Service Corporation (for two straight years)

2022 健康経営優良法人 Health and productivity

- Alfresa Holdings Corporation
- Alfresa Fine Chemical Corporation (for two straight years)

Employee Engagement

We believe human resources are key to solving social issues and sustaining the growth of the Alfresa Group. In the fiscal year ended March 31, 2022, Alfresa Holdings Corporation established the Human Resources Planning Department and conducted the first-ever employee engagement survey for the Group. Through this survey, we understood that the employees of the Alfresa Group were aware of the importance of sharing and embodying our principles, and that employees are engaged while promoting diversity, experiencing growth, and working with motivation. We were also able to identify advantages and issues at Group companies. From the fiscal year ending March 31, 2023, the Alfresa Group will continue to conduct employee engagement surveys and take steps toward improvement so that each and every employee is motivated to work, while moving through a PDCA cycle.

Compliance and Risk Management

Related Important Sustainability Issues 6 7

Compliance and risk management are the foundation for the sustained growth of the Alfresa Group. While sincerely reflecting on errors made in the past, the Alfresa Group faithfully engages in business activities guided by legal obligations and ethical responsibilities expected by society. The Group engages in risk management to reduce risks and their impact on corporate activities and prepares responses in the event a risk occurs in order to supply lifesaving pharmaceuticals reliably.

Basic Policy and Approach

The Alfresa Group's principles are shared throughout the Group and taught to our people. We cultivate ethical standards and a sense of responsibility and promote sincere business activities to carry out our social mission through business. The Group works to practice appropriate business transactions in a spirit of fairness, transparency, and free competition to earn trust and maintain good relationships with stakeholders. Furthermore, we take measures to reduce risks that affect Company activities; as a corporate group involved in the social infrastructure of distributing pharmaceuticals, we are preparing so that the supply of pharmaceuticals affecting people's lives will not be interrupted, even in the event of an earthquake, pandemic, or other large-scale natural disaster.

The Group's Goals and Promotion Structure

Compliance is a foundation that supports business activities and sustains growth. The Group actively implements initiatives to ensure that each Group employee understands and complies with laws, regulations, guidelines, codes, its code of conduct, and social norms.

Moreover, to avoid a crisis or minimize the losses if one occurs, it is essential to identify and evaluate risks that can obstruct the continuity of Company activities, as well as the impact of these risks, and to take countermeasures in advance. Therefore, amid calls to be alert for a major earthquake, such as one in the Nankai Trough, or directly underneath the Tokyo metropolitan area, we respond by training and drilling employees for various disasters, and drawing up and strengthening business continuity plans (BCPs).

What the Group Aims to Be

- The Alfresa Group's principles thoroughly drive our people's conduct and are always put into practice.
- Our people observe the Alfresa Group Compliance Guidelines and conduct business with sincerity.
- A risk management structure has been established to reduce risk, and a solid BCP is in place.
- As a result, the Alfresa Group maintains the trust of society.

Promotion Structure

The Company has established the Compliance and Risk Management Committee, which promotes overall compliance and risk management for the Group. The committee comprises executive officers in charge of risk management and their designated officers and employees, as well as officers and employees selected from Group companies, and meetings are held regularly twice a year with the goal of reducing identified risks.

In 2020, the Company established subcommittees focused on specific, highly specialized businesses as subordinate bodies of the Compliance and Risk Management Committee. For example, a subcommittee for the Ethical Pharmaceuticals Wholesaling Business shares information about and helps identify and solve compliance issues with the Antimonopoly Act.

Alfresa Group
Compliance and Risk Management Promotion Structure



Promotion and Thorough Implementation of Compliance

Compliance

The Alfresa Group has formulated the Alfresa Group Compliance Guidelines based on the Group's principles as overriding compliance-related rules shared among the Group.

These guidelines define compliance as "officers and employees complying with laws, internal and external regulations, and social norms, and proactively taking the initiative to fulfill legal and ethical responsibilities expected

by society." Group companies' employment regulations stipulate disciplinary action for compliance violations in accordance with their severity, and companies bear legal and ethical responsibility. If they lose society's trust, their business foundation may become destabilized, threatening the stability of the life and happiness of their employees and their families, in addition to failing to fulfill our social mission of reliably supplying pharmaceuticals. To remain trusted by society, the Group's individual employees must take the importance of compliance seriously and act with a constant awareness of the reliability, safety, and sincerity espoused in the Group's principles.The Alfresa Group distributes to all Group officers and employees the *Compliance Handbook* with the intention of fostering a corporate culture that puts compliance first. The handbook is read through by team members periodically at the workplaces of Group companies in a bid to promote thorough compliance.

Alfresa Group Compliance Guidelines
https://www.alfresa.com/eng/csr/esg/governance/guidelines/

Compliance Training and Awareness-Raising Activities

Each year, the Alfresa Group's Fresh Members Seminar, held for new employees at Group companies, includes a lecture on compliance by an outside lecturer. The lecture covers the approach to compliance and rules about insider trading, and every new employee as a Group member strives to understand their social responsibility and acquire a correct understanding of compliance.

Group companies promote various training and educational programs implemented by participants in Compliance and Risk Management Committee meetings to instill a proper compliance mindset and reinforce compliance-based behavior.



Fresh Members Seminar held online for new employees of the Group

Examples of Educational Topics

- Prevention of harassment
- The Antimonopoly Act
- The Companies Act
- The Personal Information Protection Act
- Information security

Compliance Training Attendance Rate

97.2%

(Percentage of people in the Group who have attended at least one compliance training program per year, including part-time and temporary employees)



Compliance training

Corruption Prevention Initiatives

Article 10 of the Alfresa Group Compliance Guidelines forbids the provision of profits, such as money, to civil servants, etc. Furthermore, anti-corruption laws in other countries may apply to acts of bribery that take place outside those countries. Since the Alfresa Group has close relationships with pharmaceutical manufacturers and other suppliers around the world, the Group takes steps to deepen its understanding of such laws and conduct appropriate sales activities. As a result, in the fiscal year ended March 31, 2022, there were zero infringements related to corruption prevention.

Number of Participants in Main Training Programs and Total Hours*1

Theme	Number of participants	Total hours
Training programs related to corruption prevention	2,627	1,232
Training programs related to fair competition regulations	3,604	7,098
Guidelines on Information Provision in Connection with Promotional Activities for Ethical Drugs	5,811	18,510

*1 Training conducted mainly for employees responsible for sales marketing or administrative work

Compliance Consulting Offices (Internal Reporting System)

The Group has compliance consulting offices in place as a means for our people to consult with and make reports. The offices ensure that violations of laws and corporate ethics are prevented or discovered early.

Compliance consulting offices are set up within Group companies, and Alfresa Holdings Corporation operates a consulting office that responds to a broad range of inquiries from the entire Group. In addition, external consulting offices are available at Group companies to facilitate the collection of internal reports.

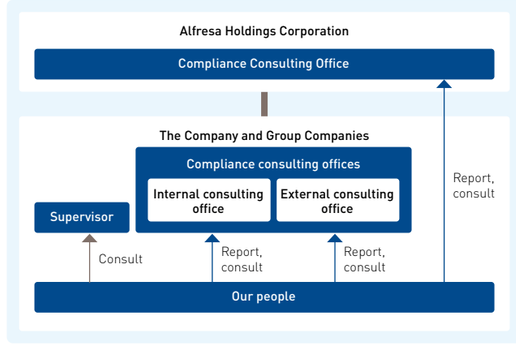
The Group's compliance consulting offices respond to all of the inquiries they receive while evaluating whether it is necessary to conduct an audit in line with the scope of the rules.

Status of Internal Reporting (Groupwide)

	2020.3	2021.3	2022.3
Number of internal reports	49	70	86

Due consideration is given to the privacy and other human rights of the people who contact the consultation offices, with confidentiality ensured. As for people who provide information for the benefit of the public, we have put into place the systems necessary to respond to whistleblowers properly.

Alfresa Group's Internal Reporting System



Initiatives to Prevent a Recurrence of Antimonopoly Act Violations

Regarding the Violation of the Antimonopoly Act in the Ethical Pharmaceuticals Wholesaling Business

Specified wholly owned subsidiary Alfresa Corporation was subject to an on-site inspection by the Fair Trade Commission in November 2019 on suspicion of violating the Antimonopoly Act in relation to bidding to supply ethical pharmaceuticals to the Japan Community Health Care Organization (JCHO). After receiving a guilty verdict on June 30, 2021, Alfresa Corporation has fully cooperated with the Fair Trade Commission's investigation, and, on March 30, 2022, Alfresa Corporation received a cease and desist order and a surcharge payment order from the Fair Trade Commission based on the Antimonopoly Act.

Solemnly taking this situation with the utmost sincerity, in May 2020 the Alfresa Group announced measures to reinforce corporate governance. The position of an executive officer in charge of compliance was created, and management supervisory functions were strengthened across the entire Group. At Alfresa Corporation and other Group companies involved in the Ethical Pharmaceuticals Wholesaling Business, dedicated departments were established to promote and oversee compliance activities. In addition, we set up internal and external hotlines specifically for the Antimonopoly Act, establishing a system for fielding various questions and internal reports. We also periodically implement training for core employees, such as managers, relevant to the Antimonopoly Act, and sales personnel (MSs).

Establishment of the Compliance and Risk Management Committee for the Ethical Pharmaceuticals Wholesaling Business

The Compliance and Risk Management Committee for the Ethical Pharmaceuticals Wholesaling Business is in charge of implementing the PDCA cycle for the entire Ethical Pharmaceuticals Wholesaling Business to ensure thorough compliance with the Antimonopoly Act. The committee convened three times (May, August, and February) in the fiscal year ended March 31, 2021, and twice (June and February) in the fiscal year ended March 31, 2022. The committee reports regularly to the Board of Directors, advising on policy for the next meeting. Committee meetings are attended by the representative director of Alfresa Holdings Corporation, directors in charge of business execution, Audit & Supervisory Board members, compliance managers from Group companies, and two attorneys specializing in the Antimonopoly Act to offer their opinions on activities and reporting. Major activities include compliance training on the Antimonopoly Act, self-checks, and comprehension tests. The committee checks up on and evaluates the implementation of these action plans.

Rules state that the presidents of each company, heads of compliance promotion departments, and expert attorneys must be involved in devising action plans for ensuring thorough compliance with the Antimonopoly Act. Group companies continue to implement the PDCA cycle based on these action plans, and the progressive initiatives of each company are

shared over time with members of the committee, with the intention of implementing even better action plans.

Measures to Prevent a Recurrence at Subsidiaries Belonging to the Ethical Pharmaceuticals Wholesaling Business

1. Top management at each company took each and every opportunity to talk about compliance with, and raised internal awareness of, the Antimonopoly Act
2. Developed and thoroughly implemented a code of conduct for sales personnel
3. Established and provided guidance to dedicated compliance departments and Antimonopoly Act counseling hotlines
4. Enhanced in-house education and training programs, as well as comprehension tests relating to the Antimonopoly Act
5. Monitored compliance with the Antimonopoly Act by the internal audit departments, etc.

Function of Antimonopoly Act Counseling Hotlines

Telephone consultation services solely related to the Antimonopoly Act were set up inside and outside Group companies involved in the Ethical Pharmaceuticals Wholesaling Business. Our counseling hotlines have functioned well, addressing inquiries about how business decisions should be made to stay in compliance with the Antimonopoly Act. After setting up the counseling hotlines, a total of 878 inquiries* have been received.

The content of these consultations has been incorporated into the MS Conduct Guidelines for compliance with the Antimonopoly Act and shared among Group companies. These efforts have led to more thorough compliance.

* Inquires received from February 2020 to June 2022

Check Functions

Regarding functions to check frontline salespeople, in addition to monitoring by internal audit departments, heads of branch offices use a self-check sheet to perform a self-inspection. By having the entire branch office self-monitor compliance with the Antimonopoly Act, in addition to the heads of branch offices, awareness of the Antimonopoly Act is increased and one's own knowledge is deepened, making it possible to give even more detailed guidance to salespeople.

Meanwhile, regarding monitoring by the internal audit departments, for all companies involved in the Ethical Pharmaceuticals Wholesaling Business, starting in the fiscal year ended March 31, 2022, checklists for internal controls related to financial reporting include items about the monitoring of compliance with the Antimonopoly Act. Internal audit departments perform checks, and then the presidents of each Group company, who have final responsibility for internal controls, approve the report, thereby ensuring the effectiveness of compliance with the Antimonopoly Act.

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

P

- Hold regular meetings of the subcommittee established under **the Compliance and Risk Management Committee for the Ethical Pharmaceuticals Wholesaling Business,** specializing in the Antimonopoly Act and comprising representatives from Alfresa Holdings Corporation and seven operating companies and expert lawyers
(Previous meetings were held in May 2020, August 2020, February 2021, June 2021, and February 2022)

D

- Take every opportunity **to reinforce the commitment made by top management at each Group company**
- Ensure that all sales personnel submit **a Pledge to Uphold the Antimonopoly Act**
- Create specific documents aimed at sales personnel (**Guidance for Conduct in Compliance with the Antimonopoly Act, guidelines, and questionnaires**) and update these documents as necessary
—Implement strict limitations on contact between sales personnel and other members of the industry
- In April 2020, each Group company established **dedicated compliance departments and counseling hotlines**, and efforts were made to enhance dialogues with frontline salespeople
- **Establish a dedicated** Groupwide **counseling hotline, operated by an outside lawyer specializing in the Antimonopoly Act**
- Implement **in-house education and training** related to the Antimonopoly Act (including training by expert lawyers, e-learning, and testing accompanied by feedback)

C

- Have frontline sales offices **conduct self-checks**
- **Conduct monitoring headed by internal audit departments**

A

Promotion and Strengthening of Risk Management

Disaster Countermeasures

As a Groupwide initiative, the Alfresa Group ensures that every Group company is improving its readiness to respond in the event of a disaster. For example, Group companies update their regulations and manuals and hold disaster response training events. They also check and secure the environment and emergency stockpiles.

Disaster Training

Group companies conduct safety confirmation drills every year along with yearly drills for communicating the safety confirmation results of all Group employees to Alfresa Holdings Corporation via a Group emergency contact network. During the fiscal year ended March 31, 2022, we conducted drills for using the safety confirmation system and satellite phones in September 2021. The Group's system operator, Alfresa System Corporation, has established a disaster recovery* system wherein backups of shared-use mission-critical systems are prepared, enabling a switchover to a second data center in the event that Alfresa System's data center is damaged. We conducted drills in August 2021 and February 2022 to practice switching over to mission-critical systems based on a scenario of backbone systems operating in normal times being damaged.

* Disaster recovery: Rapid switching of a disaster-damaged computer system to a backup system

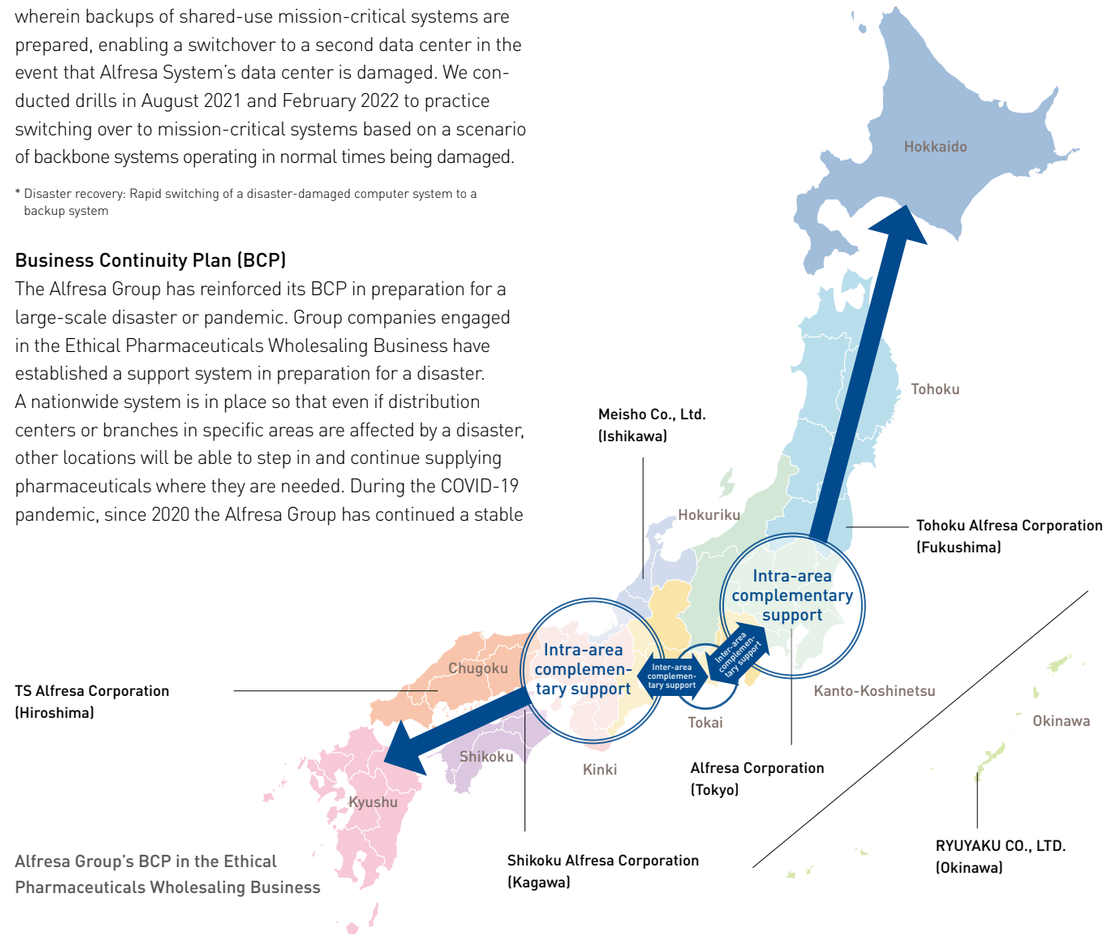
Business Continuity Plan (BCP)

The Alfresa Group has reinforced its BCP in preparation for a large-scale disaster or pandemic. Group companies engaged in the Ethical Pharmaceuticals Wholesaling Business have established a support system in preparation for a disaster. A nationwide system is in place so that even if distribution centers or branches in specific areas are affected by a disaster, other locations will be able to step in and continue supplying pharmaceuticals where they are needed. During the COVID-19 pandemic, since 2020 the Alfresa Group has continued a stable supply of pharmaceuticals by following its BCP and thoroughly implementing infection prevention practices and a rotational work shift system.

The Group has adopted a new email system that is capable of remaining in use in times of disaster to secure post-disaster communication among Group companies.

IT Security

Alfresa System Corporation has obtained ISMS certification for physical security and information security, advancing security measures at Group companies. Moreover, Alfresa System is always aware of cybersecurity. In the event that a computer virus infects a Group company as a result of a targeted attack or ransomware, we have installed endpoint detection and response (EDR) security for endpoints to detect and quickly eradicate any threats.



Alfresa Group's BCP in the Ethical Pharmaceuticals Wholesaling Business

Corporate Governance

Related Important Sustainability Issue 8

Establishment of Corporate Governance Guidelines

The Alfresa Group has established Corporate Governance Guidelines as basic principles concerning corporate governance. The purpose of these guidelines is to further enhance corporate value so that the Group can fulfill its responsibilities to customers, business partners, employees, shareholders, local communities, and other stakeholders in a manner characterized by reliability, safety, and sincerity by realizing its principles in the form of Our Philosophy, Our Vision, and Our Promises.

Basic Policy

To fulfill its social responsibility as a corporation and improve corporate value, the Alfresa Group advances initiatives that align with the spirit of corporate governance and endeavors to further enhance corporate governance.

We believe the essence of corporate governance is making transparent, fair, speedy, and bold decisions while fully and effectively utilizing our management resources. We strive to enhance corporate governance in line with the latest fundamental approaches to governance.

1) To respect shareholders' rights and ensure equality of treatment.
2) To build good and harmonious relationships with stakeholders, including shareholders.
3) To disclose corporate information appropriately and ensure transparency.
4) To build a structure that effectively utilizes outside directors and outside Audit & Supervisory Board members, ensuring the effectiveness of the Board of Directors' supervisory function of business execution.
5) To enhance internal control systems, including the assurance of the reliability of financial reporting.
6) To engage in constructive dialogue with shareholders who share the same medium- to long-term interests.

Corporate Governance Guidelines
https://www.alfresa.com/eng/ir/pdf/cgguideline.pdf

Corporate Governance Structure

Overview of Corporate Governance Structure and Reason for Its Adoption

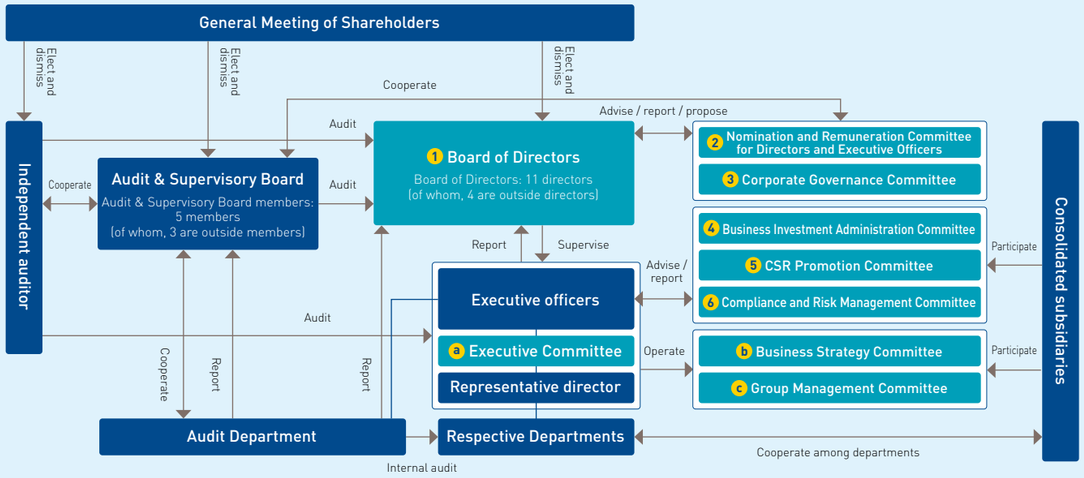
The Company has adopted the organizational structure of a "company with an Audit & Supervisory Board." The Audit & Supervisory Board and Audit & Supervisory Board members audit directors' performance of their duties. The Company has also introduced an executive officer system to clarify the division of supervision and business execution responsibilities. The Board of Directors assumes the responsibility of supervision, and the executive officers assume the responsibility of business execution.

As of June 2022, to update and strengthen the management structure, the Company had appointed four outside directors, including two female outside directors.

Corporate Governance Structure at a Glance (As of June 28, 2022)

Organizational structure:	Company with an Audit & Supervisory Board
Executive officer system adopted:	Yes
Number of directors:	11
Of whom, number of outside directors:	4
Directors' term of office:	One year
Number of Audit & Supervisory Board members:	5
Of whom, number of outside members:	3
Number of independent officers:	7
Outside directors involved in determining remuneration:	Yes
Organizations to assist in decision-making:	Executive Committee, Business Strategy Committee, Group Management Committee
Advisory committees:	Nomination and Remuneration Committee for Directors and Executive Officers, Corporate Governance Committee, Business Investment Administration Committee, CSR Promotion Committee, Compliance and Risk Management Committee
Performance-linked remuneration system:	Yes
Takeover defense measures:	No

Corporate Governance Structure (As of June 28, 2022)



Overview of Board of Directors and Advisory Committees (As of June 28, 2022)

Name	Description	Chairperson	Number of meetings held in the fiscal year ended March 31, 2022
1 Board of Directors	Chaired by the president, the Company's Board of Directors is made up of 11 directors (nine men and two women, of whom four are outside directors). Meetings are attended by the Audit & Supervisory Board members. Regular meetings are held once per month, in principle, but extraordinary meetings may also be convened as necessary. These meetings are held to approve important matters stipulated by laws and regulations, as well as determine matters pertaining to management, and to supervise directors' performance of their duties.	Ryuji Arakawa, Representative Director & President	18
2 Nomination and Remuneration Committee for Directors and Executive Officers	The Nomination and Remuneration Committee for Directors and Executive Officers is made up of six directors (including four outside directors, of whom one is the chairperson) who are elected on the basis of resolutions of the Board of Directors. The committee deliberates on election and dismissal with respect to directors and executive officers of the Company and specified wholly owned subsidiary Alfresa Corporation, and remuneration with respect to directors and executive officers of the Company, as well as other important matters related to management.	Manabu Kinoshita, Outside Director	7
3 Corporate Governance Committee	The Corporate Governance Committee is composed of outside directors, outside Audit & Supervisory Board members, standing Audit & Supervisory Board members, the representative director, and the directors who are elected on the basis of resolutions of the Board of Directors. The chairperson is elected mutually from among the independent officers. The committee's purpose is to enhance the transparency and fairness of management and ensure the continual improvement of corporate governance from the standpoint of all stakeholders. It engages in exchanges of opinions from long-term and varied perspectives with regard to corporate governance, visions and strategies encompassing all aspects of corporate management, and matters such as the progress of the medium-term management plan, and provides advice and proposals to the Board of Directors.	Takashi Hara,* Outside Director	6
4 Business Investment Administration Committee	The Business Investment Administration Committee creates opportunities to deliberate on business investment projects submitted by the Company or Group companies that exceed the standard amount and important investment projects that require multifaceted and careful consideration. The committee also establishes a system to report these results to the Executive Committee or the Board of Directors.	Toshiki Tanaka, Director, Vice President & Executive Officer	5
5 CSR Promotion Committee	The CSR Promotion Committee works with Group companies to consider important policies related to CSR for the entire Group in order to contribute to increasing corporate value over the medium to long term, creates opportunities to report and evaluate the CSR activities of the Company and each Group company, and also establishes a system to report these results to the representative director and the Board of Directors.	Seiichi Kishida, Director, Deputy President	2
6 Compliance and Risk Management Committee	The Compliance and Risk Management Committee formulates compliance and risk management promotion plans, considers important policies regarding compliance and risk management for the entire Group, creates opportunities to report and evaluate the compliance and risk management activities of the Company and each Group company, and also establishes a system to report to the representative director and the Board of Directors. Subcommittees are established and limited to particular business segments, business categories, or types of operations in order to ensure more appropriate and systematic responses to inherent risks in specific, highly specialized businesses, in addition to plenary meetings.	Toshiki Tanaka, Director, Vice President & Executive Officer	2

* Chosen to replace Yoichiro Yatsurugi (outside director), who retired on June 28, 2022

Overview of Each Meeting Body (As of June 28, 2022)

Name	Description	Number of meetings held in the fiscal year ended March 31, 2022
a Executive Committee	The Executive Committee is made up of the representative director, directors, and executive officers nominated by the Company's Board of Directors. Meetings are attended by Audit & Supervisory Board members. The committee deliberates and approves matters related to the management of the Company, apart from matters that the Company's General Meeting of Shareholders and Board of Directors are responsible for approving. Regular meetings are held twice per month, in principle, but extraordinary meetings may also be convened as necessary.	20
b Business Strategy Committee	The Business Strategy Committee comprises executive directors and executive officers of the Company, and also appointed officers and employees from the Company and certain Group companies. Regular meetings are held every month, in principle, but extraordinary meetings may also be convened as necessary. The committee shares business strategies among Group companies as a debating body to discuss proposals related to the Group's business strategy.	9
c Group Management Committee	The Group Management Committee comprises the directors, executive officers, and Group company presidents appointed in advance by the chairperson of the committee. Regular meetings are held three times a year, in principle, but extraordinary meetings may also be convened as necessary. The committee's role is to align the management intentions of Group companies. As such, the committee discusses the common business issues related to overall Group management.	2

Changes in Corporate Governance Structure

Category		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Separation of management and execution		Introduction of executive officer system																		
Directors	Inside directors	4	6	7	9	10	10	12	11	11	10	10	10	9	8	8	8	7	7	7
	Outside directors	0	0	0	0	0	0	0	0	1	2	2	2	2	3	3	3	4	4	4
	Total	4	6	7	9	10	10	12	11	12	12	12	12	11	11	11	11	11	11	11
Audit & Supervisory Board members	Inside Audit & Supervisory Board members	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	2	2	2
	Outside Audit & Supervisory Board members	2	2	3	3	3	3	3	3	3	4	3	3	2	3	3	3	3	3	3
	Total	4	4	4	4	4	4	4	4	4	5	4	4	3	4	4	4	5	5	5
Board members	Total	8	10	11	13	14	14	16	15	16	17	16	16	14	15	15	15	16	16	16
	Of whom, are women	0	0	0	0	0	0	0	0	0	1	1	2	2	2	2	2	1	1	2
	Ratio of women	—	—	—	—	—	—	—	—	—	5.9%	6.3%	12.5%	14.3%	13.3%	13.3%	13.3%	6.3%	6.3%	12.5%
Major deliberative bodies		Board of Directors Audit & Supervisory Board Executive Officer Committee → Executive Committee Management Advisory Committee Director and Executive Officer HR Committee → Nomination and Remuneration Committee for Directors and Executive Officers Corporate Governance Committee Business Investment Administration Committee CSR Promotion Committee Risk Management Committee → Compliance and Risk Management Committee Compliance Committee Management Strategy Committee → Group Strategy Committee → Business Strategy Committee Group Management Committee																		

Skills Matrix for Members of the Board of Directors and the Audit & Supervisory Board

Composition of the Board of Directors

The Board of Directors consists of diverse directors with specialized knowledge, experience, and abilities, which enables them to effectively fulfill their roles and responsibilities. Its current size has been determined as the best for facilitating efficient and effective execution of its functions.

Nomination and Appointment of Board of Directors

The Nomination and Remuneration Committee for Directors and Executive Officers selects candidates and defines the skills of directors that are necessary to realize the goals in the 22–24 Mid-term Management Plan: Leap into the Future "An Evolving Healthcare Consortium." Below is a list of those skills.

(As of June 28, 2022)

		Position	Corporate management	Sales and marketing	Logistics	Business development	Finance and accounting	Legal risk management	Personnel and human resource development
Directors	Ryuji Arakawa	Representative Director & President	●	●		●			
	Seiichi Kishida	Director, Deputy President					●	●	●
	Yusuke Fukujin	Director, Deputy President	●		●	●			
	Shigeki Ohashi	Director, Vice President & Executive Officer		●	●	●			
	Toshiki Tanaka	Director, Vice President & Executive Officer			●		●		●
	Hisashi Katsuki	Director	●	●					
	Koichi Shimada	Director	●	●					
	Takashi Hara	Outside Director	●				●		
	Manabu Kinoshita	Outside Director	●	●		●			
	Toshie Takeuchi	Outside Director		●					
	Kimiko Kunimasa	Outside Director	●						●
Audit & Supervisory Board Members	Masakazu Ozaki	Audit & Supervisory Board Member (Standing)				●	●		
	Yuji Ueda	Audit & Supervisory Board Member (Standing)					●	●	
	Seisui Kamigaki	Audit & Supervisory Board Member (Outside)						●	
	Yoshitaka Kato	Audit & Supervisory Board Member (Outside)	●				●		
	Takashi Ito	Audit & Supervisory Board Member (Outside)						●	

Outside Directors and Outside Audit & Supervisory Board Members

The Company makes it a basic policy to include more than one independent outside director on the Board of Directors. Outside directors are elected from among candidates that meet not only the outside director requirements stipulated by Japan's Companies Act but also the Company's independence standards for outside directors, etc. Outside directors are elected from persons with pragmatic points of view, based on extensive corporate management experience, or are objective and professional, based on high-level insight into such areas as social and economic trends. Meanwhile, outside Audit & Supervisory Board members also meet predetermined standards in the same way as outside directors. They are elected mainly from persons who have specialist insight on legal and regulatory compliance or finance and accounting, or extensive corporate management experience and wide-ranging knowledge.

Independence standards for outside directors, etc.
https://www.alfresa.com/eng/ir/pdf/20220628.pdf

Reason for Appointment of Outside Directors and Their Main Activities (As of June 28, 2022)

Outside directors	Reason for election	Expected field of expertise and knowledge	Attendance at Board of Directors' meetings in the fiscal year ended March 31, 2022
Takashi Hara	He delivered opinions mainly based on his experience as an executive, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Nomination and Remuneration Committee for Directors and Executive Officers and a member of the Corporate Governance Committee, and has made remarks based on his knowledge when necessary.	Corporate management, finance	18 out of 18 meetings
Manabu Kinoshita	He delivered opinions mainly based on his experience in the practice of business and as an executive, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as chairman of the Nomination and Remuneration Committee for Directors and Executive Officers and a member of the Corporate Governance Committee, and has made remarks based on his knowledge when necessary.	Corporate management, IT	18 out of 18 meetings
Toshie Takeuchi	She delivered opinions mainly based on her experience in the academic field, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, she has served as a member of the Nomination and Remuneration Committee for Directors and Executive Officers and a member of the Corporate Governance Committee, and has made remarks based on her knowledge when necessary.	Marketing and branding	18 out of 18 meetings
Kimiko Kunimasa (Newly appointed)	She has long been involved mainly in the nursing care business as a practitioner and manager. She has a wealth of experience, a proven track record, and a high level of insight through her career including serving as CHO (the person in charge of human resources) for all group companies of a listed company. She has been appointed an outside director because she can be expected to capitalize on her wealth of experience and knowledge at the Board of Directors to strengthen the effectiveness of the Board of Directors' decision-making and supervisory functions.	Corporate management, personnel, and human resource development	—

The aforementioned lists the outside directors as of the conclusion of the General Meeting of Shareholders held on June 28, 2022. Below is a summary of the performance versus the expected role of the outside director who retired at the conclusion of the General Meeting of Shareholders.

Outside director	Activity record	Field of expertise and knowledge	Attendance at Board of Directors' meetings in the fiscal year ended March 31, 2022
Yoichiro Yatsurugi	He delivered opinions mainly based on his experience as an executive and abundant knowledge of digital transformation, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Nomination and Remuneration Committee for Directors and Executive Officers and chairman of the Corporate Governance Committee, and has made remarks based on his knowledge when necessary.	Corporate management, management strategy, IT	18 out of 18 meetings

(As of June 28, 2022)

Outside Audit & Supervisory Board members	Reason for election	Attendance at meetings of Board of Directors and Audit & Supervisory Board in the fiscal year ended March 31, 2022	
		Board of Directors	Audit & Supervisory Board meetings
Seisui Kamigaki	He delivered opinions mainly from the perspective of legal compliance as an attorney at law, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Corporate Governance Committee, and has made remarks based on his knowledge when necessary.	18 out of 18 meetings	20 out of 20 meetings
Yoshitaka Kato	He delivered opinions mainly from the perspective of a professional in finance and accounting, etc., and as a certified public accountant, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Corporate Governance Committee, and has made remarks based on his knowledge when necessary.	18 out of 18 meetings	20 out of 20 meetings
Takashi Ito	He delivered opinions mainly from the perspective of legal compliance as an attorney at law, and provided advice and recommendations to ensure the adequacy and appropriateness of decision-making of the Board of Directors when necessary. In addition, he has served as a member of the Corporate Governance Committee, and has made remarks based on his knowledge when necessary. Furthermore, he has attended the Nomination and Remuneration Committee for Directors and Executive Officers as an observer.	18 out of 18 meetings	20 out of 20 meetings

Evaluation of the Effectiveness of the Board of Directors

The Company has formulated the Corporate Governance Guidelines as basic principles for corporate governance of the Alfresa Group. Article 27 of these guidelines states that the Board of Directors shall conduct a self-review every year of whether business execution is being performed in line with these guidelines to enhance the effectiveness of corporate governance. In addition to this self-review, the effectiveness of the entire Board of Directors is analyzed and evaluated based on a survey of all directors and Audit & Supervisory Board members about the following topics.

1) Issues tackled by the Board of Directors
2) Composition of the Board of Directors
3) Operation of the Board of Directors
4) Agenda of the Board of Directors
5) Systems supporting the Board of Directors
6) Appropriate disclosure and dialogue with shareholders
7) Others

The results of this survey are reported to the Board of Directors following discussion by the Corporate Governance Committee, and the Board of Directors deliberates the final evaluation.

As a result of these endeavors, the entire Board of Directors was found to be reasonably effective overall in the fiscal year ended March 31, 2022. However, it was noted that there is room for improvement, and effectiveness could be increased in some respects. For the fiscal year ending March 31, 2023, the survey called for better provision of information, which is necessary to have effective discussions. In addition to Board of Directors' meetings, opportunities should be created at a greater frequency to report and discuss the background of proposals and review previous discussions. We aim to improve its efficacy further based on survey results and the self-review of the Corporate Governance Guidelines.

Strengthening the Functionality of the Audit & Supervisory Board and Its Members

Activities of Audit & Supervisory Board Members

Audit & Supervisory Board members create audit plans and share auditing work in accordance with the rules and audit standards of the Audit & Supervisory Board. The members also offer advice and proposals at meetings of the Board of Directors, the Executive Committee, and other important bodies in order to ensure fair and proper decision-making. The members also voice their opinions to management as necessary, while sharing information and exchanging opinions, and directing special attention to initiatives to understand, address, and prevent a recurrence of the serious governance and compliance problems that emerged at a Group company in the fiscal year ended March 31, 2022.

In addition, our consolidated subsidiary was found guilty of violating the Antimonopoly Act and ordered to pay a fine. This consolidated subsidiary received a cease and desist order and surcharge payment order from the Fair Trade Commission, which conducted an on-site inspection on suspicion of violating the Antimonopoly Act in its bidding to supply pharmaceuticals in the Kyushu region.

Members of the Audit & Supervisory Board are taking this matter seriously with all sincerity, and are monitoring and verifying initiatives to strengthen the entire Group's compliance structure.

Considerations and Actions Taken by the Audit & Supervisory Board

The Audit & Supervisory Board organically combines the information-gathering capabilities of the standing Audit & Supervisory Board members with the specializations and independence of the outside Audit & Supervisory Board members to allow them to adequately fulfill their roles and responsibilities. We aim to improve the quality and effectiveness of audits by having Audit & Supervisory Board members exchange opinions about important matters to be discussed that relate to Alfresa Holdings and Group companies, the outcomes of audits performed by the independent auditor, and agenda items presented to the Board of Directors and the Executive Committee.

Based on the Audit & Supervisory Board members' auditing plans, the Audit & Supervisory Board conducts audits of the management and business execution of the Company and the entire Group. Moreover, the Audit & Supervisory Board decides key audit topics common to the Group and key audit items unique to each Group company. It conducts audits regarding the adequacy of management and supervision functions at Group companies, and the adequacy of corporate governance for the entire Group in coordination with the auditors at Group companies. In the fiscal year ended March 31, 2022, some of the key audit topics common to the Group were ensuring the adequacy of corporate governance in the corporate group and responding to the COVID-19 pandemic. The Audit & Supervisory Board periodically holds Group Audit & Supervisory Board Members' meetings to share information with the auditors of Group companies, improve the audit quality, and ensure the effectiveness of audits.

The Audit & Supervisory Board has created and distributed six chapters of a 34-item questionnaire about evaluating the effectiveness of the Audit & Supervisory Board. The questionnaire covered the composition of the Audit & Supervisory Board, operations of the Audit & Supervisory Board, audits conducted by the Audit & Supervisory Board members, collaboration and the exchange of opinions, systems to support auditors, and self-improvement and training. The Audit & Supervisory Board deliberated and verified based on the responses of all its members, and then concluded that the effectiveness of the Audit & Supervisory Board had been ensured.

Internal Audits

Staffed by two employees as of June 2022, the Audit Department is directly overseen by the representative director to ensure the independence and objectivity of the audits. While coordinating with the internal audit sections at affiliated companies, the Audit Department evaluates the preparation and operation status of internal control systems across the entire Group from the perspectives of "effectiveness and efficiency of work," "information preservation and management," "loss crises management," and "compliance." It also assesses the appropriateness and effectiveness of risk management and provides advice and proposals for improvement. The internal audit results are reported monthly to the representative director and Audit & Supervisory Board members, etc.

Independent Auditor

The Company receives regular reports and explanations for improving operations from the independent auditor, KPMG AZSA LLC, through accounting audits and internal control audits on financial reporting. Meaningful opinions were exchanged about the details of additional statements regarding audit reports made by the independent auditor, such as the selection of key audit matters (KAMs). In addition, the independent auditor participates in the Group Audit & Supervisory Board Members' meeting held every half year with Audit & Supervisory Board members to promote mutual cooperation.

Remuneration for Directors and Audit & Supervisory Board Members

Our officers' remuneration is based on the standard amount for each rank of officer. In setting this standard amount, we use remuneration data from external specialist organizations as well as publicly available information to assess the remuneration level of companies in both the same and other industries.

The composition of remuneration varies for directors in charge of business execution, directors not in charge of business execution (including outside directors), and Audit & Supervisory Board members. Remuneration for directors in charge of business execution consists of basic (fixed) remuneration, performance-linked bonuses based on the achievements of the performance targets in each fiscal year, and performance-linked stock compensation, which aims to increase the motivation of directors and other officers to achieve the medium- to long-term performance targets set forth in the 22–24 Mid-term Management Plan, and to further enhance long-term corporate value.

The Company has introduced performance-linked stock compensation through a system utilizing an officer remuneration Board Incentive Plan (BIP) trust. To prepare for a situation where the Company is unable to fund the BIP trust, the Company rolled out stock price-linked compensation as a substitute plan. This stock price-linked compensation is paid in cash in lieu of stocks based on the same calculation method as performance-linked stock compensation.

Ratio of Performance-Linked Remuneration (Bonuses and Stock Remuneration (Stock Price-Linked Compensation)), Assuming Achievement of Standard Targets

Classification	Fixed remuneration	Performance-linked remuneration	
	Basic remuneration	Bonus	Stock compensation (Stock price-linked compensation)
Directors in charge of business execution	70%	20%	10%
Directors not in charge of business execution and Audit & Supervisory Board members	100%	—	—

1. Method of Calculating Performance-Linked Remuneration

Method of Calculating Bonuses

The amount of bonuses paid is determined individually by multiplying the base amount by the bonus composition ratio (20%) within a range from 0% to 200%, in accordance with the degree of achievement against initial targets for consolidated operating income margin and profit margin attributable to owners of the parent for each fiscal year in order to ensure our values are aligned with those of shareholders and to further motivate officers to contribute to corporate performance.

In the fiscal year ended March 31, 2022, the targets and results of bonus indicators are shown below.

Operating income margin		Profit margin attributable to owners of the parent	
Target	Result	Target	Result
1.13%	1.13%	0.83%	1.24%

Method of Calculating Stock Compensation

Stock compensation serves as an incentive to increase corporate value over the long term. The number of our shares to be issued will be determined by annually granting and accumulating the base points calculated according to the amount obtained by multiplying the base amount by the stock compensation composition ratio (10%), and after the conclusion of the medium-term management plan, varying the cumulative value of the base points within the range of 0% to 200% according to the achievement level of the business performance targets in the plan. As with bonuses, the performance indicators utilized include the consolidated operating income margin and profit margin attributable to owners of the parent, which have been positioned as KPIs for the medium-term management plan. In doing so, we aim to ensure our values are aligned with those of shareholders and to further motivate officers to contribute to corporate performance.

Method of Calculating Stock Price-Linked Compensation

Stock price-linked compensation is positioned as a substitute in the event that the Company is unable to fund stock-based remuneration. During the medium-term management plan, it will be annually granted and accumulated using the same base points as stock compensation. After the conclusion of the medium-term management plan, stock price-linked compensation will be varied by the cumulative value of the base points within the range of 0% to 200% according to the achievement level of the business performance targets in the medium-term management plan, and the amount paid will be obtained by multiplying the stock price on a reference date set forth in the rules. As with stock compensation, the performance indicators utilize the consolidated operating income margin and profit margin attributable to owners of the parent.

2. Method of Deciding on Remuneration, Etc.

Method of Deciding on Remuneration

The policy for deciding on remuneration, including the remuneration composition and standard amount, and the method for calculating remuneration are deliberated by the Nomination and Remuneration Committee for Directors and Executive Officers (a voluntary committee chaired by an outside director and comprising a majority of outside directors) and then reported to the Board of Directors, which then decides on the total amount of remuneration. Furthermore, individual amounts of remuneration, etc., for Audit & Supervisory Board members are decided through discussion among the Audit & Supervisory Board members.

Process for Determining Remuneration in the Fiscal Year Ended March 31, 2022

For the fiscal year ended March 31, 2022, the Company decided on matters pertaining to remuneration for directors and Audit & Supervisory Board members through four meetings of the Nomination and Remuneration Committee for Directors and Executive Officers (all members of the committee attended all meetings) and four meetings of the Board of Directors.

Remuneration for the Fiscal Year Ended March 31, 2022

Classification	Total amount of remuneration, etc. (¥ million)	Total amount of remuneration, etc., by type (¥ million)			Number of eligible recipients
		Fixed remuneration	Performance-linked remuneration		
		Basic remuneration	Bonus	Stock compensation (Stock price-linked compensation)	
Internal directors	241	201	55	(16)	7
Internal Audit & Supervisory Board members	49	49	—	—	2
Outside directors and outside Audit & Supervisory Board members	71	71	—	—	7

Engagement with Shareholders and Investors

The Alfresa Group reports earnings on a quarterly basis and holds results briefings twice a year for securities analysts and institutional investors. At these briefings, the representative director presents the latest conditions, business results, and future strategies of the Alfresa Group, and answers questions from the attendees. Individual meetings or visits with securities analysts and institutional investors are also occasionally held.

Moreover, we carry out individual visits to, and hold online meetings with, overseas investors periodically. We also participate in conferences sponsored by securities firms for foreign institutional investors to explain the latest conditions, business results, and future strategies of the Alfresa Group, as well as answer their questions.

Management Team

As of June 28, 2022

Directors

1 Ryuji Arakawa

Representative Director & President

Apr 1987 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)
Apr 1999 Joined Chuyaku Co., Ltd. (currently Alfresa Corporation)
Jun 2000 Director of Chuyaku Co., Ltd.
Jun 2005 Managing Director of CS YAKUHIN CO., LTD. (currently Alfresa Corporation)
Jun 2007 Senior Managing Director of CS YAKUHIN CO., LTD.
Jun 2007 Director of the Company
Jun 2008 Director, Senior Vice President & Executive Officer of CS YAKUHIN CO., LTD.
Apr 2009 Representative Director & President of CS YAKUHIN CO., LTD.
Jun 2016 Director of the Company
Oct 2016 Director, Vice President & Executive Officer of the Company, Business Development & International Business
Apr 2019 Director, Vice President & Executive Officer of the Company, Corporate Communication, Business Development & International Business
Apr 2020 Director, Senior Vice President & Executive Officer of the Company, Corporate Communication, Business Development & International Business
Jun 2020 Representative Director & President of the Company (present)

2 Seiichi Kishida

Director & Deputy President of the Company, Assistant to the President, Financial Planning, Corporate Communication

Apr 1982 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)
Oct 2008 General Manager of Alfresa Corporation, Accounting Department
Apr 2013 General Manager of Alfresa Corporation, Human Resources Department
Apr 2017 Executive Officer of Alfresa Corporation, General Manager of Human Resources Department
Apr 2018 Executive Officer of the Company, General Manager of Financial Planning
Apr 2019 Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department
Jun 2019 Director, Vice President & Executive Officer of the Company, General Affairs, Financial Planning, General Manager of Financial Planning Department
Apr 2020 Director, Senior Vice President & Executive Officer of the Company, General Affairs, Financial Planning, Compliance, Internal Control
Jun 2020 Director, Senior Vice President & Executive Officer of the Company, General Affairs, Financial Planning, Corporate Communication, Compliance
Jun 2021 Director, Senior Vice President & Executive Officer of the Company, Financial Planning, Corporate Communication, Compliance
Apr 2022 Director of the Company, Deputy President of the Company, Assistant to the President, Financial Planning, Corporate Communication (present)

3 Yusuke Fukujin

Director & Deputy President of the Company, Ethical Pharmaceuticals Wholesaling Business

Apr 2000 Joined Fukujin Co., Ltd. (currently Alfresa Corporation)
Apr 2014 Executive Officer of Alfresa Corporation, General Manager of Sales Planning Department, Sales Division
Oct 2014 Executive Officer of Alfresa Corporation, General Manager of Management Planning Department, Management Strategy Division
Jun 2016 Representative Director & President of Specialty Medical Distribution Corporation
Apr 2019 Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division
Jun 2019 Director, Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division
Apr 2020 Director, Senior Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division
Jun 2020 Representative Director & President of Alfresa Corporation (present) Director of the Company
Apr 2022 Director & Deputy President of the Company, Ethical Pharmaceuticals Wholesaling Business (present)

4 Shigeki Ohashi

Director, Vice President & Executive Officer, Group Business & Affiliate Control, Business Development & International Business

Mar 1988 Joined Showa Pharmaceuticals Co., Ltd. (currently Alfresa Corporation)
Oct 2008 General Manager of Eastern Tokyo Sales Department, Sales Division of Alfresa Corporation
Oct 2016 General Manager of Product Administration Department, Logistics Division of Alfresa Corporation
Apr 2018 Executive Officer of Alfresa Corporation, General Manager of Sales Strategy Department, Pharmaceuticals Sales Division
Oct 2019 Executive Officer of Alfresa Corporation, Deputy General Manager (in Charge of Sales Reforms) of Corporate Business Coordination Division
Apr 2020 Vice President & Executive Officer of the Company, Group Business & Affiliate Control, Group Information System
Jun 2021 Vice President & Executive Officer of the Company, General Affairs, Group Business & Affiliate Control, Group Information System, Human Resources Planning
Apr 2022 Vice President & Executive Officer of the Company, Group Business & Affiliate Control, Business Development & International Business
Jun 2022 Director, Vice President & Executive Officer of the Company, Group Business & Affiliate Control, Business Development & International Business (present)

5 Toshiki Tanaka

Director, Vice President & Executive Officer, General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance

Apr 1986 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
Oct 2012 General Manager of Syndication Department of The Bank of Tokyo-Mitsubishi UFJ Ltd. (currently MUFG Bank, Ltd.)
Jul 2015 Joined Alfresa Corporation, General Manager of Administration Division
Apr 2016 Officer of Alfresa Corporation, Deputy General Manager of Administration Division
Apr 2017 Executive Officer of Alfresa Corporation, Deputy General Manager of Administration Division, General Manager of Accounting Department
Apr 2019 Executive Officer of Alfresa Corporation, General Manager of Management Planning Department, Management Planning Division
Jun 2020 Director, Vice President & Executive Officer of Alfresa Corporation, General Manager of Logistics Division
Apr 2022 Director of Alfresa Corporation
Apr 2022 Vice President & Executive Officer of the Company, General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance
Jun 2022 Director, Vice President & Executive Officer of the Company, General Affairs, Human Resources Planning, Digital Transformation (DX), Compliance (present)

6 Hisashi Katsuki

Director

Oct 1984 Joined Pigeon Corporation
Dec 2001 Managing Executive Officer of Pigeon Corporation
Apr 2004 Director of Pigeon Corporation
Jun 2009 Representative Director & President of TAMPEI NAKATA CO., LTD. (currently Alfresa Healthcare Corporation)
Oct 2011 Representative Director & President of Alfresa Healthcare Corporation (present)
Oct 2014 Representative Director & Chairman of Mogi Pharmaceutical Co., Ltd. (currently Alfresa Healthcare Corporation)
Jun 2017 Director of the Company (present)

7 Koichi Shimada

Director

Apr 1982 Joined Nippon Shoji Kaisha, Ltd. (currently Alfresa Pharma Corporation)
Apr 2008 Executive Officer of Alfresa Pharma Corporation, General Manager of Product Strategy Department
Jun 2010 Director of Alfresa Pharma Corporation
Apr 2012 Director, Vice President & Executive Officer of Alfresa Pharma Corporation
Apr 2014 Director, Senior Vice President & Executive Officer of Alfresa Pharma Corporation
Apr 2016 Director, Deputy President & Executive Officer of Alfresa Pharma Corporation
May 2016 Director of Alfresa Fine Chemical Corporation
Apr 2017 President & CEO of Alfresa Pharma Corporation (present)
May 2017 Director & Chairman of Alfresa Fine Chemical Corporation (present)
Jun 2018 Director of the Company (present)

Outside Directors

1 Takashi Hara

Director (Outside Director)

Apr 1975 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
Jan 2002 Executive Officer of UFJ Bank, Ltd. (currently MUFG Bank, Ltd.)
May 2005 Managing Executive Officer of UFJ Bank, Ltd.
Jan 2006 Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
Jun 2008 Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2009 Senior Managing Director of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2010 Deputy President of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun 2012 Representative Director and Vice Chairman of Sojitz Corporation
Jun 2019 Director, Chairman of the Board of Sojitz Corporation
Jun 2020 Senior Advisor of Sojitz Corporation
Jun 2020 Outside Director of UNIRITA Inc. (present)
Jun 2020 Director of the Company (present)

2 Manabu Kinoshita

Director (Outside Director)

Apr 1978 Joined NEC Corporation
Apr 2008 Senior Vice President of NEC Corporation
Apr 2010 Executive Vice President of NEC Corporation
Jun 2010 Executive Vice President and Member of the Board of NEC Corporation
Jun 2011 Executive Vice President of NEC Corporation
Apr 2016 Senior Executive Vice President of NEC Corporation
Apr 2018 Senior Officer of NEC Corporation
Jun 2020 Director of the Company (present)
Jun 2020 Chairman, Nomination and Remuneration Committee for Directors and Executive Officers of the Company (present)
Jun 2020 Outside Director of Sumitomo Metal Mining Co., Ltd. (present)

3 Toshie Takeuchi

Director (Outside Director)

Apr 1978 Joined The Lion Fat and Oil Co., Ltd. (currently Lion Corporation)
Jul 2001 Joined Dentsu EYE Inc.
Apr 2002 Visiting Professor, Graduate School of Sociology, Hosei University
Apr 2003 Professor, Faculty of Business Administration, Hosei University (present)
Apr 2012 Dean of Graduate School of Business Administration, Hosei University
Apr 2014 Dean of Faculty of Business Administration, Hosei University
Apr 2016 Director of Hosei University Career Center
Jun 2020 Director of the Company (present)

4 Kimiko Kunimasa

Director (Outside Director)

Mar 1982 Joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.)
Jun 2000 Director of Benesse Corporation
Jan 2002 Representative Director & President of Benesse Care Corporation (currently Benesse Style Care Co., Ltd.)
Dec 2003 Director of Benesse Style Care Co., Ltd.
Jun 2008 General Manager of Human Resources and General Affairs Division of Benesse Corporation
Oct 2010 CHO of Benesse Holdings, Inc.
Apr 2012 Director of Benesse Corporation
Jun 2013 Director and Executive Vice President of Benesse Style Care Co., Ltd
Jun 2022 Director of the Company (present)





Management Team

As of June 28, 2022

Audit & Supervisory Board Members

1 Masakazu Ozaki

Audit & Supervisory Board Member (Standing)

Apr 1984 Joined The Sanwa Bank, Ltd. (currently MUFG Bank, Ltd.)
Jan 2002 Deputy General Manager, International Treasury & Trading Department (Tokyo) of UFJ Bank Ltd. (currently MUFG Bank, Ltd.)
Jan 2006 Senior Assistant General Manager, East Asian Global Markets Division of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
Apr 2014 Joined the Company, General Manager of International Department
Apr 2015 General Manager of the Company, International Business & Business Development Department
Jun 2020 Audit & Supervisory Board Member (Standing) of the Company (present)

2 Yuji Ueda

Audit & Supervisory Board Member (Standing)

Apr 1983 Joined DAIWA Pharmaceutical Wholesalers Co., Ltd. (currently Shikoku Alfresa Corporation)
Apr 2003 Executive Officer of DAIWA Pharmaceutical Wholesalers Co., Ltd.
Oct 2005 Executive Officer of Shikoku Alfresa Corporation
Apr 2007 General Manager in charge of Group Administration and Affiliate Control Department of the Company
Apr 2011 General Manager of Business Administration Department and General Manager in charge of Group Administration and Group Business & Affiliate Control Department of the Company
Jul 2012 General Manager of Group Business & Affiliate Control Department of the Company
Apr 2013 General Manager of Audit Department of the Company
Jul 2014 General Manager of Business Administration Department and General Affairs Department of the Company
Apr 2015 Executive Officer of the Company, General Manager of Business Administration Department and General Affairs Department
Oct 2016 Executive Officer of the Company, General Manager of General Affairs Department
Apr 2017 Executive Officer of the Company, General Manager of Internal Control & Legal Department
Oct 2018 Executive Officer of the Company, General Manager of Audit Department
Jun 2022 Audit & Supervisory Board Member (Standing) of the Company (present)

3 Seisui Kamigaki

Audit & Supervisory Board Member (Outside)

Apr 1973 Prosecutor of Tokyo District Public Prosecutors Office
Oct 2000 Chief Prosecutor of Naha District Public Prosecutors Office
Sep 2003 Director-General, General Affairs Department, Supreme Public Prosecutors Office
Dec 2004 Chief Prosecutor of Chiba District Public Prosecutors Office
Aug 2005 Chief Prosecutor of Yokohama District Public Prosecutors Office
Jul 2007 Commissioner of Japan Fair Trade Commission
Jul 2012 Attorney at law of Hibiya Sogo Law Offices (present)
Jun 2013 Audit & Supervisory Board Member of the Company (present)
Outside Audit & Supervisory Board Member of Mitsubishi Shokuhin Co., Ltd. (present)
May 2015 Outside Director (Audit and Supervisory Committee Member) of YONDOSHI HOLDINGS INC.
Jun 2015 Outside Director of Universal Entertainment Corporation
Jun 2019 Outside Director of KOSAIDO Co., Ltd.

4 Yoshitaka Kato

Audit & Supervisory Board Member (Outside)

Oct 1983 Joined Pricewaterhouse (currently PricewaterhouseCoopers Aarata LLC)
Oct 1990 Joined Fidelity Investments Management (Japan) Limited (currently FIL Investments (Japan) Limited)
May 1994 Joined Yamada Accounting Office (currently Yamada & Partners Certified Public Tax Accountants' Co.)
Nov 1999 Partner of YUSEI Audit & Co. (currently Grant Thornton Taiyo LLC)
Mar 2002 Managing Partner of YUSEI Audit & Co. (currently Grant Thornton Taiyo LLC)
Jan 2010 CEO of YUSEI Advisory Co., Ltd.
Jan 2017 Chairman, Partner of YUSEI Audit & Co. (currently Grant Thornton Taiyo LLC)
Jun 2017 Audit & Supervisory Board Member of the Company (present)
Jul 2018 CEO of Crowe ProC.A Inc. (currently ProC.A Inc.) (present)
May 2019 Outside Director of TWINBIRD CORPORATION (present)
Aug 2019 Executive Managing Partner of Shinwa Audit & Co.
Feb 2022 Outside Director of SBI SAVINGS BANK (present)

5 Takashi Ito

Audit & Supervisory Board Member (Outside)

Apr 1988 Registered as an attorney at law (Daini Tokyo Bar Association)
Oct 2002 Established Shin-yotsuya Law Offices
Apr 2005 Vice President of Daini Tokyo Bar Association
Apr 2008 Deputy Secretary General of Japan Federation of Bar Associations
Apr 2011 Director of Public Relations Office of Daini Tokyo Bar Association
Apr 2012 Special Staff Attorney, Office of Secretary General of Japan Federation of Bar Associations
Apr 2016 Executive Governor of Japan Federation of Bar Associations
Apr 2017 President of Daini Tokyo Bar Association
Apr 2017 Vice President of Japan Federation of Bar Associations
Apr 2017 Executive Governor of Kanto Federation of Bar Associations
Jun 2018 Audit & Supervisory Board Member of the Company (present)
Jun 2019 Outside Director of JIO Corporation (present)
Oct 2020 Established ITO & WASEMOTO LAW OFFICE (present)



Message from the New Outside Director



Kimiko Kunimasa joined Fukutake Publishing Co., Ltd. (currently Benesse Holdings, Inc.), in 1982. After serving as director of Benesse Style Care Co., Ltd., in 2003, she became director and executive vice president of Benesse Style Care. She was appointed outside director of the Company in 2022.

Kimiko Kunimasa
Outside Director

Utilizing my own experience, I will contribute to the development of our business.

Expansion of Business Opportunities with Development of the Community-Based Integrated Care System

My name is Kimiko Kunimasa, and I was recently appointed an outside director of the Alfresa Group. My experience ranges from online education to nursing care and Groupwide CHO. Recently, in the nursing care business, I have been spending every day trying to find ways to improve the quality of life of customers and find how a business can succeed within the constraints of the national nursing care system.

The Alfresa Group's strategy is linked to the nation's advancement of the Community-Based Integrated Care System. The healthcare and nursing care systems support the livelihoods of the elderly, and most elderly people take medicines. As an example, nursing care providers will examine the content of medicines taken by elderly people to prevent injuries from falling during the night and strive to reduce drug dosages while consulting with doctors so that their patients can stay alert during the daytime. If people are living in elderly care homes, it is possible to resolve issues there through help from partner medical institutions and dispensing pharmacies. In the future, however, I think the number of elderly people receiving care while living alone at home will increase. It will be necessary for them to establish connections with healthcare and nursing care providers that can support their well-being. I believe the Alfresa Group can be in the position to play this role. The Company should see an increase in business opportunities if the scope of its operations expands to include health management in addition to nursing care.

Human resources are the "strength" of corporations

In the 22–24 Mid-term Management Plan, the Company intends to advance a human resource strategy centered on diversity. Having experience as a manager of human resources, I strongly believe that people determine the strength of a corporation. How can people be trained into the human resources we need? First, it is important that the principles of the Alfresa Group are treated not just as words but are thoroughly instilled in the behavior of employees. This behavior also stands at the center of our awareness of compliance. Next, employees set their sights on achieving ambitious goals with the support of their managers. Employees are educated with the knowledge necessary to obtain advanced skills. Then, employees take on challenges that at first look somewhat difficult, regardless of their age or gender. By repeating this process, they can grow.

The Alfresa Group is also proactively advancing women within its organization. At a company at which I worked previously, the ratio of women in management positions was higher than 30%. However, it was not like this from the beginning. Women who continued their careers while raising children were promoted to management positions for the first time, and these pioneers were recognized by their superiors and supported by their companies' systems to gain even more individual experience. The Alfresa Group can achieve the same outcome.

As a member of the Alfresa Group, which aims to "create and deliver fulfilling lifestyles for everyone," I will do my best to understand its businesses and employee awareness. Leveraging my experience as an outside director, I will supervise and advise business execution from an objective standpoint and contribute to the development of our businesses through free-spirited discussions about management from multiple angles.

11-Year Financial Summary

(For the fiscal years as of / ended March 31)

For detailed financial information, please refer to the Alfresa Group Financial Section 2022.

Millions of Yen

	2012.3	2013.3	2014.3	2015.3		2016.3	2017.3	2018.3	2019.3	2020.3	2021.3	**2022.3**
For the Year:												
Net sales	2,333,256	2,387,511	2,504,504	2,421,162		2,576,405	2,551,801	2,602,917	2,640,511	2,698,511	2,610,427	**2,585,643**
Gross profit	144,031	159,357	171,544	165,755		197,194	182,565	193,554	201,310	207,122	182,794	**187,468**
Selling, general and administrative expenses	134,653	135,811	136,580	136,527		151,905	149,336	151,798	156,526	159,476	154,864	**158,377**
Operating income	9,377	23,546	34,964	29,228		45,289	33,228	41,756	44,783	47,645	27,929	**29,091**
Ordinary profit	18,326	32,279	44,561	38,985		55,489	43,628	51,861	55,138	57,170	31,918	**32,576**
Profit attributable to owners of the parent	6,604	20,771	25,566	22,922		34,975	30,893	35,589	41,724	40,273	24,501	**32,182**
Depreciation and amortization (cash flow-based)	8,142	8,836	8,871	8,258		9,218	9,151	9,258	9,565	10,885	11,241	**12,200**
Capital expenditures (cash flow-based)	9,223	6,811	20,992	15,968		14,461	13,687	12,483	13,809	20,700	19,032	**17,210**
At Year-End:												
Net assets	244,015	283,956	305,436	354,123		368,727	393,550	435,934	442,081	474,898	489,957	**471,835**
Total assets	1,077,378	1,189,241	1,169,546	1,220,781		1,253,494	1,255,922	1,337,450	1,341,964	1,351,619	1,316,658	**1,303,991**
Interest-bearing debt	9,325	8,816	7,212	6,341		7,112	6,557	6,654	6,755	7,170	6,174	**5,040**
Common stock outstanding*1 (thousands of shares)	207,890	235,017	235,017	235,017		235,017	235,017	235,017	235,017	235,017	235,017	**235,017**
Per Share Data*1 (Yen):												
Earnings per share	32.24	97.48	115.51	102.48		158.99	142.58	164.25	195.91	190.26	115.75	**153.57**
Net assets per share	1,169.28	1,281.94	1,379.04	1,576.07		1,691.63	1,810.68	2,006.53	2,083.03	2,237.89	2,313.66	**2,330.36**
Dividend per share	22.50	23.25	26.00	29.75		33.00	36.00	39.00	48.00	50.00	53.00	**54.00**
Main Financial Indicators:												
Selling, general and administrative expenses to net sales (%)	5.77	5.69	5.45	5.64		5.90	5.85	5.83	5.93	5.91	5.93	**6.13**
Operating income margin (%)	0.40	0.99	1.40	1.21		1.76	1.30	1.60	1.70	1.77	1.07	**1.13**
Return on equity (ROE) (%)	2.8	7.9	8.7	7.0		9.7	8.1	8.6	9.5	8.8	5.1	**6.7**
Return on assets (ROA) (%)	0.6	1.8	2.2	1.9		2.8	2.5	2.7	3.1	3.0	1.8	**2.5**
Total assets turnover (times)	2.16	2.11	2.12	2.03		2.08	2.03	2.01	1.97	2.00	1.96	**1.97**
Receivables turnover period (months)	2.88	2.84	2.80	2.98		2.82	2.85	2.80	2.79	2.69	2.73	**2.77**
Inventory turnover period (months)	0.64	0.65	0.64	0.65		0.62	0.62	0.61	0.61	0.63	0.68	**0.68**
Payable turnover period (months)	4.01	4.03	3.88	3.93		3.68	3.71	3.69	3.71	3.59	3.57	**3.50**
Owners' equity ratio (%)	22.2	23.9	26.1	28.9		29.2	31.2	32.5	32.9	35.0	37.2	**36.2**
Dividend on equity (DOE) (%)	2.0	1.9	2.0	2.0		2.0	2.1	2.0	2.3	2.3	2.3	**2.3**
Payout ratio (%)	69.8	23.9	22.5	29.0		20.8	25.2	23.7	24.5	26.3	45.8	**35.2**
Cash Flows:												
Cash flows from operating activities	14,620	82,339	(27,507)	35,813		37,836	34,342	47,575	46,880	33,828	(21,191)	**36,546**
Cash flows from investing activities	(15,578)	(1,870)	(21,769)	(6,583)		(15,245)	(13,409)	(10,154)	(12,947)	(17,024)	(4,732)	**2,304**
Cash flows from financing activities	(10,321)	(8,067)	(8,643)	(8,011)		(25,996)	(11,807)	(9,865)	(24,860)	(12,617)	(14,472)	**(29,151)**
Free cash flow	(958)	80,468	(49,277)	29,230		22,590	20,932	37,421	33,933	16,803	(25,924)	**38,850**
Number of employees*2 (people)	13,170	13,510	13,434	14,020		14,556	14,609	14,629	14,718	14,562	14,468	**14,282**

Note: From the fiscal year ended March 31, 2021, the Company changed its accounting policies, including the adoption of the Accounting Standard for Revenue Recognition, and changed the presentation of information fees. Figures for the fiscal year ended March 31, 2021, have been retroactively adjusted to reflect changes in the presentation of information fees.

*1 The Company implemented a 4-for-1 stock split of ordinary shares on October 1, 2014. Accordingly, the total number of shares issued and the amount per share have been stated retroactively to reflect this stock split.
*2 Includes the number of part-time and temporary workers (2,357 annual average)

Analysis of Financial Status

Analysis of Management Results

Beginning in the consolidated fiscal year under review (April 1, 2021–March 31, 2022), the Alfresa Group has adopted the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, issued on March 31, 2020), changing the method used to present information fees received and other items. Financial figures for the previous fiscal year have been restated to reflect changes in the presentation of information fees received and other items.

During the fiscal year's upward revisions, the Japanese economy had some areas of weakness, such as consumer spending, amid the lingering effects of the COVID-19 pandemic, even though other areas of the economy continued to rebound, especially capital investment.

Under these circumstances, in line with its mission to provide life-related products as a part of social infrastructure, the Alfresa Group made every effort to reliably supply pharmaceuticals and other products while ensuring the safety of Group employees and the employees at its suppliers by taking steps to prevent the spread of COVID-19.

Under the previous three-year medium-term management plan, the 19–21 Mid-term Management Plan: The Challenge of Further Growth "Together with Health, Together with Communities," the Alfresa Group advanced policies to "build up a Group collaboration structure," "reform business models," "contribute to the health of community members," "further improve productivity," and "develop talent."

In the consolidated fiscal year under review, the Alfresa Group posted net sales of ¥2,585,643 million, down 0.9% year on year; operating income of ¥29,091 million, up 4.2% year on year; ordinary profit of ¥32,576 million, up 2.1% year on year; and profit attributable to owners of the parent of ¥32,182 million, up 31.3% year on year.

The adoption of the Accounting Standard for Revenue Recognition had the effect of decreasing net sales by ¥18,779 million and operating income by ¥24 million, while changes to the presentation of information fees received had the effect of increasing both net sales and operating income by ¥7,788 million.

In June 2021, a consolidated subsidiary, Alfresa Corporation (head office: Chiyoda Ward, Tokyo), received a judgment to pay a fine of ¥250 million by the Tokyo District Court for violating the Antimonopoly Act in relation to parts for supplying ethical pharmaceuticals to the Japan Community Health Care Organization (JCHO). In March 2022, Alfresa Corporation received a cease and desist order and a surcharge payment order from the Fair Trade Commission for a suspected violation of the Antimonopoly Act.

In November 2021, Alfresa Corporation was subject to an on-site inspection by the Fair Trade Commission on suspicion of violating the Antimonopoly Act regarding the bidding for ethical pharmaceuticals procured by hospitals located in the Kyushu region that are operated by the National Hospital Organization (NHO) and the Japan Organization of Occupational Health and Safety (JOHAS).

Analysis of Financial Position

The Alfresa Group's total assets as of the end of the consolidated fiscal year under review stood at ¥1,303,991 million, down ¥12,666 million from the previous fiscal year-end.

Current assets increased ¥23,990 million year on year, to ¥1,016,471 million. This mainly reflected increases of ¥10,158 million in cash and deposits, ¥9,145 million in accounts receivable, and ¥9,838 million in "other," such as return assets, despite decreases of ¥1,545 million in merchandise and finished goods, ¥2,384 million in accounts receivable, and an increase of ¥1,549 million in allowance for doubtful accounts.

Non-current assets decreased ¥36,657 million, to ¥287,520 million. This was mainly attributable to a decrease in investment securities of ¥40,373 million due to the sale of stocks, etc., despite an increase in property, plant and equipment of ¥3,814 million due to capital investment in distribution centers, and so forth.

The Alfresa Group's total liabilities as of the end of the consolidated fiscal year under review stood at ¥832,156 million, up ¥5,455 million from the previous fiscal year-end.

Current liabilities increased ¥18,883 million, to ¥802,813 million. The main factors were increases of ¥1,392 million in trade notes and accounts payable, ¥7,026 million in income taxes payable, and ¥10,498 million in "other," such as sales return liabilities.

Long-term liabilities fell ¥13,428 million, to ¥29,343 million. The main changes were decreases of ¥596 million in lease obligations, ¥10,541 million in deferred tax liabilities, and ¥1,158 million in net defined benefit liability.

As a result, the Alfresa Group's net assets as of the end of the consolidated fiscal year under review decreased ¥18,122 million, to ¥471,835 million. Despite an increase of ¥20,555 million in retained earnings, this reflected an increase of ¥15,254 million in treasury stock due to the acquisition of shares as a part of shareholder returns, and a decrease of ¥23,222 million in unrealized gains on available-for-sale securities in accordance with the sale of shareholdings.

Analysis of Cash Flows

At the end of the consolidated fiscal year under review, cash and cash equivalents stood at ¥179,108 million, up ¥10,047 million from the previous fiscal year-end.

Net cash provided by operating activities was ¥36,546 million (¥21,191 million used in the previous fiscal year), with profit before income taxes of ¥48,180 million, a year-on-year increase of ¥11,648 million, and year-on-year decreases in accounts payable and income taxes paid.

Net cash provided by investing activities amounted to ¥2,304 million (¥4,732 million used in the previous fiscal year). This reflected an increase in proceeds from the sale of investment securities for the purpose of reducing shareholdings, as well as payments for capital investment in the construction of logistics centers and business acquisitions.

Net cash used in financing activities totaled ¥29,151 million (¥14,472 million used in the previous fiscal year). The main factors were an increase in cash dividends paid in line with a dividend hike, and an increase in payments for the purchase of treasury stock as a part of shareholder returns.

Outlook for the Fiscal Year Ending March 31, 2023

We forecast flat growth in the ethical pharmaceuticals market over the medium term, considering the various changes in the operating environment, such as reforms to the NHI drug price system, government incentives for generic drugs and reducing prices for long-listed drugs, as well as expansion in specialty pharmaceuticals and regenerative medicine products.

In the national medical care system, through the Guidelines for the Improvement of Commercial Transaction Practices of Ethical Drugs for Manufacturers, Wholesalers, and Medical Institutions / Pharmacies that took effect in April 2018, we project that further initiatives on distribution reform will be promoted among all players involved in ethical pharmaceuticals distribution such as pharmaceuticals wholesalers and manufacturers, hospitals, and dispensing pharmacies.

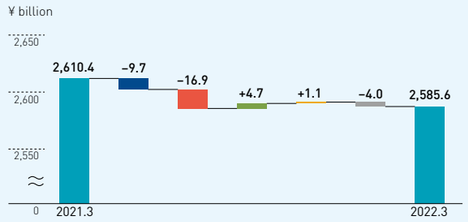
Moreover, while the Community Health Care Vision for medical care and nursing care services in 2025 is taking shape, the advance of the Community-Based Integrated Care System will bring changes in each municipality regarding the supply structure of medical care and nursing care services. These changes may influence the relationships of the Alfresa Group with the medical institutions and dispensing pharmacies that are its customers as well as the pharmaceuticals manufacturers that are its suppliers. In terms of the social environment, while the number of elderly people will increase and the working population will decrease, there is potential for dramatic technological innovation that could have a significant impact on the workstyles of employees.

The Alfresa Group has an integrated supply chain for medical and pharmaceutical products, extending from manufacturing and wholesaling pharmaceuticals and other products to operating dispensing pharmacies. We deliver health-related products and services, including ethical pharmaceuticals, to more than 170,000 customers, including medical institutions and pharmacies throughout Japan, with high productivity among ethical pharmaceuticals wholesalers. Our unique competitive advantages as a group that supports the social infrastructure of "pharmaceuticals distribution" are based on "our valuable people," "management foundation," and "financial foundation." We will sustainably expand our business portfolio to achieve Our Vision—"We aim to become a Healthcare Consortium that provides products and services in every health-related field"—as stated in the Alfresa Group's principles. As the No. 1* ethical pharmaceuticals wholesaler in Japan, the Alfresa Group will transform itself in advance of the changes in the management environment by steadily carrying out the main strategies in the 22–24 Mid-term Management Plan. By increasing productivity and further improving management efficiency, the Group aims to continuously increase its corporate value.

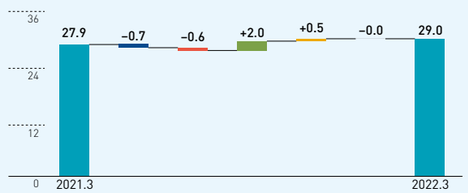
For the fiscal year ending March 31, 2023, the Alfresa Group forecasts consolidated net sales of ¥2,618 billion, operating income of ¥29.5 billion, ordinary profit of ¥32.8 billion, and profit attributable to owners of the parent of ¥21.2 billion. The Company expects sales of ethical pharmaceuticals to increase, owing to fading impact from the bidding nomination suspension from medical institutions due to violations of the Antimonopoly Act through the previous fiscal year. However, management anticipates an increase in logistics costs and an impact from NHI drug price revisions in April 2022. The Alfresa Group's consolidated earnings might be negatively impacted if the COVID-19 pandemic worsens in the fiscal year ending March 31, 2023.

* Source: *Pharmaceuticals Industry Rankings: Ranking of 10 Largest Wholesaler Groups* (Drug Magazine Co., Ltd.)

Net Sales



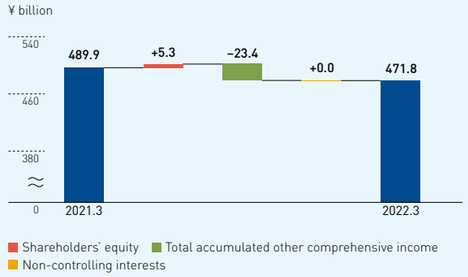
Operating Income



Total Assets



Net Assets



Consolidated Financial Statements

Alfresa Holdings Corporation and consolidated subsidiaries
As of March 31, 2022 and 2021

Consolidated Balance Sheets

ASSETS	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Current assets:			
Cash and cash equivalents	**¥ 179,108**	¥ 169,060	**$ 1,463,420**
Receivables:			
Trade notes and accounts	**—**	593,343	**—**
Trade notes	**11,836**	—	**96,707**
Trade accounts	**590,652**	—	**4,825,982**
Other	**76,744**	79,128	**627,044**
Allowance for doubtful accounts	**(2,252)**	(702)	**(18,400)**
	676,979	671,768	**5,531,326**
Inventories:			
Merchandise and finished goods	**140,156**	141,702	**1,145,158**
Work in process	**1,294**	1,314	**10,572**
Raw materials and supplies	**5,439**	5,032	**44,439**
	146,891	148,049	**1,200,187**
Other	**13,492**	3,602	**110,237**
Total current assets	**1,016,471**	992,480	**8,305,180**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**2,375**	3,033	**19,405**
Investment securities	**85,143**	124,859	**695,669**
Net defined benefit asset	**5,929**	6,559	**48,443**
Long-term receivables:			
Long-term loans receivable	**1,228**	1,458	**10,033**
Other	**5,180**	5,999	**42,323**
Allowance for doubtful accounts	**(3,774)**	(4,223)	**(30,835)**
	2,633	3,234	**21,513**
Deferred tax assets	**855**	1,106	**6,985**
Other	**9,016**	9,004	**73,666**
Total investments and other assets	**105,954**	147,797	**865,707**
Property, plant and equipment:			
Land	**70,018**	66,255	**572,089**
Buildings and structures	**121,876**	119,496	**995,800**
Machinery, equipment, vehicles, tools and fixtures	**52,003**	50,327	**424,895**
Leased assets	**7,576**	7,451	**61,900**
Construction in progress	**6,003**	2,936	**49,048**
	257,478	246,468	**2,103,750**
Less accumulated depreciation	**(94,719)**	(87,524)	**(773,911)**
Net property, plant and equipment	**162,758**	158,943	**1,329,830**
Intangible assets	**18,807**	17,436	**153,664**
	¥1,303,991	¥1,316,658	**$10,654,391**

LIABILITIES AND NET ASSETS	Millions of Yen 2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Current liabilities:			
Long-term borrowings due within one year	**¥ 48**	¥ 240	**$ 392**
Long-term lease obligations due within one year	**1,747**	1,702	**14,274**
Payables:			
Trade notes and accounts	**755,250**	753,857	**6,170,847**
Other	**10,754**	13,484	**87,866**
	766,004	767,341	**6,258,713**
Accrued expenses	**1,974**	1,849	**16,128**
Income taxes payable	**10,922**	3,895	**89,239**
Provision for employees' bonuses	**6,835**	6,264	**55,846**
Provision for bonuses to directors and corporate auditors	**407**	332	**3,325**
Provision for stock compensation for employees	**44**	—	**359**
Provision for stock compensation for directors and corporate auditors	**59**	—	**482**
Provision for sales rebates	**—**	96	**—**
Provision for sales returns	**—**	540	**—**
Other	**14,769**	1,665	**120,671**
Total current liabilities	**802,813**	783,929	**6,559,465**
Long-term liabilities:			
Long-term borrowings	**—**	389	**—**
Long-term lease obligations	**3,244**	3,841	**26,505**
Net defined benefit liability	**8,075**	9,233	**65,977**
Deferred tax liabilities	**11,614**	22,155	**94,893**
Deferred tax liabilities for land revaluation	**436**	436	**3,562**
Asset retirement obligations	**996**	947	**8,137**
Provision for employees' bonuses	**—**	84	**—**
Provision for bonuses to directors and corporate auditors	**—**	117	**—**
Provision for loss on Antimonopoly Act	**3,994**	4,567	**32,633**
Other	**980**	996	**8,007**
Total long-term liabilities	**29,343**	42,771	**239,749**
Contingent liabilities			
Net assets:			
Shareholders' equity:			
Common stock:			
Authorized—540,000,000 shares			
Issued—235,017,600 shares in 2022 and 2021	**18,454**	18,454	**150,780**
Capital surplus	**101,660**	101,660	**830,623**
Retained earnings	**352,015**	331,459	**2,876,174**
Less treasury stock, at cost—32,648,047 shares in 2022 and 23,345,329 shares in 2021	**(44,625)**	(29,370)	**(364,613)**
Total shareholders' equity	**427,504**	422,203	**3,492,965**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities, net of taxes	**44,760**	67,983	**365,716**
Unrealized gains (losses) on deferred hedge, net of taxes	**0**	(0)	**0**
Revaluation reserve for land, net of taxes	**(3,360)**	(3,657)	**(27,453)**
Foreign currency translation adjustments	**200**	75	**1,634**
Remeasurements of defined benefit plans, net of taxes	**2,487**	3,132	**20,320**
Total accumulated other comprehensive income	**44,088**	67,533	**360,225**
Non-controlling interests	**241**	221	**1,969**
Total net assets	**471,835**	489,957	**3,855,176**
	¥1,303,991	¥1,316,658	**$10,654,391**

Consolidated Financial Statements

Alfresa Holdings Corporation and consolidated subsidiaries
Years ended March 31, 2022 and 2021

Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Net sales	**¥2,585,643**	¥2,610,427	**$21,126,260**
Cost of sales	**2,398,174**	2,427,632	**19,594,525**
Gross profit	**187,468**	182,794	**1,531,726**
Selling, general and administrative expenses	**158,377**	154,864	**1,294,035**
Operating income	**29,091**	27,929	**237,690**
Other income (expenses):			
Interest and dividend income	**2,290**	2,370	**18,710**
Real estate lease revenue	**611**	714	**4,992**
Interest expense	**(73)**	(85)	**(596)**
Write-down of investment securities	**(2,164)**	(746)	**(17,681)**
Loss on disposal of property, plant and equipment	**(140)**	(162)	**(1,143)**
Expenses for rental property	**(182)**	(221)	**(1,487)**
Commission expenses	**(112)**	—	**(915)**
Loss on impairment of property, plant and equipment	**(967)**	(880)	**(7,900)**
Gain on sale of property, plant and equipment, net	**128**	506	**1,045**
Gain on sale of investment securities, net	**18,817**	10,772	**153,746**
Merger expenses	**—**	(310)	**—**
Provision for loss on Antimonopoly Act	**—**	(4,567)	**—**
Other, net	**880**	1,211	**7,190**
	19,088	8,601	**155,960**
Profit before income taxes	**48,180**	36,531	**393,659**
Income taxes:			
Current	**15,879**	11,781	**129,740**
Deferred	**97**	257	**792**
	15,977	12,038	**130,541**
Profit	**¥ 32,202**	¥ 24,492	**$ 263,109**
Profit (loss) attributable to:			
Owners of the parent	**¥ 32,182**	¥ 24,501	**$ 262,946**
Non-controlling interests	**20**	(8)	**163**
Other comprehensive income:			
Unrealized (losses) gains on available-for-sale securities, net of taxes	**(23,222)**	1,081	**(189,737)**
Unrealized gains (losses) on deferred hedge, net of taxes	**0**	(0)	**0**
Foreign currency translation adjustments	**125**	10	**1,021**
Remeasurements of defined benefit plans, net of taxes	**(645)**	1,535	**(5,270)**
Total other comprehensive income	**(23,741)**	2,626	**(193,978)**
Comprehensive income	**¥ 8,461**	¥ 27,119	**$ 69,131**
Comprehensive income attributable to:			
Owners of the parent	**¥ 8,440**	¥ 27,127	**$ 68,959**
Non-controlling interests	**20**	(8)	**163**

	Yen		U.S. Dollars
	2022	2021	2022
Per share amounts:			
Profit attributable to owners of the parent	**¥153.57**	¥115.75	**$1.25**
Cash dividends applicable to the year	**54.00**	53.00	**0.44**

Consolidated Statements of Changes in Net Assets

Millions of Yen

		Shareholders' equity					Accumulated other comprehensive income							
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains (losses) on deferred hedge, net of taxes	Revaluation reserve for land, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	Total
Balance at April 1, 2020	235,017,600	¥18,454	¥101,958	¥317,752	¥(29,368)	¥408,797	¥ 66,901	¥(0)	¥(3,658)	¥ 65	¥1,597	¥ 64,905	¥1,196	¥474,898
Cash dividends paid at ¥53.00 per share				(10,795)		(10,795)								(10,795)
Profit attributable to owners of the parent				24,501		24,501								24,501
Treasury stock acquired					(2)	(2)								(2)
Change in the parent's equity arising from transactions with non-controlling shareholders			(298)			(298)								(298)
Reversal of revaluation reserve for land				0		0								0
Net changes in items other than shareholders' equity							1,081	(0)	1	10	1,535	2,628	(975)	1,652
Balance at March 31, 2021	235,017,600	¥18,454	¥101,660	¥331,459	¥(29,370)	¥422,203	¥ 67,983	¥(0)	¥(3,657)	¥ 75	¥3,132	¥ 67,533	¥ 221	¥489,957
Cumulative effects of changes in accounting policies				(69)		(69)								(69)
Restated balance		¥18,454	¥101,660	¥331,390	¥(29,370)	¥422,134	¥ 67,983	¥(0)	¥(3,657)	¥ 75	¥3,132	¥ 67,533	¥ 221	¥489,888
Cash dividends paid at ¥54.00 per share				(11,430)		(11,430)								(11,430)
Profit attributable to owners of the parent				32,182		32,182								32,182
Treasury stock acquired					(15,254)	(15,254)								(15,254)
Sale of treasury stock			(0)		0	0								0
Increase by merger				169		169								169
Reversal of revaluation reserve for land				(296)		(296)								(296)
Net changes in items other than shareholders' equity							(23,222)	0	296	125	(645)	(23,444)	20	(23,424)
Balance at March 31, 2022	235,017,600	¥18,454	¥101,660	¥352,015	¥(44,625)	¥427,504	¥ 44,760	¥ 0	¥(3,360)	¥200	¥2,487	¥ 44,088	¥ 241	¥471,835

Thousands of U.S. Dollars

	Shareholders' equity					Accumulated other comprehensive income							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities, net of taxes	Unrealized gains (losses) on deferred hedge, net of taxes	Revaluation reserve for land, net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income	Non-controlling interests	Total
Balance at April 1, 2021	$150,780	$830,623	$2,708,219	$(239,970)	$3,449,652	$ 555,462	$(0)	$(29,879)	$ 612	$25,590	$ 551,785	$1,805	$4,003,243
Cumulative effects of changes in accounting policies			(563)		(563)								(563)
Restated balance	$150,780	$830,623	$2,707,655	$(239,970)	$3,449,088	$ 555,462	$(0)	$(29,879)	$ 612	$25,590	$ 551,785	$1,805	$4,002,679
Cash dividends paid at $0.44 per share			(93,389)		(93,389)								(93,389)
Profit attributable to owners of the parent			262,946		262,946								262,946
Treasury stock acquired				(124,634)	(124,634)								(124,634)
Sale of treasury stock		(0)		0	0								0
Increase by merger			1,380		1,380								1,380
Reversal of revaluation reserve for land			(2,418)		(2,418)								(2,418)
Net changes in items other than shareholders' equity						(189,737)	0	2,418	1,021	(5,270)	(191,551)	163	(191,388)
Balance at March 31, 2022	$150,780	$830,623	$2,876,174	$(364,613)	$3,492,965	$ 365,716	$ 0	$(27,453)	$1,634	$20,320	$ 360,225	$1,969	$3,855,176

Consolidated Financial Statements

Alfresa Holdings Corporation and consolidated subsidiaries
Years ended March 31, 2022 and 2021

Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 48,180	¥ 36,531	$ 393,659
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	12,200	11,241	99,681
Loss on impairment of property, plant and equipment	967	880	7,900
Amortization of goodwill	624	627	5,098
Increase (decrease) in allowance for doubtful accounts	1,099	(977)	8,979
Increase (decrease) in provision for employees' bonuses	454	(1,209)	3,709
(Decrease) increase in provision for bonuses to directors and corporate auditors	(42)	39	(343)
Decrease in net defined benefit liability	(1,502)	(1,568)	(12,272)
Interest and dividend income	(2,290)	(2,370)	(18,710)
Interest expense	73	85	596
Gain on sale of property, plant and equipment, net	(128)	(506)	(1,045)
Loss on disposal of property, plant and equipment	140	162	1,143
Gain on sale of investment securities, net	(18,817)	(10,772)	(153,746)
Write-down of investment securities	2,164	746	17,681
Merger expenses	—	310	—
(Increase) decrease in trade notes and accounts receivable	(7,977)	4,408	(65,176)
Decrease in inventories	1,648	933	13,465
Decrease (increase) in other receivable	509	(221)	4,158
Increase (decrease) in trade notes and accounts payable	951	(44,958)	7,770
Other, net	5,092	1,227	41,604
	43,349	(5,390)	354,187
Interest and dividends received	2,290	2,371	18,710
Interest paid	(73)	(85)	(596)
Income taxes paid	(9,020)	(18,086)	(73,698)
Net cash provided by (used in) operating activities	36,546	(21,191)	298,602
Cash flows from investing activities:			
Net increase in time deposits	(24)	(84)	(196)
Payments for purchase of property, plant and equipment	(15,002)	(15,054)	(122,575)
Proceeds from sale of property, plant and equipment	386	1,759	3,153
Payments for purchase of intangible assets	(1,986)	(3,157)	(16,226)
Payments for acquisition of long-term prepaid expense	(221)	(820)	(1,805)
Payments for purchase of investment securities	(1,279)	(2,236)	(10,450)
Proceeds from sale of investment securities	24,977	14,687	204,077
Proceeds from redemption of securities	59	10	482
Advances of loans receivable	(143)	(55)	(1,168)
Repayments of loans receivable	172	266	1,405
Payments for acquisition of businesses	(4,584)	—	(37,454)
Other, net	(49)	(48)	(400)
Net cash provided by (used in) investing activities	2,304	(4,732)	18,825

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Cash flows from financing activities:			
Net decrease in short-term borrowings	—	(250)	—
Repayments of long-term borrowings	(581)	(320)	(4,747)
Repayments of lease obligations	(1,885)	(1,831)	(15,401)
Payments for purchase of treasury stock	(15,254)	(2)	(124,634)
Proceeds from sale of treasury stock	0	—	0
Cash dividends paid	(11,430)	(10,795)	(93,389)
Dividends paid to non-controlling interests	—	(6)	—
Purchase of shares of subsidiary not resulting in change in scope of consolidation	—	(1,265)	—
Net cash used in financing activities	(29,151)	(14,472)	(238,181)
Foreign currency translation gain on cash and cash equivalents	67	4	547
Net increase (decrease) in cash and cash equivalents	9,765	(40,391)	79,785
Cash and cash equivalents at beginning of the year	169,060	209,264	1,381,322
Increase in cash and cash equivalents resulting from merger	282	187	2,304
Cash and cash equivalents at end of the year	¥179,108	¥169,060	$1,463,420

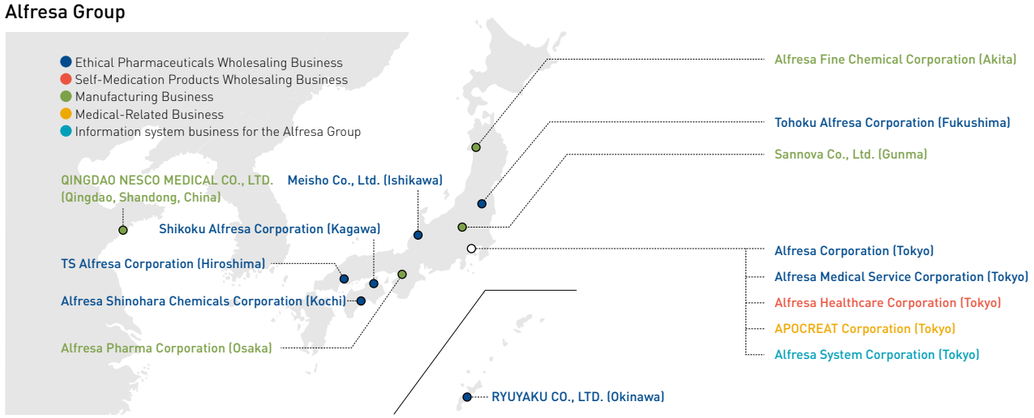
	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Significant non-cash transactions:			
Assets under finance leases	¥1,005	¥1,262	$8,211
Obligations under finance leases	1,112	1,395	9,085

Corporate Profile

As of June 28, 2022

Corporate Name: Alfresa Holdings Corporation
Address: 1-1-3, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
Established: September 29, 2003
Paid-in Capital: ¥18,454 million
Representative: Ryuji Arakawa, Representative Director & President
Business: Management of subsidiaries that deal with wholesaling, manufacturing, marketing, and import / export of pharmaceuticals, diagnostic reagents, medical devices / equipment, etc., and operating dispensing pharmacies and conducting related businesses
Number of Employees: 14,282* (consolidated) * Includes part-time and temporary employees (2,357 = Average number of workers per year) (As of March 31, 2022)

Alfresa Group




Yusuke Fukujin
President
Alfresa Corporation


Masahiko Ogura
President
Shikoku Alfresa Corporation


Yuji Tsukimori
President
TS Alfresa Corporation


Kenji Orimoto
President
Meisho Co., Ltd.


Katsuya Higa
President
RYUYAKU CO., LTD.


Shinya Uchida
President
Tohoku Alfresa Corporation


Tamotsu Shioda
President
Alfresa Medical Service Corporation


Yuichi Shinohara
President
Alfresa Shinohara Chemicals Corporation


Hisashi Katsuki
President
Alfresa Healthcare Corporation


Koichi Shimada
President and CEO
Alfresa Pharma Corporation


Masahiko Kuretani
President and CEO
Alfresa Fine Chemical Corporation


Toru Takekawa
President
Sannova Co., Ltd.


Shizuhisa Kanemoto
President
APOCREAT Corporation


Naruhiko Sano
President
Alfresa System Corporation

Note: Excludes the representative of a consolidated subsidiary outside Japan

Stock Information

As of March 31, 2022

Stock Code: 2784
Business Year: April 1–March 31
General Meeting of Shareholders: June
Stock Listing: Tokyo Stock Exchange (Prime Market) (As of April 4, 2022)
Transfer Agent: Mitsubishi UFJ Trust and Banking Corporation
Total Number of Shares Authorized: 540,000,000

Total Number of Shares Issued and Outstanding: 235,017,600*
Number of Shareholders: 14,155
Number of Shares of Treasury Stock: 32,494,347
Trading Unit of Shares: 100

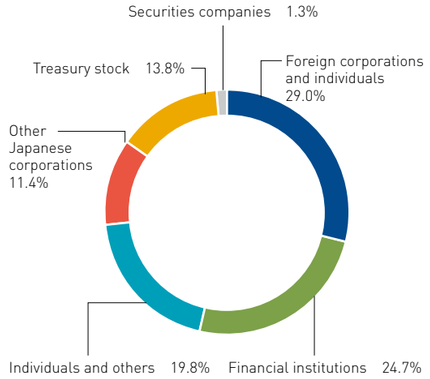
* Number of shares outstanding after the retirement of treasury stock on July 15, 2022: 202,840,000 shares

Top 10 Shareholders

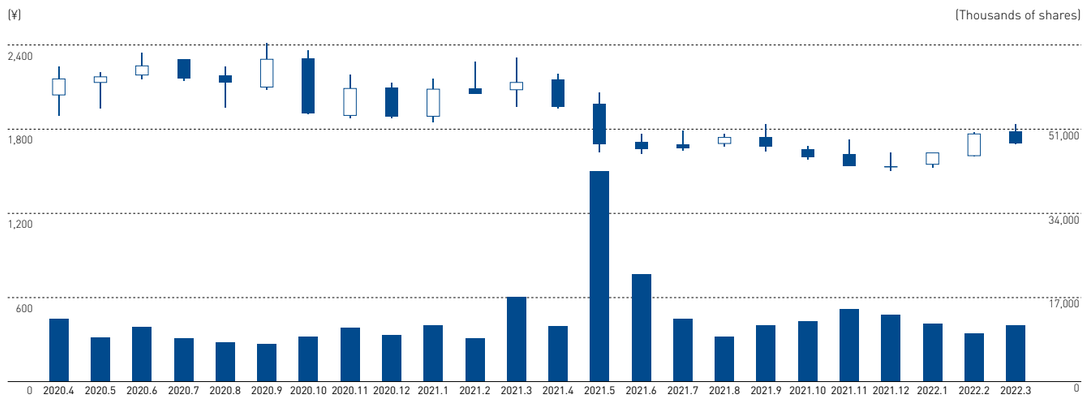
Name	Number of shares held (Thousands of shares)	Voting rights (%)
Alfresa Holdings Corporation	32,494	—
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,865	15.7
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	10,512	5.2
Custody Bank of Japan, Ltd. (Trust Account)	9,365	4.6
Alfresa Holdings Employees Shareholders' Association	5,737	2.8
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	5,672	2.8
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	5,076	2.5
Mizuho Trust Banking Co., Ltd. as trustee for DAIICHI SANKYO COMPANY, LIMITED Retirement Benefit Trust Account re-entrusted by Custody Bank of Japan, Ltd.	3,908	1.9
DAIICHI SANKYO COMPANY, LIMITED	3,202	1.6
BNYM TREATY DTT 15	2,998	1.5

Note: The number of shares held is rounded down to the nearest thousand.

Composition of Shareholders



Share Prices / Trading Volume



Disclaimer Concerning Forward-Looking Statements

Information disclosed by the Company may contain forward-looking statements. Statements that are not based on historical facts may contain forecasts and strategies that rely on certain assumptions, and also entail risks and uncertainties. In this report, numerical data about the Alfresa Group's future is based on information available when the Japanese version of this report was published. Actual results may be significantly different from these forecasts due to a variety of factors.

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



Alfresa Holdings Corporation

For further information, please contact:

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URL: https://www.alfresa.com/eng/