



NIHON
CHOUZAI
GROUP
REPORT
2023



A small pharmacy opened in Sapporo, born out of the desire to achieve the true separation of drug prescribing and dispensing services throughout Japan.

At that time, in 1980, less than 5% of drug prescribing and dispensing services were separate in Japan. This small pharmacy in Sapporo set out on a challenging journey, driven by the notion of achieving this separation in every part of the country. In fact, from the beginning, the company included “Japan (Nihon)” in its name precisely because of this strong commitment of its founder.

Nihon Chouzai’s Founding Philosophy: “Achieving True Separation of Drug Prescribing and Dispensing Services”

The separation of drug prescribing and dispensing services indicates the healthcare system in Japan in which doctors and pharmacists assume a clear division of roles based on their respective areas of expertise, and work together closely as a team to support patient care. This is considered to be the indispensable framework for realizing a healthcare system patients can trust.

Under a founding philosophy of “achieving true separation of drug prescribing and dispensing services,” Nihon Chouzai has grown nationwide as a pioneer in the pursuit of this ideal healthcare system.

Although the formal separation of drug prescribing and dispensing services now exceeds 70% in Japan, and has spread throughout the country, much remains to be done to fully realize the functions originally envisioned for this framework. Although the division of professional roles is an essential aspect supporting the healthcare of people in Japan, this division has not yet been fully realized. The mission of pharmacies in supporting the healthcare system is to become a needed presence for patients, their families, and the community, making meaningful contributions to Japanese healthcare and society. This is the aim Nihon Chouzai is striving toward, and what we mean by “true separation of drug prescribing and dispensing services.”

From the website of the Japan Pharmaceutical Manufacturers Association, “Progress in the Division of Pharmaceuticals and Medical Care (Trends in Insured Dispensing)” (Japanese only)

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Note on Forward-Looking Statements

Integrated Report 2023 contains forward-looking statements about the plans, strategies, and performance of the Nihon Chouzai Group. These statements are based on management's judgments derived from currently available information. Please note that actual business performance is subject to various risks and uncertainties and results may differ significantly from the statements.

Factors that can affect the outlook include economic conditions surrounding the various business areas, the status of revisions to relevant laws and regulations, the status of revisions to medical fees, and the status of product development. However, factors that can affect business performance are not limited to these.

Integrated Report 2023 Editorial Policy

In addition to discussing the management policies and business strategies of the Nihon Chouzai Group, Integrated Report provides comprehensive information about the medium- and long-term corporate value creation, with the goal of promoting constructive dialogue with our shareholders, investors, and other stakeholders. The reporting period is FY2022 (April 2022–March 2023). However, the report also refers as necessary to FY2023 (April 2023–March 2024).

Nihon Chouzai Group Disclosure

- ▶ **Corporate website**
Encompasses everything related to the business activities of the Nihon Chouzai Group
- ▶ **IR information website**
Presents management policies, financial information, stock information, and other data, mainly for shareholders and investors
- ▶ **Securities report (Japanese only)**
Statutory materials presenting the corporate overview, business overview, sales results, state of facilities, accounting status, and other information based on Japan's Financial Instruments and Exchange Act

- ▶ **Corporate Governance Report**
Outlines the Group's initiatives and goals for corporate governance, which stock exchanges require listed companies to submit
- ▶ **Sustainability website**
Publishes sustainability-related information on the Nihon Chouzai Group for a wide range of stakeholders
- ▶ **Sustainability Data Book**
Comprehensive sustainability disclosure for the Nihon Chouzai Group

Cover Story

A New Look for Pharmacy Staff Uniforms



Aiming to be the most trusted partner in healthcare for patients

In March 2023, we completely overhauled the uniforms for pharmacists, medical office workers, and registered dietitians working at Nihon Chouzai pharmacies.

This was the first uniform renewal since the company's founding. The thinking behind the change arose out of our new vision of being the most trusted partner in healthcare. The design concept seeks to evoke the image of pharmacy staff ready to get out from behind the counter and come alongside patients as a trusted partner. As times change, pharmacy staff are taking an active role in a growing number of areas. The new uniforms adopt a fitted lab coat design offering high functionality and mobility, aiming to embody the ideal image of a healthcare worker giving even closer support to patients.

Long-Term Results

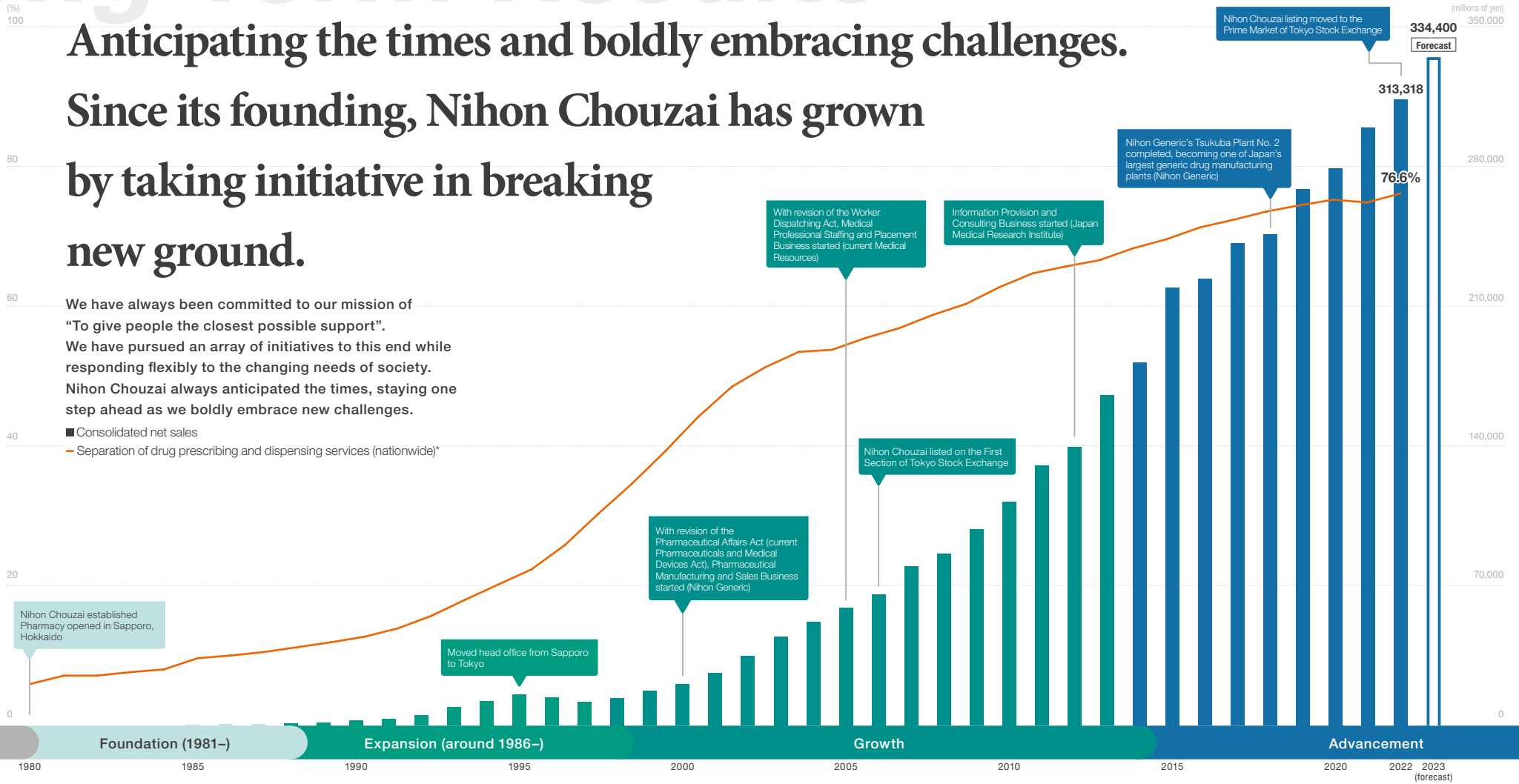
Anticipating the times and boldly embracing challenges. Since its founding, Nihon Chouzai has grown by taking initiative in breaking new ground.

We have always been committed to our mission of "To give people the closest possible support". We have pursued an array of initiatives to this end while responding flexibly to the changing needs of society. Nihon Chouzai always anticipated the times, staying one step ahead as we boldly embrace new challenges.

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Long-Term Results



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Starting separation of drug prescribing and dispensing services from the ground up

We carved out our own market by opening pharmacies and encouraging the still nearly un-practiced separation of drug prescribing and dispensing services at medical institutions in Sapporo.

In addition, the development of medical center-type pharmacies, unique to Nihon Chouzai at the time, became a key driver of rapid growth for the Group.

Entry into Kanto market and nationwide expansion

We expanded into the Tokyo metropolitan area by leveraging our unique expertise in opening pharmacies.

Amid a series of government measures aiming to promote the separation of drug prescribing and dispensing services, we anticipated growing demand for hospital-front pharmacies at major general hospitals and shifted our store opening strategies to expand our network nationwide.

Becoming a leading pharmacy company

The national average separation of drug prescribing and dispensing services surpassed 50% in the 2000s. As a string of competitors opened small-scale pharmacies, Nihon Chouzai perceived the trend toward such separation among national, public, and university hospitals, and focused its efforts there. The result was the birth of many hospital-front pharmacies that still operate as our flagship pharmacies, cementing our position as a leading company in the industry.

Expansion of dispensing pharmacy business and diversification

Leading the industry in identifying healthcare issues and shifting demand, Nihon Chouzai continues to embrace forward-looking challenges, such as the use of online services and support for at-home healthcare needs.

We are also steadily evolving as a healthcare group to meet the expectations of even more stakeholders, focusing on expanding the manufacturing and sales of generic drugs as well as the staffing and placement of pharmacists and other medical professionals.

*Citation: Japan Pharmaceutical Manufacturers Association, Progress in Pharmaceutical Separation of Drugs (Trends in Insurance Dispensing)

Strengths Cultivated over More Than Four Decades



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NIHON CHOUZAI INTEGRATED REPORT 2023

Long-Term Results

Quality

Quality

As healthcare professionals, we are committed to providing the highest-quality healthcare services.

Our firm commitment to quality is a strength that is unchanged since our founding, with which we have been able to deliver safe, secure healthcare that has gained the trust of countless patients.

Flexibility

Flexibility

Amid significant changes to the environment for healthcare in Japan, we have pursued healthcare that is truly indispensable, addressing a spectrum of changing needs without being locked into past practices.

The Group continues to draw on this flexibility as a unique advantage.

Pioneer

Pioneering Spirit

The ability to anticipate the times and embrace new challenges ahead of others is a unique strength of the Group, unchanged since our founding, that has enabled us to achieve significant growth.

We will continue to take initiative in creating new value to contribute to the future of healthcare while supporting people in various aspects of their lives.

Our Mission

Our Mission

To give people the closest possible support

From the Outset, Our Unchanging Significance to Society

At the time Nihon Chouzai was founded, the separation of drug prescribing and dispensing services in Japan was less than 5%. Now, 43 years later, that figure is approaching 80%. Over the decades, we have faced an array of challenges and made many strides. Our reason for aspiring to expand the true separation of drug prescribing and dispensing services has always been to contribute to the health of all people.

In other words, to help bring about a society where healthcare is accessible to all people. Driven by this unchanging commitment, we will continue doing our utmost to provide support to people going forward, serving as the healthcare professionals most closely involved in their wellbeing.

As a healthcare group giving people the closest possible support, we do everything in our power to positively impact all aspects of society.

In the 43 years since its founding, Nihon Chouzai has continued to evolve into a healthcare group that gives people the closest possible support. We are now in the fourth year since the 2020 outbreak of COVID-19. Over this period, the business portfolio of the Nihon Chouzai Group, made up of four healthcare businesses, has grown steadily despite drastic changes in the business environment. Japan's healthcare system is currently entering a period of major upheaval, sparked in large part by government efforts to overhaul the system, promote the digital transformation of healthcare, and revise medical treatment fees. I am convinced that our ability to stay abreast of such changes and continue to lead the industry rests in the steady commitment of all of our officers and employees to fulfill our mission of giving people the closest possible support. Even in this time of mounting uncertainties, including developments in overseas situations, soaring prices, and the increasing frequency of natural disasters worldwide, we cannot stop providing healthcare to patients. I am proud of how the pharmacists and other medical professionals who are part of the Nihon Chouzai Group are drawing on their expertise as medical personnel to pursue their high calling of contributing to Japan's regional healthcare.

Management is Also Embracing the Challenge of Major Reforms.

After unveiling our new Group philosophy in April last year, we announced plans to revise the long-term vision for 2030 in April 2023. We sensed the need to formulate management

Yosuke Mitsuvara

President and CEO

Mitsuvara joined Nihon Chouzai in 1999. Having served as General Manager of the Corporate Planning Department, Subsidiary Director, Managing Director, and Senior Managing Director, Mitsuvara became President and CEO of the Company in 2019. With thorough knowledge of ICT, he spearheaded development of the Company's electronic medication notebook and has implemented company-wide digital transformation initiatives. With an MBA from Waseda University Graduate School and a master's degree from Johns Hopkins University Bloomberg School of Public Health, he is contributing to management from both management and medical perspectives.

strategies that reflect current public healthcare policy and the business environment, which have both changed significantly since we first formulated the vision in 2018. Furthermore, societal expectations are mounting for us as a listed company in the wake of our re-listing on the Prime Market of the Tokyo Stock Exchange after it reorganized its markets. To meet stakeholder expectations, we are exploring a more comprehensive vision that includes aspects such as corporate governance, financial strategy, and sustainability management. We will also disclose medium-term management strategies for achieving the long-term vision, addressing the expectations of our investors and shareholders by clearly laying out the long-term vision and the path to achieving it.



Dialogue With Outside Director

President and CEO **X** Outside Director Dialogue

Perception of the Business Environment and FY2022 Results

Noma First off, please share your thoughts on the business environment facing the Nihon Chouzai Group.

Mitsuhara I suspect that, at least in the short term, we will feel the impact of major changes in public healthcare policy in Japan. A variety of changes to the healthcare system have already been put in place. Factors such as revisions to drug prices, medical treatment fees, and drug dispensing fees may temporarily put greater downward pressure on our earnings. Over the longer term, however, I envision a society in which the healthcare market continues to grow as the population ages. While weathering the downward pressure on drug prices and fees in the short term, we are pursuing greater business efficiency to position the Group to capture longer-term growth in the market. Moreover, I believe we still have room for improvement in terms of expanding the scale of the business.

Noma So, you have to think about business growth from a long-term perspective without being overly caught up in short-term changes to the environment. Meanwhile, how do you rate the results of Group management in FY2022?

Mitsuhara Regarding the Dispensing Pharmacy Business, our efforts over the past three to five years to realize the Vision of Pharmacies for Patients announced by the Ministry of Health, Labour and Welfare (MHLW) have paid off, specifically in terms of sales and earnings. FY2022 saw our highest-ever profit in this segment. I believe this is the fruit of our longer-term efforts on the ground at our pharmacies, including our response to healthcare fee revisions, which were rewarded under the new medical fee system. Given that the Dispensing Pharmacy Business is the real backbone of the Group, this strikes me as a very positive outcome. Regarding the Pharmaceutical Manufacturing and Sales Business, which is another growth business for the Group, it has been harder than I imagined to regain the trust of customers that was lost following the 2021 administrative disciplinary action taken against Choseido Pharmaceutical and the fire that occurred at a warehouse of Nihon Generic. Over time, we have improved business operations and drug inventories are recovering, but I have to admit that performance has yet to return to a recovery trend. Regarding the Medical Professional Staffing and Placement Business, HR demand for pharmacists, the mainstay of that segment, has bottomed out with the waning impact of COVID-19, and is now moving into recovery. I take this as solid result for the year. Overall, considering that record-high earnings in the pharmacy business compensated for disappointing performance in the generic drugs business, I think we can say that this was a win for the Group as a whole.

We will implement bold changes to make Nihon Chouzai the healthcare group of choice.

Yosuke Mitsuhara
President and CEO

I am committed to enhancing corporate value from a long-term perspective as a representative of a wide range of stakeholders.

Mikiharu Noma
Outside Director



Noma The mainstay Dispensing Pharmacy Business seems to continue to be the pillar of growth for the Group. The segment operates several types of pharmacies. For example, you have hospital-front/on-site pharmacies, hybrid pharmacies that combine elements of neighborhood and medical center-type pharmacies, and an online pharmacy. How do you rate each of these in FY2022?

Mitsuhara I believe our mainstay hospital-front and on-site pharmacies made a significant contribution to higher sales for the year. In terms of earnings, though, prescription volumes steadily increased, especially in Tokyo and Kanagawa, particularly at our neighborhood and medical center-type pharmacies, and this became a driver of growth. One of our strengths is a well-balanced pharmacy network that capitalizes on the characteristics of each pharmacy format. The opening of new neighborhood and medical center-type pharmacies in FY2022, which is our strategic focus in Japan's three major metropolitan centers, fed into the record earnings. My feeling is that the segment can still grow if we pursue a balanced pharmacy opening strategy that is attuned to current conditions.

Noma Another strength of the Group is that it has many hybrid pharmacies, mainly in Japan's three major metropolitan centers. What was the rationale behind this focus?

Mitsuhara As Japanese society wrestles with overall population decline, the population in rural areas is shrinking faster than in urban areas. Of course, the number of patients is also decreasing in absolute terms. From a long-term management perspective, our basic approach is to expand the pharmacy network in a balanced manner, taking into account demographic risks five and ten years down the road.

Noma In other words, you say that demographics guide Nihon Chouzai's decisions on which regions to open new pharmacies in, with the upshot being that the Group is performing well compared to its competitors.

Thinking and Vision Behind the New Group Philosophy and Its Growth Strategy

Noma Nihon Chouzai announced a new Group philosophy in April 2022: "To give people the closest possible support." Can you tell us about the thinking that went into this philosophy, and the ideal for the Group that the philosophy points toward?

Mitsuhara Nihon Chouzai's founding philosophy was "achieving true separation of drug prescribing and dispensing services." But as we expanded, there was some question about whether this was the best fit for the Group as a whole. We were in discussions for about a year and a half to come up with a Group philosophy that all Nihon Chouzai Group employees could buy into. As we considered mounting healthcare demands from

the government and the needs of patients in Japan's aging society, and looked at the fact that society is likely to change even faster than we can imagine, we realized that not only the roles of our pharmacists and pharmacies but also the roles of our generic drug and healthcare HR businesses will also expand. In this context, our desire was to give people the closest possible support by proactively offering services in areas that can positively impact the lives of people throughout Japan.

Noma Given the expanding demands of the government and the expectations of customers, it sounds like you announced a Group philosophy that was broad enough to include support in all these areas. At the same time, your ideal for the Group in 2030 is to be the most trusted partner in healthcare. It strikes me that the phrases "most trusted" and "partner in healthcare" mark a new direction for the Group compared with the founding philosophy. What kind of Group do you see Nihon Chouzai becoming?

Mitsuhara For our portfolio of healthcare businesses, we consider not only patients, but also medical professionals, research institutions, companies, government agencies, and an array of other people to be our customers and stakeholders. Because we are a healthcare institution, in addition to addressing various issues related to healthcare, we must respond flexibly to changes in the definition of healthcare itself under shifts in public healthcare policy in Japan. As a result, we looking to broaden our view from strictly speaking "medical care" to emphasize more holistic "healthcare," which would include diet and exercise.

Noma You will flexibly take on board changes in the environment to offer healthcare suited to the needs of the times. Going forward, do you see the Dispensing Pharmacy Business and the expectations for pharmacists changing under the new Group philosophy?

Mitsuhara People lament the lack of pharmacists in regional areas, but at the same time there are statistics that suggest there will be a surplus of pharmacists in the future. In addition, as the definition of healthcare changes, more and more people, especially younger pharmacists, have a sense of urgency about further sharpening their own specialties or exploring and delving into different specialties. In keeping with the changing times, to better capitalize on the abilities and responsibilities of our pharmacists and to heighten their potential, we would like to compete across a broader range of fields closely related to healthcare.

Noma I can imagine how Group pharmacists will broaden their scope of activities. You talked about heightening the potential of young people. To achieve the vision for the Group, are you providing more robust support than other companies in terms of, say, training pharmacists?



Mitsuahara As a company, we give backup to employees seeking to become certified or specialized pharmacists, encouraging them to seek qualification. We have established an in-house team to augment various frameworks to support board certification, for example for pharmacists seeking to be certified in outpatient oncology. Already, 62 Nihon Chouzai employees are board certified in this field. This corresponds to 28% of all certified pharmacists working in pharmacies in Japan. We were already known as “the teaching Nihon Chouzai” because of the robust educational framework we have put in place for pharmacists. It is gratifying that people always cite this as one of their top reasons for joining the company.

Noma Given that you are a representative pharmacy chain in Japan, our discussion has focused on pharmacists, but to put a slightly different spin on it, one could say that you have been working on human capital management for a long time now. Also, what impresses me is that the company every year ranks so high in the employment rankings sponsored by Mynavi and newspaper publisher Nikkei. This year as well, in employer rankings among 2024 university graduates, in addition to ranking first among chemistry and pharmacology majors, I heard that the company also ranked seventh among female science majors. You were also No. 1 in the pharmacy/drugstore sector in multiple categories, including among healthcare, welfare, and pharmacy majors. It seems like new graduates really appreciate the various measures you have put in place to grow as a company, and come with expectations to grow after they join the company.

Next, please tell us about your strategy for achieving the vision for the Group.

Mitsuahara There are 65,000 pharmacies in Japan. In our growth strategy for the Dispensing Pharmacy Business, the strategy for expanding the pharmacy network is extremely important—the key is how to discern changes in the pharmacy market. We believe there is still considerable room for opening new pharmacies serving medical centers (medical malls) where multiple medical facilities are located in the same area. Because such locations bring together multiple medical practitioners and there is constant turnover, they tend to last. On the other hand, while we have already established numerous

hospital-front pharmacies at major general hospitals—which play a pivotal role in regional healthcare—the scope for opening such pharmacies is limited. In terms of expanding the network through acquisitions, we fully take into account regional needs, and focus mainly on larger-scale pharmacies. Our rationale is that, we can assign multiple pharmacists to larger pharmacies, some of whom can take charge of at-home services.

One new growth strategy in the Dispensing Pharmacy Business involves investing aggressively in expanding areas of demand to support healthcare for everyone, including at-home healthcare, specialty drugs, and online healthcare.

Nihon Chouzai first entered the field of at-home healthcare in 2009. We offer a wide range of at-home services to address the needs of the community, ranging from serious diseases such as cancer to children with intractable diseases. Government statistics project that the total number of outpatients in Japan will reach a peak in 2025, while the number of at-home patients will continue increasing until 2040. For this reason as well, we will maintain a focus on at-home healthcare at least until the peak in 2040, targeting growth in this business.

I would also like to say a word about so-called specialty drugs, including high-priced drugs for cancer and rare diseases. Such drugs are mainly the purview of hospital-front and on-site pharmacies that are tasked with advanced healthcare. Until now, prescriptions for most specialty drugs were filled in hospitals, but we anticipate an increase in the number of out-of-hospital prescriptions going forward. In fact, specialty drugs accounted for more than a third of drug sales for the Nihon Chouzai Group in FY2023. We reckon that this will increase to about 60% in the future.

The last point I want to make concerns online healthcare. Although at present the volume of online prescriptions overall is small, it is clearly on the rise, and we sense that there is burgeoning demand in this area. We see further deregulation and the more widespread acceptance of electronic prescriptions as key to expansion in this market. To date, Nihon Chouzai is the only company in the industry to develop our own prescription apps, so I think we have a leg up in that respect alone. Looking at the very long term, our growth strategy leading up to 2040 is to capture demand in this area by making upfront investments over the next five to ten years.

Noma Online healthcare is a key part of the digital transformation of healthcare. I personally also use Nihon Chouzai pharmacies. I feel that the standard of hospitality of your pharmacists is very high. By pursuing both warm hospitality and the digitalization of operations, I am confident that the Dispensing Pharmacy Business will be able to carve out a unique place in the pharmacy market. The company also has strengths in terms of its pharmacy network strategy. As both the industry and the market changes, my hope is that you will develop a distinctive business centered on people as you work to achieve your vision for 2030, which is to be the most trusted partner in healthcare.

What are some other growth strategies for the business portfolio?

Mitsuhara I believe that Nihon Generic and Choseido Pharmaceutical, which engage in the Pharmaceutical Manufacturing and Sales Business within the Group's business portfolio, have to expand the number of drugs they manufacture in-house. Given the current situation of yearly NHI drug price revisions, simply distributing drugs made by other companies entails very thin profit margins, contributing almost nothing to our results. So our basic approach is to pursue more in-house development and manufacturing to expand the profitability of the drugs we manufacture.

Regarding the Medical Professional Staffing and Placement Business run by Medical Resources, our staffing and placement of numerous healthcare workers to deal with mass COVID-19 vaccination efforts gained Medical Resources a name in the industry, sparking an increase in the number of medical institutions requesting personnel and in the number of registered doctors. Moreover, the importance of occupational doctors is growing as companies step up their health management initiatives. I sense there is a great deal of room for increased earnings in the occupational doctor business, including through collaboration with Nihon Chouzai's other businesses.

Aiming for Sustainability Management and Corporate Governance Fit for a Company Listed on the Prime Market

Noma The sustainability management initiatives of Nihon Chouzai include bolstering corporate governance and putting human capital management in place. Where do you see these efforts going forward?

Mitsuhara In terms of bolstering corporate governance, first off, I fully understand those who say it's better to have outside directors make up the majority of the Board of Directors. Since I became president, we have increased the number of outside directors and introduced an executive officer system to separate business execution and oversight functions. To be honest, amid even more rapid change in both the business execution and governance frameworks, I believe in general we have been able to change our management mindset. I realize challenges remain, but I also recognize that reforms to the Board of Directors are making headway little by little.

In terms of sustainability, we already had a strong sense of our responsibilities as a company engaged in healthcare, and have undertaken a range of initiatives. We established a Sustainability Committee in 2021, which guided us in identifying material issues for the Group and endorsing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We are making steady headway in addressing sustainability issues, including making disclosure in line with TCFD recommendations.

As a result, the Group was selected for the first time in 2023 as a constituent of both the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index, which target Japanese companies taking outstanding action in terms of ESG practices. These indexes have been chosen as representative indexes for ESG investment, including their adoption as the ESG index of the Government Pension Investment Fund (GPIF), the world's

largest public pension fund. The Group will continue to position sustainability initiatives as one of our most critical management issues as we seek to address issues facing society.

Noma You noted that reforms are making gradual progress. Until now, the company's Board of Directors was made up entirely of Nihon Chouzai officers, but at the general meeting of shareholders in June, Mr. Inoue, the president of Nihon Generic, was newly appointed as a director. Should we see this as a step toward increased Group-based management going forward?

Mitsuhara That's exactly right. Within the Group, Nihon Chouzai currently fulfills the roles of both an operating company and a holding company. It goes without saying the Board of Directors has to deliberate not only on the business of Nihon Chouzai but also management of the Group as a whole. Given the increasing contributions of Nihon Generic to the Group overall, we welcomed its president, Mr. Inoue, to the Board of Directors.

Noma As president, you are seeking to bring a range of voices into the discussions at Board meetings, not only from outside directors but also from inside directors, and this year you started an executive retreat to talk about governance and the long-term vision. My hope is that that Board meetings will include even more in-depth conversations around Group management.

Next, what are your thoughts on the human capital of the Group?

Mitsuhara This year, I started what I called the Mitsuhara Business Academy (MBA). This is a staff development program that brought together nine young executives to analyze management issues at Nihon Chouzai and offer proposals to our directors. By personally coaching these nine executives, I am seeking to increase the pool of young executives throughout the Group.

Another focus is on digital professionals. The characteristics of IT have been on our radar since the company's founding, and we have led the industry in incorporating IT into pharmacy operations. To further promote the digital transformation of healthcare, we have established a training program for digital professionals, and are now carrying out training for employees to acquire an IT passport. We've already trained more than 700 people. We plan to have certified employees undergo more advanced training. These initiatives involve personnel training, but at the same time they are an effort to harness the diverse capabilities of our employees.

Noma Cultivating digital professionals isn't only about accelerating digital transformation—for example, a person who joins the company as a pharmacist not only grows as a pharmacist, but also has a good chance of becoming someone responsible for the management of Nihon Chouzai down the road.

Finally, could you say a word about the company's capital allocation and financial strategy?

Mitsuahara Because the Group is engaged in making generic drugs, we inevitably carry more assets on the balance sheet than our competitors. With this in mind, I believe the key to enhancing corporate value is boosting the profitability of the Pharmaceutical Manufacturing and Sales Business and improving the ROE of the Group as a whole.

We are also prioritizing fortifying the financial foundation and boosting profitability. As we steadily draw down interest-bearing debt, our equity ratio has risen to its highest level since FY2006. We are striving to curb costs in our various businesses to further boost profitability, while also increasing the proportion of generic drugs we develop and manufacture in-house.

Moreover, we will make growth investments in digital areas and promote the digital transformation of healthcare to realize online healthcare. We lead the industry in this area, including among drugstores. Our overhauled dispensing system is scheduled to go online in FY2024.

In terms of M&A, financially we are not at a point where we can pursue large-scale acquisitions, but we are positive about acquiring relatively small companies to shore up the Medical Professional Staffing and Placement Business. In fact, we acquired the occupational doctor business for about 300 million yen in 2021 and subsequently grew that business.

Noma So, it seems that you are working on group management that takes capital cost into account.

Changing the subject, as president, what do you think is your most important role in realizing the growth strategy? Also, where do you see yourself focusing your time?

Mitsuahara I believe the ability to make measured judgments is crucial when implementing a strategy. This presumes that I stay healthy and fit and have the ability to take in a wide range of factors in assessing the times. I also think it is vital to gather various types of information by reading the expressions of the staff I work with and listening to opinions from the front lines, which helps me be more attuned to what's going on in the company.

As for how I use my time, I want to enhance my ability to communicate both within the Group and externally. Internally, we started up a meeting called the National Pharmacy Managers Conference, in which 720 pharmacy managers from all over the country took part. Since it isn't feasible to bring 720 people to Tokyo, we hold the meetings online, but as president my goal for these meetings is to convey my message as accurately as possible.

Noma Amid changes in healthcare in Japan brought about by reforms to public healthcare policy and demographic trends, in your leadership role as president, you intend to broadcast various messages and maintain close communication with employees while managing the Group in step with the times.

What message do you want to send to all your stakeholders?

Mitsuahara I would say Nihon Chouzai is a company that enjoys embracing challenges in response to the changing times. My hope is that all of our stakeholders will support Nihon Chouzai as we steadily pursue industry-leading initiatives.

Noma The business environment for the Nihon Chouzai Group is poised to undergo major qualitative changes, while the expectations of customers and society for Nihon Chouzai are also changing rapidly. What I look for from you as president and from all of your employees is your ability to navigate change. As an outside director, I want to work together with the Nihon Chouzai Group in embracing challenges going forward.

By doing so, I hope we can increase the Group's corporate value and yield results that will satisfy investors, especially minority shareholders.

Mikiharu Noma Outside Director

As a professor in the Graduate School of Business Administration of Hitotsubashi University, Noma has specialized knowledge in financial accounting and corporate valuation. Since 2013, he has been chair of the Corporate Reporting Lab set up by the Ministry of Economy, Trade and Industry, and is well-versed in building corporate value, investor engagement, ESG and human capital management.



Financial Strategy Overview of FY2022

In FY2022, despite the impact of limited shipments in the Pharmaceutical Manufacturing and Sales Business, consolidated net sales increased 4.7% year on year on the back of strong contributions from the Dispensing Pharmacy Business. Consolidated operating profit increased by 15.1% year on year due in part to the success of Group-wide cost control measures. Consolidated EBITDA was up 9.1% year on year.

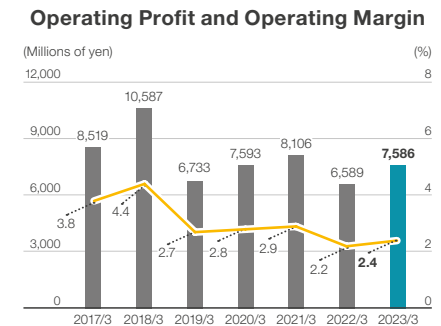
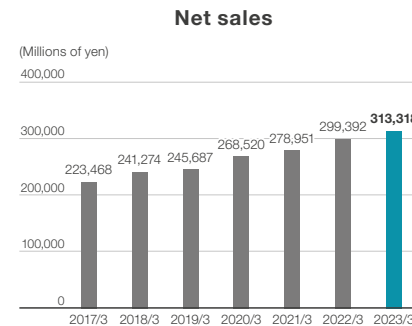
The Dispensing Pharmacy Business opened 40 new pharmacies in the previous fiscal year and 38 in the year under review, supporting an increase in prescription volume at existing pharmacies. As a result, although the unit price of prescriptions was down 1.1% year on year, prescription volume increased by 6.3%. As a result, net sales were 280.1 billion yen (up 5.5% year on year) and operating profit was 14.6 billion yen (up 12.7% year on year).

The Pharmaceutical Manufacturing and Sales Business saw ongoing brisk sales of newly NHI listed drugs since 2019. On the other hand, prices of existing drugs were down in line with the April 2022 NHI drug price revision. Expenses were also up due to an increase in limited shipment items caused by a fire at the West Japan Logistics Center used by Nihon Generic, in addition to R&D outlays. As a result, net sales were 38.5 billion yen (down 14.0% year on year) and operating loss was 1.3 billion yen (53 million yen loss in the previous year).

In the Medical Professional Staffing and Placement Business, revenue was down from contracts related to COVID-19 vaccination work, mainly for doctors. On the other hand, the number of pharmacist staffing and placement contracts, which had trended downward

under the impact of the pandemic, exceeded the previous year's level. As a result, net sales were 8.0 billion yen (up 15.3% year on year) and operating profit was 0.7 billion yen (up 31.5% year on year).

Consolidated cash flows included a 7.5 billion yen inflow from operating activities, a 10.0 billion yen outflow for investing activities, and a 0.7 billion yen inflow from financing activities. The balance of cash and cash equivalents as of March 31, 2023 was down 1.7 billion yen from March 31, 2022 to 23.7 billion yen.



Financial Policy

Embracing dramatic changes in the operating environment as opportunities, the Group is pursuing a financial strategy that stresses a balance between growth investment, shareholder returns, and fortifying the financial foundation.

1. Growth Investment

The Group invests in growth while paying particular attention to the areas of human resources development, responding to the digital transformation of healthcare, and sustainability management.

In terms of growth areas in the Dispensing Pharmacy Business, we are looking at specialty pharmaceuticals, including drugs to treat cancer and rare diseases, at-home medical care in homes and healthcare facilities, and online medical care such as online medication guidance. We are stepping up investment in pharmacies equipped to address these areas. Regarding online medical care, in order to respond to the medical version of DX, which is being discussed at an accelerated pace by the government against the backdrop of the increase in COVID-19 infections, the Group is also taking industry-leading initiatives in the digitization of medical care and the shift to online medical care based on its DX strategy.

We are currently seeking to expand remote medication guidance at pharmacies nationwide by leveraging our NiCOMS online pharmacy service. We are also pursuing several initiatives drawing on our electronic medication notebook *Okusuri Techo Plus*, which already has over 1.4 million subscribers, to provide smart healthcare, create new customer experiences, and improve customer satisfaction and maximize treatment effectiveness. Furthermore, we are channeling efforts into cultivating highly specialized talent, such as professionals to support the advanced online drug information platform FINDAT, pharmacists certified in outpatient oncology, and pharmacists to engage in at-home healthcare.

The Pharmaceutical Manufacturing and Sales Business saw the completion in March 2018 of Nihon Generic's Tsukuba

Amount of Investment

(Millions of yen)

	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
Pharmacy business	4,238	4,679	3,215	8,997	6,289	6,370	7,536
Manufacturing business	18,742	10,245	1,582	2,069	2,701	1,493	2,030
HR business	45	89	291	84	98	249	79
Consolidated	23,344	15,316	5,254	12,025	9,492	8,362	10,321

Plant No. 2, equipped with state-of-the-art manufacturing equipment and quality control systems. The relocation and consolidation of research functions at that subsidiary's Tsukuba Research Institute in June of that year marked the completion of a multiyear, large-scale capital investment strategy. The utilization rate at Tsukuba Plant No. 2 steadily increased in FY2022, and we are capitalizing on this foundation to push ahead with sales of newly NHI listed drugs and ramp up production volume. Meanwhile, Choseido Pharmaceutical received a business improvement order in October 2021 regarding its failure to take appropriate measures in its manufacturing methods and to follow protocols for monitoring drug stability. Taking these issues to heart, we have been working to revise that company's quality and manufacturing control framework and product lineup, and continue to take action to improve based on the business improvement plan we formulated, including shutting down and folding Choseido Pharmaceutical's research arm into the Tsukuba Research Institute of Nihon Generic.

While continuing to prioritize quality control and the stable supply of generic drugs, we will take steps to reduce fixed costs under rigorous cost control measures while pursuing a growth strategy centered on further boosting sales and improving profitability through expansion of the in-house production lineup.

In the Medical Professional Staffing and Placement Business, while the pharmacist staffing and placement businesses continue to draw on the strengths of the Group, we are also tightening our focus on the doctor HR business. Revenue from contracts related to COVID-19 vaccination work was down compared to FY2021, but demand among medical institutions for doctor referrals remained robust, and this business is expanding steadily. Meanwhile, the occupational doctor HR business, which began in FY2020, continues to expand in scale nationwide. We will continue to contribute to improving the working environment of Japanese companies by supporting more effective corporate health management.

Profitability Indicators

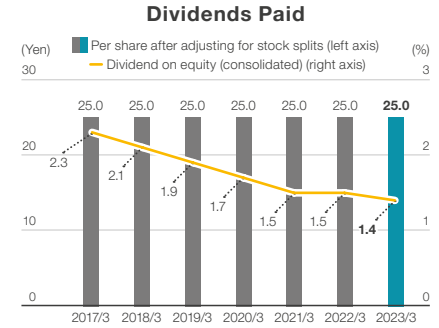
The Group considers consolidated EBITDA to be a key indicator of profitability, which helps guide our efforts to continuously grow the business while maintaining earnings through aggressive growth investments in the Dispensing Pharmacy and Pharmaceutical Manufacturing and Sales Businesses. We also stress cash flow to drive business growth and enable stable dividend payments and seek to boost capital productivity. In these ways, we strive to improve ROE as a key indicator in terms of maximizing corporate value.

In FY2022, consolidated EBITDA was up 9.1% year on year to 16.3 billion yen due to strong contributions from the Dispensing Pharmacy Business and Group-wide cost control measures. ROE was up 1.0 point year on year, from 7.2% in the previous fiscal year to 8.2%. The improvement reflected a higher profit margin attributable to owners of parent on the back of strong performance, particularly in the Dispensing Pharmacy Business,

2. Shareholder Returns

Nihon Chouzai regards returning profits to shareholders as a key management issue. Our basic policy is to return profits to shareholders through stable dividends twice a year (interim and year-end) while considering securing funds for growth.

Furthermore, to express our gratitude to shareholders for their constant support, as well as to gain greater understanding of the Group's businesses and encourage the holding of Nihon Chouzai shares over the longer term, we have set up a shareholder benefit program.

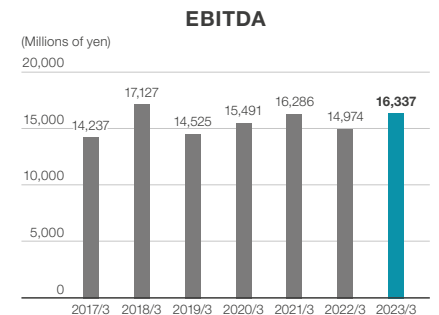


3. Fortifying the Financial Foundation

For a company to continue to grow, it is essential to build a stable financial foundation. In FY2022, the Group worked to curb the increase in interest-bearing debt while expanding investments to capitalize on the digital transformation of healthcare. Assets increased 6.5 billion yen due in part to an increase in merchandise and finished goods. Liabilities increased by 2.9 billion yen due in part to a 1.1 billion yen increase in long-term loans payable. Although net interest-bearing debt was 34.3 billion yen, a year-on-year increase of 3.3 billion yen, this was still at the lowest level since FY2012. Net assets increased by 3.6 billion yen due in part to an increase in retained earnings. As a result, the equity ratio rose 0.9 points from the end of March 2022 to 30.5%, reflecting ongoing improvements in Group financial stability. Going forward, the Group will continue striving to fortify the financial foundation to support further growth.

despite a year-on-year decrease in financial leverage in line with improvements to financial stability.

	ROE	=	Profit margin	×	total asset turnover	×	financial leverage
2022/3	7.2%	=	1.2%	×	164.0%	×	355.3%
2023/3	8.2%	=	1.4%	×	172.1%	×	332.9%



Long-Term Vision and Strategy

Revision of the Long-Term Vision

Amid dramatic changes in Nihon Chouzai's business environment, we have begun exploring the formulation of a new long-term vision to achieve further growth.

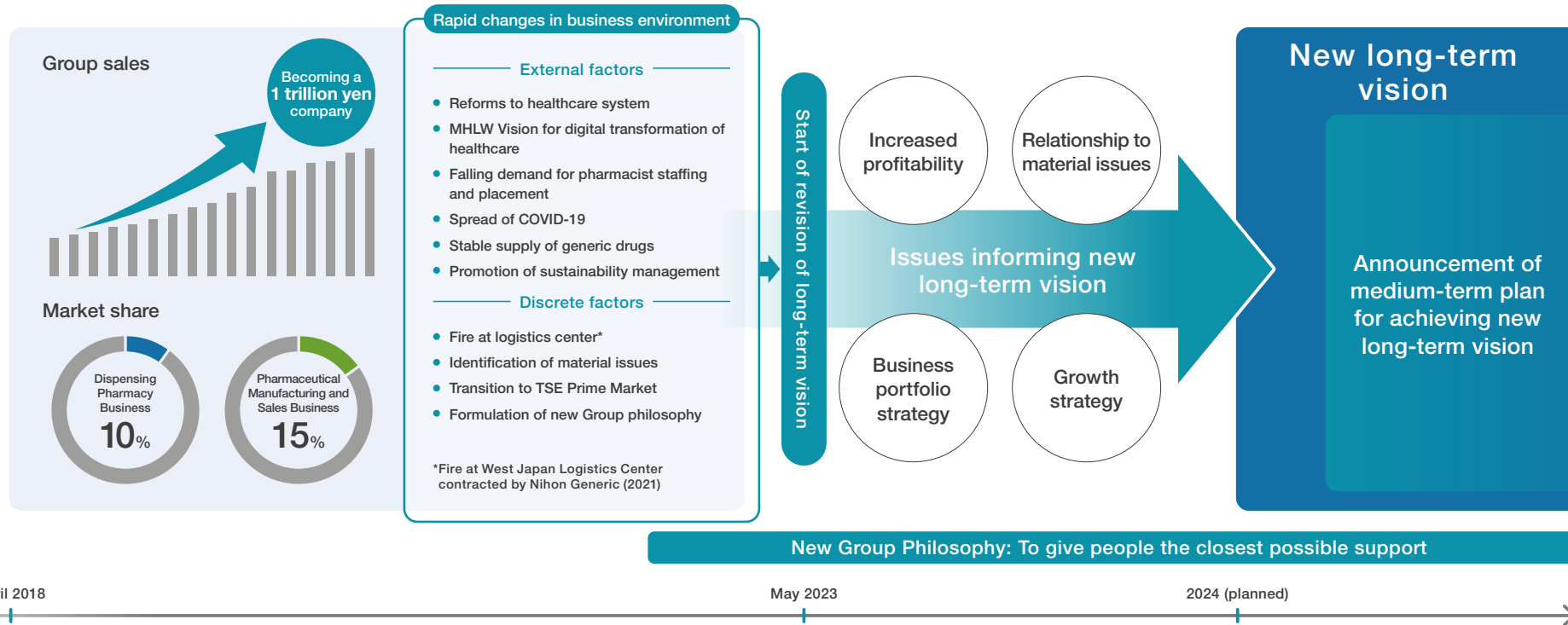
The Nihon Chouzai Group announced its Long-Term Vision — On the Road to 2030 in 2018. Our approach to realizing that vision has centered on three strategies: expansion in each business, a digital transformation strategy, and cultivating excellent talent. These strategies have guided our growth into becoming a leading company in the healthcare industry. At the same time, we have worked to expand group synergies.

Meanwhile, reforms to Japan's healthcare system and other factors have shifted the business environment for the Group significantly since we formulated the Long-Term Vision, giving rise to the need to more fully analyze the context in which we operate and prepare the Group for further growth.

Furthermore, as a company listed on the Prime Market of the Tokyo Stock Exchange, every year we face mounting expectations and calls from stakeholders to enhance corporate value over the longer term. We are thus moving ahead in exploring the formulation of a new Long-Term Vision and strategies to address these expectations.

Grounded in the new Group philosophy announced in April 2022, we will craft a new Long-Term Vision that will enable us to achieve further growth along with our stakeholders, and aim to disclose a new medium-term management plan that will guide us in achieving this goal.

Long-Term Vision -- On the Road to 2030 (announced in 2018)



Value Creation

Value Creation Process

Our Mission

The Nihon Chouzai Group's unchanging significance to society

To give people the closest possible support



Social issues to be addressed, demand from society

- Super-aging society ("2025 Problem")
- Promoting appropriate drug use
- Family pharmacist system
- Realization of new customer experiences through digital transformation
- Rising medical expenses, shortage of doctors
- High-quality healthcare services
- Sustainable management

Accumulated strengths

Human capital

- 71.1% of all of 5,315 employees*1 with high degree of expertise
- Pharmacists: 3,727
Registered dietitians: 55 (as of March 31, 2023)
- Active HR investment
Education: 680 million yen (over 5 years)

Intellectual capital

- Market-leading digital transformation (Investment: approx. 12.9 billion yen over 5 years)
- Ongoing research of generic drugs (Investment: 15 billion yen over 5 years)
- Strong brand recognition: over 40-year track record in advanced healthcare, widely recognized among pharmacists

Financial capital

- Round of large-scale capital investment (FY2016: 23.3 billion yen; FY2022: 10.3 billion yen)
- Total assets: 185.2 billion yen (end of FY2022)

Manufacturing capital

- 718 pharmacies (as of March 31, 2023)
- 5 pharmaceutical manufacturing plants
1 laboratory

Natural capital

- Factory
Water consumption: 77.2t
Electricity consumption: 25,388kWh (FY2022)
In-house power generation using solar panels

Social capital

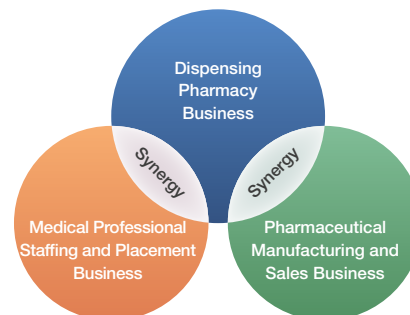
- Robust collaboration with hospitals that provide advanced medical care
- Health Check-Up Stations opened
- Number of patients*2: 12.3 million (FY2022)
- Providing an electronic medication notebook platform

Input

Key tasks

- Responding to diversifying medical needs
- Accelerating digital transformation of healthcare
- Sustainability management

Unique business model



Three strengths



Business Model & Strategy

Output

Outcome

Services provided

Dispensing Pharmacy Business

- Pharmacy operation
- Pharmacist staffing at hospitals
- Sales of healthcare products
- Provision of drug information
- Support for clinic openings
- Medical mall development
- Pharmacy business succession support

Information Provision and Consulting Business

- Drug information service
- Advertising media service
- Survey and research service
- Data health support service

Pharmaceutical Manufacturing and Sales Business

- Manufacturing and sale of generic drugs

Medical Professional Staffing and Placement Business

- Staffing and placement of medical professionals (pharmacists, doctors, nurses, registered pharmaceutical sellers)

Results in FY2022

Society

- Providing high-quality healthcare at pharmacies nationwide, contributing to regional healthcare
- Curbing medical expenses by offering and promoting use of generic drugs
- Heightening convenience by promoting digital transformation of healthcare
- Promoting diversity, equity, inclusion, and belonging
- Contributing to regional healthcare

Number of pharmacies: **718**
(as of March 31, 2023)

Female employees*³: **70.3%**
(as of March 31, 2023)

Electronic medication notebook
Okusuri Techo Plus subscribers: **1.4 million**
(as of June 2023)

Presence at university hospitals nationwide
in Dispensing Pharmacy Business: **50%**
(as of March 31, 2023)

Newly NHI listed generic drugs: **8**
(FY2022)

Job search support: +22% for pharmacists,
+517% for doctors*⁵
(FY2022)

Environment

- Addressing climate change
- Environmentally friendly pharmacies

Pharmaceutical Manufacturing
and Sales Business
Amount of recycled waste: **142 tons**
(FY2022)

CO₂ reduction (Scope 1 and 2):
3,905 tons-CO₂e
(FY2022 versus FY2021)

Sustainable corporate growth

Financial value (FY2022)

- ROE:8.2%
- Sales per employee: 55.1 million yen
- Total dividends paid: 749 million yen
- Number of prescriptions: 16.3 million

Non-financial value (FY2022)

- Strong brand recognition: No.1 in 4 categories for company popularity ranking among job seekers*⁴
- Growth in certified personnel
- Highly secure proprietary system

Vision

Our ideal for
the Group in 2030

To be the most trusted partner in healthcare

*1 Nihon Chouzai only. It includes non-regular employees such as part-time employees. *2 Total number of pharmacy visits. *3 Nihon Chouzai only (as of March 31, 2022) *4 No. 1 in pharmacy/drugstore sector *5 Number of placement contracts (versus FY2018)

Stakeholder Engagement

Stakeholder Engagement

The Nihon Chouzai Group seeks to hold constructive dialogues with stakeholders in each of its business areas to identify their expectations and needs and to work together to help resolve the issues facing the entire society. Going forward, we will continue to work to deepen trust with stakeholders, build relationships that enable mutual flourishing, and increase corporate value.

	Why we engage	Stakeholders' interest	How we respond
 <p>Patients and customers</p>	<p>As a medical institution that provides quality healthcare throughout Japan, we believe pursuing the care that patients and customers demand is essential for the long-term development of our company.</p> <p>The Nihon Chouzai Group is constantly striving to ensure that patients and customers can receive the best possible healthcare without worry at our pharmacies and through our online pharmacy service throughout Japan.</p>	<ul style="list-style-type: none"> ■ Provision of high-quality healthcare through the safe, secure Nihon Chouzai brand ■ Pharmacies available when needed / Providing home medical care ■ Online pharmacy service that brings together high medical quality and convenience ■ Supply of high-quality pharmaceuticals 	<ul style="list-style-type: none"> ■ Providing high-quality healthcare at Nihon Chouzai pharmacies in all prefectures in Japan ■ Providing high-quality generic drugs under the Nihon Generic brand ■ Providing Nihon Chouzai's online pharmacy service NiCOMS ■ Expansion of the functions of the electronic medication notebook <i>Okusuri Techo Plus</i>
 <p>Medical institutions (hospitals, pharmacies) and healthcare professionals</p>	<p>As a medical institution and as healthcare professionals responsible for regional healthcare, the Group collaborates with other medical care providers to better serve patients and local communities. In this way, we contribute to upholding a sustainable healthcare system in Japan. In addition, for medical institutions facing a shortage of medical staff, we are helping to redress regional disparities in healthcare by supplying appropriate medical personnel through the Group's Medical Professional Staffing and Placement Business.</p>	<ul style="list-style-type: none"> ■ Collaboration with medical institutions to build sustainable community healthcare frameworks ■ Redressing regional healthcare disparities caused by a shortage of medical personnel ■ Cooperation with highly specialized pharmacies and pharmacists 	<ul style="list-style-type: none"> ■ Healthcare collaboration by highly specialized pharmacists with regional medical institutions ■ Staffing and placement businesses that connect medical institutions and healthcare professionals while avoiding poor fits ■ Ensure the safety and quality of drugs
 <p>Employees</p>	<p>To achieve sustainable growth, it is vital to create workplaces where employees can take pride in their work as professionals supporting healthcare in Japan. The Nihon Chouzai Group is working not only to foster supportive, fulfilling workplaces, but also carry out employee engagement surveys to enhance employee satisfaction.</p>	<ul style="list-style-type: none"> ■ Workplaces where employees can continue to work with a sense of security ■ Initiatives for Diversity, Equity, Inclusion, and Belonging ■ Fulfilling work that can contribute to healthcare in Japan ■ Maintaining stable employment 	<ul style="list-style-type: none"> ■ Offering working environments at financially sound medical institutions ■ Providing a wide range of job positions that offer fulfillment as a healthcare professional ■ Stable employment in the Nihon Chouzai Group (salary, benefits) ■ One of the industry's best training programs ■ Providing flexible career plans that empower women in the workplace



Shareholders and investors

Why we engage

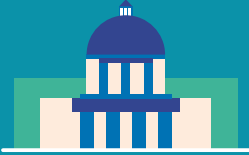
As a company listed on the Prime Market of the Tokyo Stock Exchange, the Group places importance on appropriate disclosure and constructive dialogue with shareholders and investors to achieve sustainable growth and build corporate value over the longer term. Feedback and demands obtained through interactions with shareholders and investors are promptly shared within the Group and reflected in management and investor relations activities.

Stakeholders' interest

- Sustainable growth
- Longer-term improvement in corporate value
- Stable shareholder returns
- Appropriate disclosure

How we respond

- Engagement activities with stakeholders and investors
- Growth strategies to achieve a sound financial structure and sustainable growth
- Stable shareholder returns



Government agencies

Effective collaboration with government agencies is indispensable to the Group's businesses. The Nihon Chouzai Group will continue to engage with government agencies to contribute to Japan's regional healthcare system.

- Provision of healthcare with guaranteed safety and stability
- Cooperative efforts with government agencies
- Reduction of medical expenses
- Understanding of ministry and agency policies

- Efforts to develop, manufacture, sell, and ensure a stable supply of high-quality generic drugs
- Promoting generic drugs to reduce medical expenses
- Contributing to regional healthcare in Japan
- Efforts to achieve digital transformation of healthcare



Society

As we seek to contribute to regional healthcare, cooperative efforts with various stakeholders in our communities are crucial to our businesses. The Group will continue to provide the best-possible healthcare throughout Japan to ensure that patients and customers can lead their daily lives with a sense of security and safety.

- Regional healthcare stations
- Family pharmacies and pharmacists
- Actions to contribute to society
- Expansion of pharmacies with specialized functions such as collaborating with medical institutions and providing advanced healthcare

- Functions to support community residents in staying healthy and to offer nutrition consultations
- Providing a safe and secure community healthcare system through dispensing pharmacies Pharmacy-based community healthcare frameworks to enable people to lead their daily lives with a sense of security
- Nationwide expansion of specially certified pharmacies, such as regional cooperation pharmacies, specialized medical institution cooperation pharmacies, and health support pharmacies



Business partners

As a Group that is involved in a broad range of business areas, it is critical that we maintain solid relationships with all of our business partners. We will work together with our business partners to create significant value for society and respond to diverse healthcare needs.

- Provision of value or compensation
- Mutual long-term growth and prosperity
- Providing quality healthcare services

- Provision of quality healthcare services
- Extensive business development by leveraging the strength of our nationwide network of pharmacies

Risks and Opportunities

Key Risks and Opportunities Projected in Carrying Out the Long-term Vision

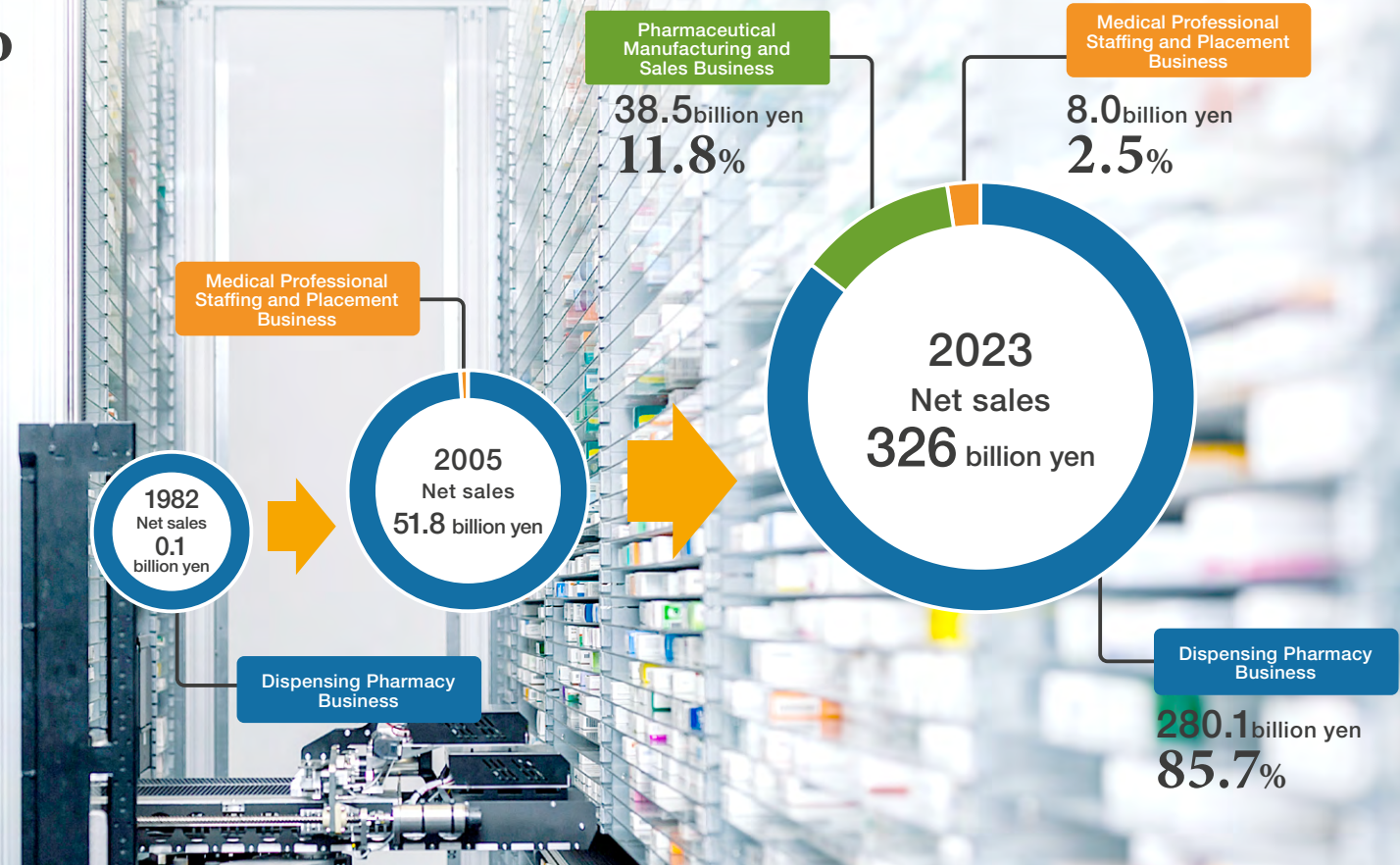
At Nihon Chouzai, to achieve our long-term vision, we will seek to identify and address risks, embrace opportunities as a force driving future growth, and harness strong synergies between our businesses to realize dramatic growth.

Issues	Risks	Opportunities	Actions	
Changes to the Healthcare System	<ul style="list-style-type: none"> Decrease in dispensing fees due to revision of medical fees and reduction of drug prices due to revision of drug prices Entry of outside players into the pharmacy industry due to deregulation Waning competitiveness of existing business models 	<ul style="list-style-type: none"> Accelerating restructuring in the pharmacy industry due to revisions of dispensing fees and drug prices, deregulation, and other factors Expansion of online medical care and digital transformation of healthcare due to healthcare system reforms Accelerating restructuring in the generic drug industry due to the impact of drug price Reductions 	Dispensing Pharmacy Business <ul style="list-style-type: none"> Develop an expanded pool of more highly sophisticated, highly specialized medical personnel Expand business areas and pharmacies with functions ranging broadly from advanced medical care, disease prevention, and pre-symptomatic illness to prevention of progression and at-home healthcare Promoting the Digital Transformation of Healthcare 	Pharmaceutical Manufacturing and Sales Business <ul style="list-style-type: none"> Develop highly profitable newly NHI listed drugs Boost profitability by reviewing the product lineup and expanding the weight of in-house manufactured drugs
Safety and Quality of Medical and Pharmaceutical Products	<ul style="list-style-type: none"> Unexpected serious drug side effects or harmful drug interactions Greater time and effort required to meet stricter regulations on drug manufacturing and quality 	<ul style="list-style-type: none"> Ensuring safety and enhancing reliability by promoting proper drug use Enhancing reliability through proper manufacturing and quality control of drugs 	Dispensing Pharmacy Business <ul style="list-style-type: none"> Enhance educational programs and facilities to ensure the proper use of drugs Introduce, expand, and ingrain quality management 	Pharmaceutical Manufacturing and Sales Business <ul style="list-style-type: none"> Provide employees with rigorous quality control and manufacturing control education Operate and regularly monitor manufacturing and quality control framework
Stable Supply of Pharmaceuticals	<ul style="list-style-type: none"> Disruptions in the supply chain and increased procurement costs in pharmaceutical manufacturing and sales due to global conditions and accelerating inflation, etc. Failure to achieve manufacturing and sales targets due to supply and demand disruptions in the demand structure in the pharmaceutical industry 	<ul style="list-style-type: none"> Responsible sales and provisions of drugs based on a stable, efficient supply chain Construction of a production framework to achieve both stable supply and profitability 	Dispensing Pharmacy Business <ul style="list-style-type: none"> Pursue synergies with the Pharmaceutical Manufacturing and Sales Business to achieve stable procurement of generic drugs Achieve stable drug supply through tie-ups with pharmaceutical wholesalers nationwide 	Pharmaceutical Manufacturing and Sales Business <ul style="list-style-type: none"> Ensure a stable procurement framework by securing a second source of drug substances and coordinating with contract manufacturers Ensure a stable manufacturing framework by upgrading facilities and reviewing the product lineup
Securing Human Resources Needed to Operate, Grow Businesses	<ul style="list-style-type: none"> Shortage, poor fits of personnel to support business strategies, declining labor productivity 	<ul style="list-style-type: none"> Business expansion drawing on strengths in human resource development and recruitment, provision of competitive services 	Group-wide <ul style="list-style-type: none"> Secure highly skilled professionals and develop employee training programs Recruit and train high-quality new pharmacist graduates 	
Increasingly Sophisticated Digital Technology and Security Threats	<ul style="list-style-type: none"> Interruption of services and business due to cybercrime, personal information leaks Waning competitiveness of current business models 	<ul style="list-style-type: none"> Stable operation and expansion of businesses and services grounded in an information security infrastructure Leveraging digital transformation of healthcare to offer new services that address changes in patient and customer behavior and changes in social infrastructure 	Group-wide <ul style="list-style-type: none"> Transform core businesses through digital transformation of healthcare Develop a more robust information security and personal information protection framework as part of the business infrastructure and thoroughly train employees Reinforce measures to prevent information security incidents and strengthen response capabilities 	
Climate Change and Pandemics	<ul style="list-style-type: none"> Higher costs due to stricter environmental regulations Suspended operations and degraded services due to large-scale natural disasters and global pandemics 	<ul style="list-style-type: none"> Mounting needs for services and products to address changes in consumer behavior and lifestyles due to increased environmental awareness Growing needs for online medical care necessitated by large-scale disasters and pandemic outbreaks 	Dispensing Pharmacy Business <ul style="list-style-type: none"> Provide smart healthcare that enables medical consultation, medication guidance, and drug receipt to be carried out entirely online Group-wide <ul style="list-style-type: none"> Conduct and review of business continuity planning P70 and augment resilience to prepare for natural disasters and other large-scale disasters 	Medical Professional Staffing and Placement Business <ul style="list-style-type: none"> Address medical personnel shortages in regions with insufficient medical resources to better prevent the spread of infectious diseases and uphold healthcare frameworks

Business Portfolio

Building on expertise cultivated in its nationwide Dispensing Pharmacy Business, the Nihon Chouzai Group has expanded its reach into other areas of healthcare, evolving a unique business portfolio encompassing the Pharmaceutical Manufacturing and Sales Business, the Medical Professional Staffing and Placement Business, and the Information Provision and Consulting Business.

With the Dispensing Pharmacy Business at the core, we are harnessing synergies through organic collaboration between these businesses as we pursue further growth as a healthcare group giving people the closest possible support.



Dispensing Pharmacy Business

We have pharmacies in all 47 prefectures in Japan, seeking to contribute to improving the health of patients and provide high-quality healthcare services across the country. Based on the family pharmacist and pharmacy functions stipulated by the Ministry of Health, Labour and Welfare, we have developed a network of both pharmacies that offer advanced drug management requiring highly specialized knowledge and those that offer health support functions that contribute to better pre-symptomatic illness and disease prevention in the community.

Information Provision and Consulting Business

This business involves analyzing the healthcare data resources cultivated through various Nihon Chouzai Group companies and carrying out surveys and research, providing information, and offering consulting services to local governments, health insurance associations, pharmaceutical manufacturers, and other customers. We help reduce the costs of healthcare through the effective use of vast amounts of information resources.

Pharmaceutical Manufacturing and Sales Business

The Pharmaceutical Manufacturing and Sales Business focuses primarily on generic drugs that are effective in curbing healthcare costs. Capitalizing on the strengths of the Nihon Chouzai Group, we manufacture safe, high-quality generic drugs that meet the needs of clinical settings, with a framework in place to enable a stable supply of drugs throughout Japan. With a current lineup of around 570 drugs, we aim to be a generic drug manufacturer that supports healthcare in Japan.

Medical Professional Staffing and Placement Business

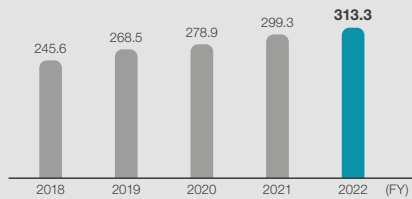
This business engages in staffing and placement services for healthcare workers, mainly pharmacists. By drawing on the high-quality education system established by Nihon Chouzai, we are able to provide staffing and placement services with the kind of added value that other companies cannot match. We are also working to grow the business by expanding the lineup of services for healthcare professionals other than pharmacists, including doctors, nurses, and registered pharmaceutical sellers.

At a glance

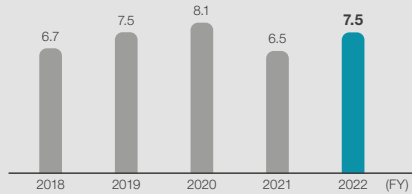
At a glance

Results for the FY2022

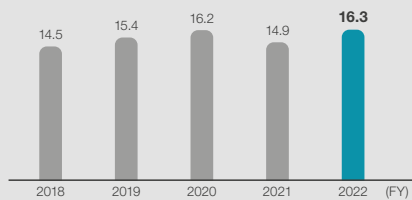
Net Sales 313.3 billion yen



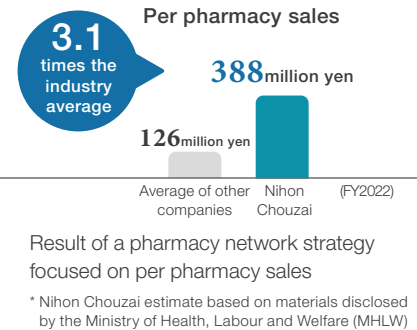
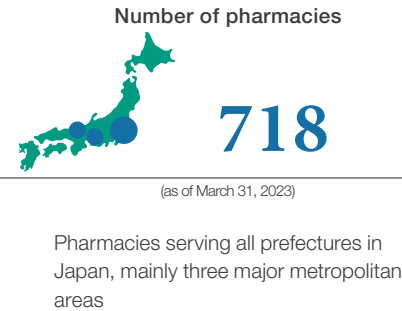
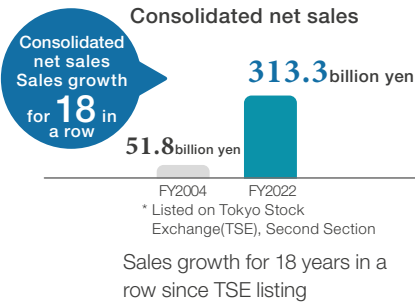
Operational profit 7.5 billion yen



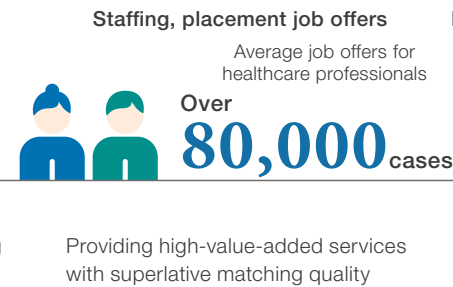
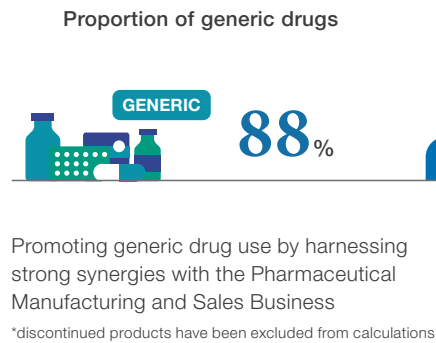
EBITDA 16.3 billion yen



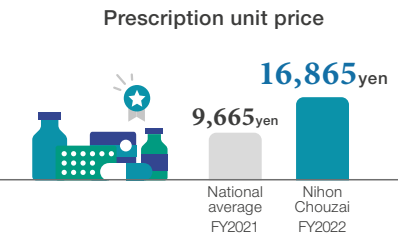
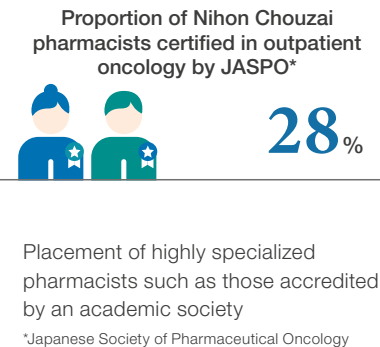
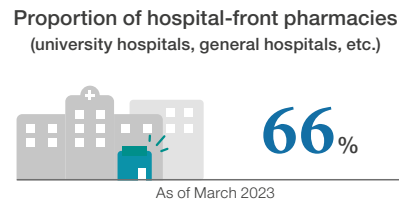
Taking the Lead in the Japanese Pharmacy Market



Addressing Healthcare Issues Facing Japanese Society



Support for Advanced Medical Care



Digital Transformation Strategy

Nihon Chouzai regards ICT as a key factor in growth and has been developing an ICT strategy for many years.

Amid calls to incorporate digital transformation into healthcare, the Nippon Chouzai

Group's digital transformation strategy is further evolving to provide new value to patients, medical institutions, and local communities.

Five Digital Transformation Strategies

Nihon Chouzai has formulated five digital transformation strategies to offer new value to a wide range of patients and other stakeholders. By pursuing each of these strategies for transforming our core businesses, creating new businesses, and transforming business

processes inside and outside the Group, we aim to become the healthcare group of choice for stakeholders through the new value we create.

Five Digital Transformation Strategies

1 Providing smart healthcare

Providing smart healthcare, where anyone can receive health consultation, medication guidance, and drug delivery seamlessly online

2 Creating new customer experiences

Creating new customer experiences by fusing brick-and-mortar and online pharmacies

3 Improving customer satisfaction and maximizing treatment efficacy

Improving customer satisfaction and maximizing treatment efficacy by expanding touchpoints using *Okusuri Techo Plus*

4 Using digital technology to provide value-added information

Providing value-added information through the FINDAT drug information platform

5 Improving work efficiency and shifting to patient-centered work

Using digital technology to streamline operations, reducing time spent with materials and creating time for patient-centered work

Value Provided



Patients and consumers

- Enhanced convenience, prevention of illness progression
- More robust at-home healthcare
- Supporting disease prevention and pre-symptomatic illness of local residents
- Providing high-quality medical care by enhancing interpersonal services
- Prevention and early detection of drug side effects
- Proper drug use based on efficacy, safety, and cost-effectiveness
- Balance of safety and efficiency of dispensing work



Medical institutions

- Support for gathering drug information



Regional society (educational institutions, local governments)

- Reducing regional disparities in healthcare
- Responding to health and lifestyle issues through multi-professional collaboration in the community
- Sustainable healthcare provision
- Use of information at universities and other educational institutions



Shareholders

- Sustainable corporate growth
- Optimizing risk



Employees

- Working style reforms through greater work efficiency
- Heightened expertise through shift from materials- to patient-centered work
- Providing a range of opportunities for active involvement

Pharmacy service operations based on the digital transformation strategy

Nihon Chouzai's Online Pharmacy Service NiCOMS



Electronic medication notebook *Okusuri Techo Plus*



Remote Healthcare Search Service NiCO Navi



Drug information platform FINDAT



Renewal of the Dispensing System

Supporting Operation of Multiple Pharmacies with Cloud-Based Service JP-Dream

Automation of Dispensing Work

Online Insurance Eligibility Verification System

Business Overview



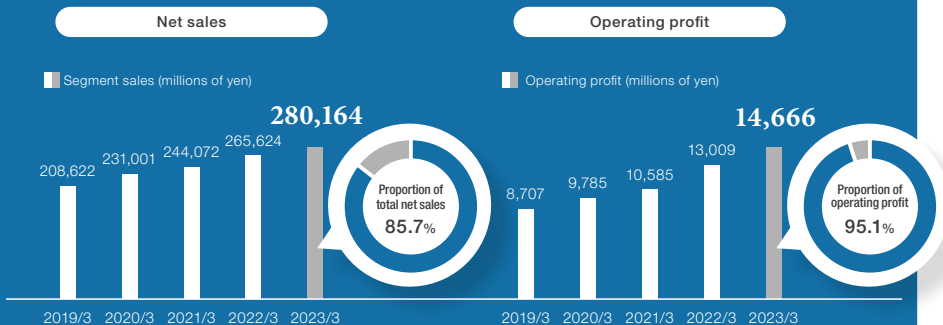
Dispensing Pharmacy Business

Nihon Chouzai Co., Ltd., other dispensing subsidiaries

Vision for Growth

“To give people the closest possible support,” Nihon Chouzai has always sought to tackle healthcare issues head-on, even as those issues have shifted drastically with the times. The Group’s growth is not tied only to meeting the immediate needs of patients—we take pride in having been able to anticipate the times, flexibly embrace change, and move before anyone else to address social issues that are just over the horizon.

We will further hone the strengths we have cultivated so far—our capacity to respond to diversifying medical needs, our ability to provide quality healthcare, and our capacity to respond to the digital transformation of healthcare—as we pursue growth over the longer term.



Three Strengths

Capacity to respond to diversifying medical needs

Nihon Chouzai leads the industry in responding to diversifying medical needs, continuing to grow as a comprehensive healthcare brand as we support regional healthcare collaboration and at-home healthcare, offer online pharmacy services, and expand our health support functions. Moreover, we are responding agilely to changes in the healthcare environment in Japan amid ongoing reforms to the healthcare system, including revisions to dispensing fees and drug prices and calls for the digital transformation of healthcare.

Providing quality healthcare

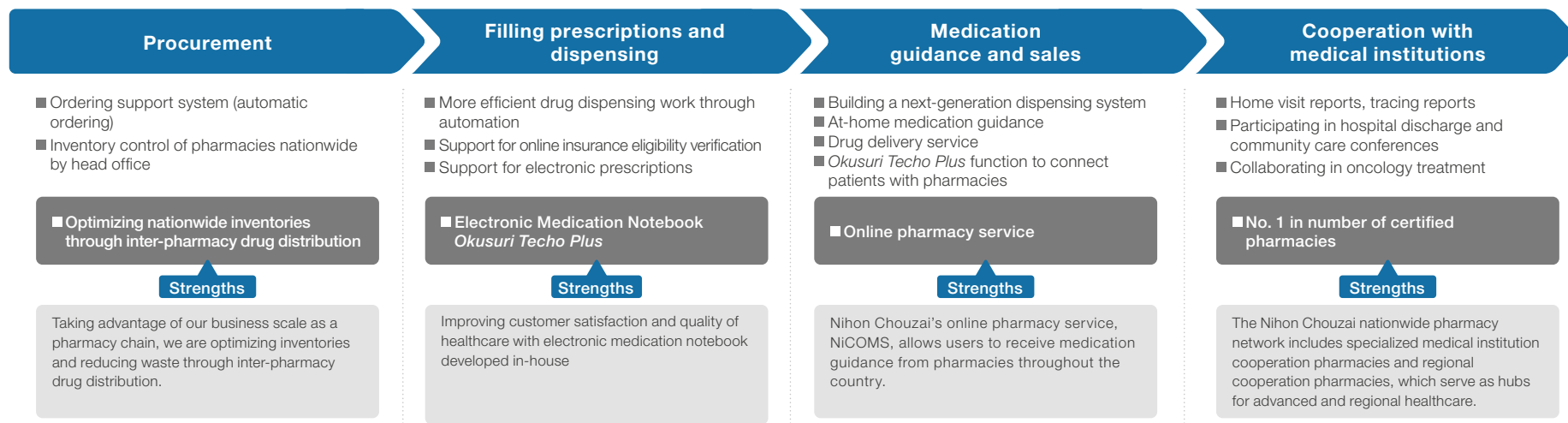
Approximately 70% of Nihon Chouzai pharmacies are located in front of or on the premises of university hospitals and major regional hospitals that provide advanced healthcare. We are also consistently ahead of the industry in responding to diversifying medical needs. We will also step up efforts to handle specialty drugs, for which demand is expected to grow in the future.

Capacity to respond to digital transformation of healthcare

Since its founding, Nihon Chouzai has actively incorporated ICT into its business activities, drawing on advanced innovation capabilities. We have been pursuing digital transformation strategies in the healthcare field, such as the in-house development of dispensing systems and the *Okusuri Techo Plus* electronic medication notebook. As demand for “smart healthcare” increases, we will lead the way in transforming the healthcare industry through remote medication guidance and other initiatives.



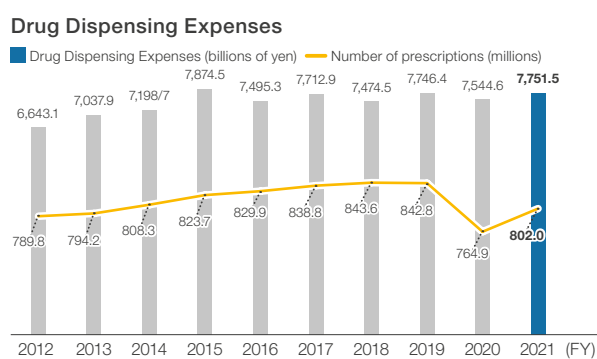
Value Chain and Competitive Advantages of the Dispensing Pharmacy Business



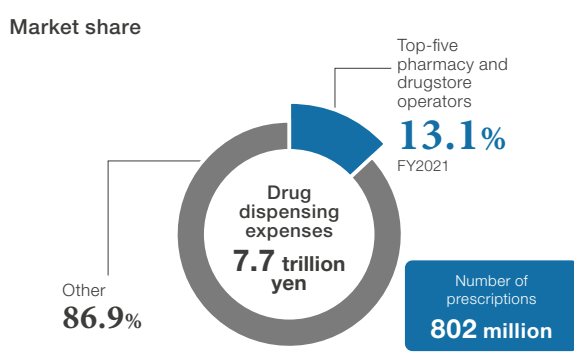
Market Environment

In the wake of the COVID-19 outbreak, the Japanese government has been pursuing reforms to the healthcare system and promoting the digital transformation of healthcare. It deregulated remote medication guidance and introduced a refill prescription system in April 2022, and introduced electronic prescriptions in January 2023. These government reforms to the healthcare system are helping to spur realignment in the pharmacy sector,

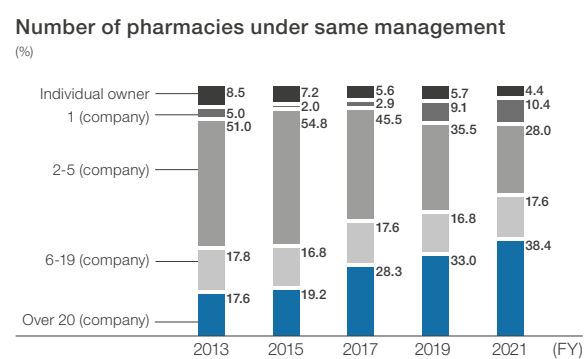
which is expected to lead to fewer pharmacies and greater consolidation of pharmacies. The market share of the five major dispensing pharmacy operators, including the Company, is less than 15%, leaving significant room for market share expansion.



Source: Ministry of Health, Labour and Welfare *Trend of Dispensing and Medical Care Expenses (Computerized) 2021 Edition*



Source: Ministry of Health, Labour and Welfare *Trend of Dispensing and Medical Care Expenses 2021 Edition*



Source: Ministry of Health, Labour and Welfare First Working Group on In-Pharmacy Pharmacist Operations and Pharmacy Functions, *Outline of Basic Data on In-Pharmacy Pharmacists*

Responding to Diversifying Medical Needs

Pharmacy network strategy focused on balance to meet a broad array of patient needs

To provide high-quality healthcare services nationwide, Nihon Chouzai is pursuing a balanced pharmacy network strategy. Based on the family pharmacist and pharmacy functions stipulated by the Ministry of Health, Labour and Welfare, we distinguish our pharmacies between those that offer advanced drug management requiring highly specialized knowledge and those that offer health support functions that contribute to better pre-symptomatic illness and disease prevention in the community. We have pharmacies in all 47 prefectures in Japan.

Hybrid pharmacies

Pharmacies that combine the elements of neighborhood pharmacies, which are in locations with convenient access, such as downtown areas or near train stations, with medical center-type pharmacies, which serve clusters of medical institutions. Hybrid pharmacies fill prescriptions from medical facilities across a relatively wide area, but also serve as a familiar healthcare hub for neighborhood residents and people commuting to work or school.



Online pharmacy service

NiCOMS, an online pharmacy service developed by Nihon Chouzai, allows users to make reservations to receive remote medication guidance at home or elsewhere. In addition to helping prevent infectious diseases, customers who are too busy to visit a pharmacy or patients who live far away can easily make use of this service via their smartphones or computers.



Hospital-front/on-site pharmacies

Located near or on the premises of university hospitals and major regional hospitals that provide advanced healthcare, these pharmacies offer advanced healthcare serving a wide range of medical specialties. As hospital-front/on-site pharmacies often fill prescriptions for drugs that require advanced pharmaceutical management, highly specialized knowledge and skills, as well as the highest level of medical services, are required.



Pharmacies with various functions

The Vision of Pharmacies for Patients announced by the Ministry of Health, Labour and Welfare (MHLW) set forth concrete functions required of pharmacists and pharmacies going forward. A system allowing prefectural governors to certify certain pharmacies with such functions as regional cooperation pharmacies or specialized medical institution cooperation pharmacies was launched in August 2021. Nihon Chouzai is developing a network of pharmacies offering an array of other functions as well. These include health support pharmacies, which offer consultation on a wide range of health-related issues; certified Nutrition Care Stations, where local residents can easily receive nutritional care support and guidance; and pharmacies equipped with a Health Check-Up Station, a distinctive initiative of Nihon Chouzai to help local residents stay healthy and to deal with pre-symptomatic illness and disease prevention.

Specialized medical institution cooperation pharmacies

45 pharmacies / 141 pharmacies nationwide

Pharmacies, authorized by prefectural governors, that cooperate closely with other healthcare facilities to serve patients who require specialized drug management. These pharmacies also engage in special kinds of dispensing that call for more advanced drug management and greater specialization. Currently, pharmacies with a high degree of expertise in oncology treatment can receive this accreditation.

Regional cooperation pharmacies

459 pharmacies / 3,672 pharmacies nationwide

Pharmacies, authorized by prefectural governors, that collaborate as needed with regional medical institutions and other pharmacies, serving as bridges between hospitals (medical care) and long-term care facilities or residences (long-term care).

Health Support Pharmacies

178 pharmacies

Pharmacies meeting health support standards established by the Ministry of Health, Labour and Welfare that have functions to actively support local residents and patients so that they can lead healthy and abundant lives.

Certified Nutrition Care Stations

28

Facilities certified by the Japan Dietetic Association as a community hub where local residents can easily receive nutritional care support and guidance. Through services such as nutrition consultations, health events, and nutrition classes, registered dietitians support residents in leading healthy and fulfilling lives.

Supporting at-home healthcare

The advent of a super-aging society has triggered a shift away from inpatient treatment at medical institutions to ongoing at-home healthcare. As family pharmacies, the role of pharmacies in community-based healthcare teams is becoming more and more critical. Nihon Chouzai began augmenting its ability to respond to care needs at home and at long-term care facilities in 2009. We support patients in collaboration with facility staff, doctors, nurses, and care managers. Since 2010, we have offered a broad array of at-home healthcare services to support the needs of local communities, ranging from cancer and other serious illnesses to children with intractable diseases.

In terms of facilities at our pharmacies, we have remained ahead of the industry in equipping pharmacies with sterile dispensing rooms, which will be increasingly necessary for at-home healthcare going forward, allowing the preparation of injections, intravenous feeding solutions, and other sterile dispensing work.

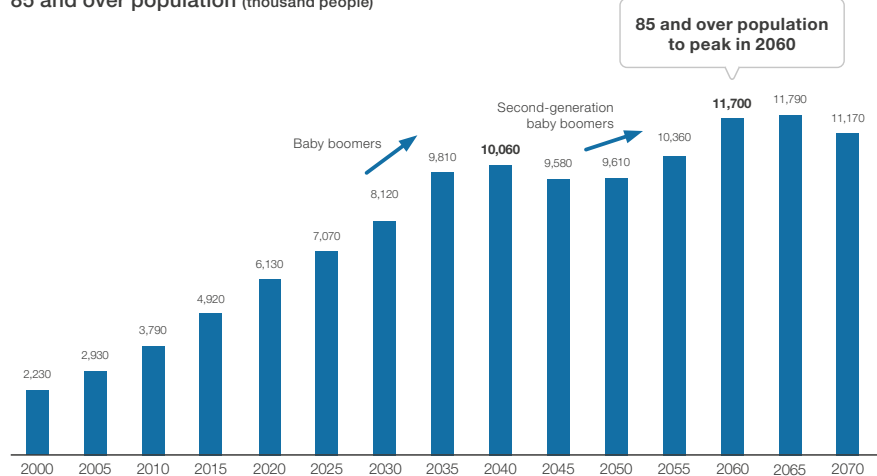
In FY2011, Nihon Chouzai set up a department dedicated to at-home healthcare, and is actively promoting home-visiting drug management and guidance for patients being treated at home. All Nihon Chouzai pharmacies have now put in place a framework in which pharmacists can provide home-visiting drug management and guidance services.

Specialized at-home healthcare managers (Pharmacists) **12**

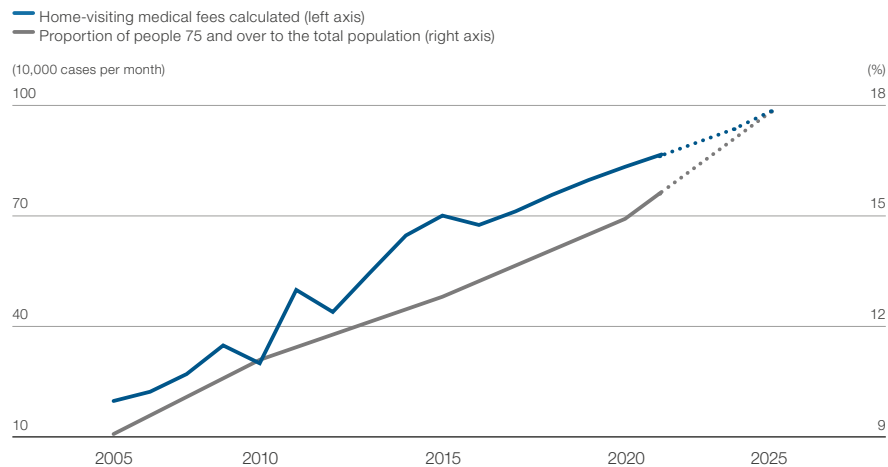
At-Home Medical Care Support Centers **27**

At-Home Medical Care Support Centers **20**

85 and over population (thousand people)



Growth of the At-Home Healthcare Market in Japan



Supporting at-home healthcare

At-Home Medical Care Support Centers



Through 27 At-Home Medical Care Support Centers nationwide, Nihon Chouzai is providing a range of at-home care services to meet the needs in various regions. Pharmacists specializing in at-home healthcare are supporting primarily elderly patients as well as children with cancer, intractable diseases, and other serious illnesses. We make use of Anshin Fukuyaku-kun, an original medication support system developed in-house, to help boost adherence by preventing medication errors and managing medication information. Moreover, we actively support the health of patients in the region in collaboration with other healthcare professionals, including by having a pharmacist accompany patients to their medical examinations. Meanwhile, we are taking steps to ensure high-quality, safe healthcare services: Nihon Chouzai pharmacies are working to obtain ISO 9001, the international standard for quality management systems, for the provision of dispensing and medication distribution services by At-Home Medical Care Support Centers and drug sales operations.

TOPIC / At-Home Palliative Care Initiatives

One Nihon Chouzai pharmacy is certified to conduct at-home palliative care by the Japanese Society for Pharmaceutical Palliative Care and Sciences

An at-home palliative care certification system launched in December 2022 aims to certify pharmacies that have the functions required for palliative care and to make such pharmacies easier to understand. Under this system, patients requiring palliative care can choose the pharmacy that best suits them and receive high-quality palliative drug therapy. Nihon Chouzai's Koto Pharmacy was certified as of April 1, 2023.

To further improve the quality of at-home healthcare and expand at-home palliative care certification, we are focusing on recruiting and training candidates to become palliative drug therapy pharmacists with expertise in palliative drug treatments. *Currently, six Nihon Chouzai pharmacists are certified as palliative drug therapy pharmacists.

*As of June 30, 2023



A sterile dispensing room installed at Koto Pharmacy

Providing Quality Healthcare

Ability to support to advanced healthcare

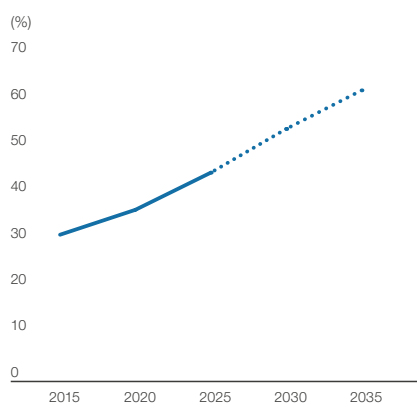
Initiatives Involving Specialty Drugs

Nihon Chouzai defines specialty drugs as high-priced drugs, including drugs used to treat cancer and rare diseases. Specialty drugs are thought to have grown to claim an over 35% share of the total prescription drug market in Japan. The scale of this market is expected to expand going forward.

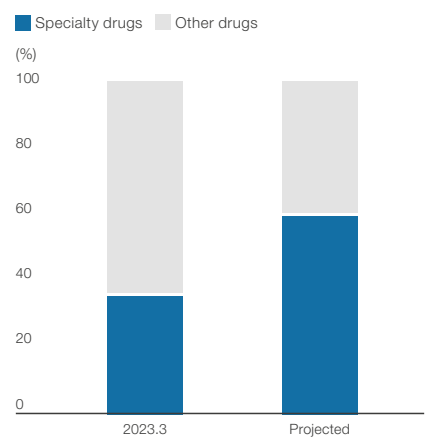
More than 60% of Nihon Chouzai Group pharmacies nationwide are located in front of or on the premises of major hospitals. Moreover, as many of our pharmacists are certified in outpatient oncology and other specialized areas, our pharmacies tend to handle a far greater proportion of anticancer and other specialty drugs than the industry average.

Aiming to capture growing demand for specialty drugs, we have already actively expanded our network of hospital-front and on-site pharmacies at major hospitals, which provide advanced healthcare. Meanwhile, we are moving forward with steps to significantly increase sales of specialty drugs at our other pharmacies.

Specialty drug share of total prescription drug market in Japan (inpatient and outpatient)



Percentage of specialty drugs in Nihon Chouzai Group dispensing fees



Cultivating highly specialized pharmacists

Pharmacist education at Nihon Chouzai is based on a curriculum that is the top of its class in the industry. Taking for granted the need to acquire adequate knowledge and skills related to pharmaceuticals, we see the basic approach to patients as a healthcare provider, the ability to communicate with patients, and the ability to manage pharmacy operations as equally essential skills. Under our robust training system, we are working to cultivate pharmacists of a high caliber.

Pharmacists	3,560	Dispensing Pharmacy Business Pharmacists with in-house certification/Cancer guidance pharmacists 48 Other	Total 129
<small>(As of April 1, 2023)</small>			
Pharmacists with outside certification	62*	Percentage of pharmacies with family pharmacists	85%
<small>(As of April 1, 2023)</small>			
Board-Certified Pharmacist of Ambulatory Cancer Chemotherapy (BPACC)		Pharmacists with "Outside Job Challenge" program experience (staffing in a hospital)	339
<small>(As of April 1, 2023)</small>			
<small>*28% of all BPACC certified pharmacists working in pharmacies are from the Nihon Chouzai Group. This is the highest percentage in the pharmacy sector.</small>			
<small>(until March 2022)</small>			

Hospital Field Education

With the aim of fortifying collaboration between hospitals and pharmacies and improving the professional skills of pharmacists, we have introduced a program of practical training at university hospitals nationwide.

Through this program, pharmacists are exposed to work that they are not normally able to experience, including in dispensing, injection, and formulation rooms and work involving mixed injections, drug information, ward duty, and pharmaceutical affairs. Through the preparation of numerous medicines and infusions for inpatients, program participants acquire hands-on knowledge and skills that they can take back to the pharmacy and use in various situations.

Support Framework with Outside Certification Team

We have established an in-house team to take the lead in supporting the greater acquisition of the pharmacist and specialty pharmacist certification of various academic societies. Amid growing calls for greater pharmacist specialization, including in the area of cooperation with specialized medical institutions, Nihon Chouzai is emphasizing the honing of expertise in cancer treatment in particular. As part of this emphasis, we have formed a team to encourage the acquisition of certification in outpatient oncology, palliative drug therapy, and regional drug care with a specialization in cancer.

Efforts to Achieve Digital Transformation of Healthcare

Initiatives for online healthcare

With the partial deregulation of the online healthcare system in Japan in April 2022, an increasing number of people are turning to online healthcare. Offering NiCOMS, an online pharmacy service we developed in-house, the Nihon Chouzai Group is leading the industry in taking steps to expand the online market. In addition, in FY2022, through tie-ups with

various partners, we began offering end-to-end online healthcare, ranging from online healthcare consultations to online medication guidance and home delivery of drugs. We are taking ongoing steps to expand the pool of patients using these services, seeking to promote the more widespread use of online healthcare.

In-House Developed *Okusuri Techo Plus* Electronic Medication Notebook

Over 1.4 million subscribers*As of March 31, 2023

The electronic medication notebook *Okusuri Techo Plus* links with Nihon Chouzai's core dispensing system to enable centralized management of medication history. The app is also equipped with various functions that enhance convenience for patients, including a function for sending prescriptions and a calendar function. It also has a personal health record function that offers greater convenience by linking* to data from body composition monitors, blood sugar monitors, and other healthcare devices. In this way, it helps patients manage their daily habits and supports better health.

In addition, by using the app's "connect" function, patients can communicate with the pharmacy. With the addition of a chatbot function for medication consultation, if patients have questions about drugs, such as how to take drugs properly, how to administer a drug to a child, when to take medication, or their physical condition after taking a medication, they can easily consult with the pharmacy.

We were also the first* company to link our electronic medication notebook with Japan's My Number (individual ID) portal, now making it possible to centrally view and manage data on drugs dispensed at multiple medical institutions and pharmacies on the portal.



Users can start a chat by tapping on the "question about medication" link.

They can choose from different options and easily consult with the pharmacy.

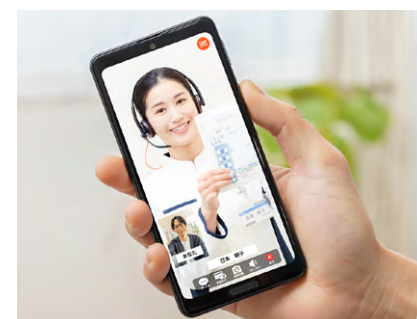
*Available with compatible healthcare devices and NFC-enabled Android devices
*Based on Nihon Chouzai's survey

Nihon Chouzai Online Pharmacy Service NiCOMS

Supported by all Nihon Chouzai Group pharmacies

The revision of the Pharmaceuticals and Medical Devices Act made remote medication guidance available nationwide in September 2020. In response, Nihon Chouzai developed NiCOMS, an online pharmacy service that allows patients to receive medication guidance at home or elsewhere.

Deregulation of remote medication guidance went into effect in April 2022 and is expected to be given broader scope going forward, such as permission to provide medication guidance remotely for first-time patients.



Common account for Nihon Chouzai online services Establishment of New Nihon Chouzai Personal Account

We newly established a Nihon Chouzai Account, a personal account shared across online services of Nihon Chouzai, including the *Okusuri Techo Plus* electronic medication notebook and the Nihon Chouzai online pharmacy service NiCOMS.

Patients are now able to use online services provided by Nihon Chouzai with a single account without subscribing separately.



ICT Investment under the Digital Transformation Strategy

Nihon Chouzai develops and operates various ICT tools for healthcare in-house, centered on the dispensing systems used in pharmacy operations.

In the 1990s, we were first in the industry to develop an electronic dispensing system. Yearly upgrades to the system have enabled us to respond quickly to revisions in drug dispensing fees and the shift toward remote healthcare. The system also serves as a platform that can flexibly link with other systems. In 2021, we started an overhaul of the

dispensing system to support the expanded roles expected of pharmacies down the road. In addition to revamping the user interface, we are targeting a system design that will enable a more flexible response to upcoming digital transformation and deregulation in healthcare fields. We are positioning this overhaul as a growth investment with a view to future business development and expansion of the business scale.

Dispensing system (platform)

Voice input system

2005 Assisting medication history input by pharmacists and improving efficiency

Vein biometric authentication system

2011 Ensuring dispensing authenticity
Optimizing business hours

Automation of dispensing work

2019 Supporting pharmacist's dispensing work
-ICT use
-Greater efficiency

**Medication support app
Anshin Fukuyaku-kun**

2020 Preventing medication errors and streamlining medication work at long-term care facilities



Voice input system

JP-Dream management tool for multiple pharmacy operation

2021 Supporting digital management of pharmacy business processes and operational efficiency

Online insurance eligibility verification system

2021 Rollout of online insurance eligibility verification to pharmacies nationwide

Nihon Chouzai Online Pharmacy Service NiCOMS

2020 Launch of Nihon Chouzai's online pharmacy service NiCOMS

Electronic medication notebook Okusuri Techo Plus

2014 Supporting drug safety for patients



Vein biometric authentication system

Okusuri Techo Plus subscribers About 1.4 million (As of March 31, 2023)
Increased touchpoints through "connect" function

Health consultation system

2017 Helping community residents stay healthy

At-home healthcare communication

2012 Supporting and streamlining at-home medical care services by pharmacists

Nihon Chouzai Online Store

2019 Supporting customers' healthcare



Nihon Chouzai Online Store

Automation of dispensing work

While promoting efficiency through automation, we are creating more time for pharmacists to devote to patient-centered work and improving the quality of healthcare services.

Purpose

- Shifting pharmacist work to more patient-centered work
- Improving dispensing quality (including hygiene)
- Improving patient safety

Name of tool	Drug Stations	ROBO-PICK II	DimeRoll	miniAQUA-zero
Application	Automated drug picking device	Fully automated blister pack feeding device	Powder medication dispensing robot	Liquid medication dispensing machine
Functions/Features	Up to 3,000 items	Up to 1,300 items	Automatic weighing, cleaning	Automatic dispensing, cleaning

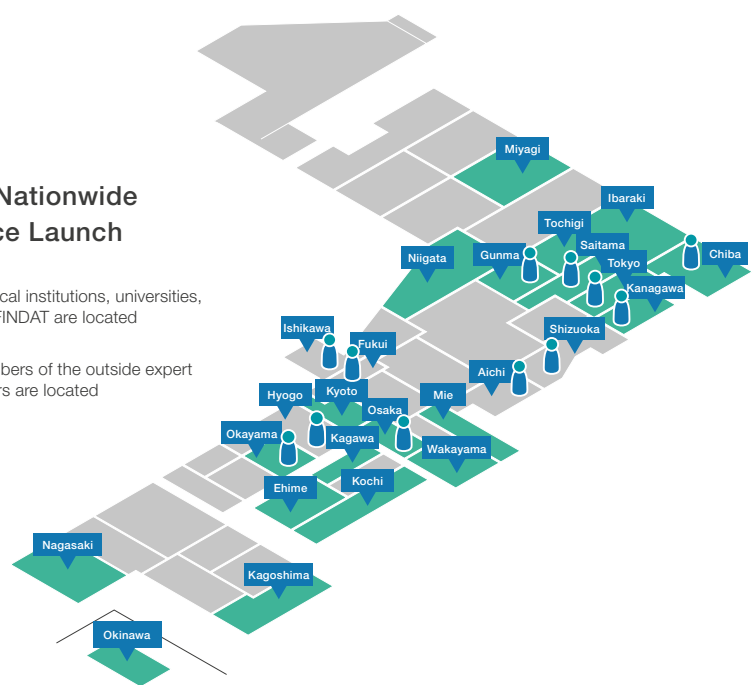
FINDAT business

Accelerating Digital Transformation of Healthcare with the Web-Based FINDAT Platform

FINDAT is a drug information web platform for medical professionals.

FINDAT gathers drug information from an extensive range of data sources in Japan and overseas, such as original articles, drug databases, and regulatory guidelines, processes these data to enhance use at clinical sites, and provides them online.

FINDAT can respond to a wide range of social needs, and it is gaining a solid reputation, making inroads among a growing number of pharmacies that carry out advanced healthcare and at-home care as well as pharmacology educational institutions.



Demand from Society

- Hospital administrators** Cost reductions, medical safety, strengthening regional collaboration, working style reform for doctors, and other management issues
- Healthcare professionals** Improving efficiency in collecting and evaluating vast amounts of drug information, standardizing work for the shift to task sharing
- Pharmacies** Comprehensive, accurate drug information for advanced healthcare, refill prescriptions and advanced pharmacy management
- Educational institutions** Training the next generation of healthcare professionals



Value Provided by FINDAT

- Managing drugs that have been adopted and creating formularies**
Formularies are recommended lists of homologous drugs prepared and offered by FINDAT. They can be created efficiently by processing data according to the situation of each medical institution or region.
- Comparing efficacy, safety, and cost-effectiveness of homologous drugs**
Comparisons of similar drugs with similar efficacy provided by FINDAT are created using data on the efficacy, safety, and cost-effectiveness of the drugs gathered from a wide range of sources including package inserts, interview forms, original articles, secondary information databases, and various regulatory guidelines. FINDAT compiles these data into a table or other formats to compare and evaluate individual drugs.
- More efficient data gathering when adopting new drugs**
FINDAT gathers information on and evaluates newly approved drugs, tasks that typically place a heavy burden on medical institutions, and compiles these findings into materials that can be easily utilized at clinical sites and distributes them.
- Optimization of drug purchasing costs**
Utilizing the abovementioned materials on drug evaluation in terms of efficacy, safety, and cost-effectiveness provided by FINDAT, customers can narrow down the range of drugs to use and decide whether to adopt a new drug. In this way, FINDAT contributes to the optimization of drug purchasing costs.
- Objective data reviewed and peer-reviewed by outside experts**
Standardized formularies are published after being reviewed and approved by the Formulary Expert Review Committee. New drug evaluations and additional indications are published after being peer-reviewed by outside pharmacists who are active in clinical practice. This ensures the fairness and appropriateness of information.
- Promoting proper medication use and enhancing medical safety**
By providing information on proper medication use as well as the latest drug safety information, FINDAT promotes the proper use of drugs, contributing to enhanced medical safety.



Please tell us how your hospital introduced its own formularies.

At DPC*1 hospitals, comprehensive compensation is determined according to the type of illness or injury and medical treatment involved. The type and volume of drugs used thus have a significant impact on overall earnings for the hospital. For a long time, our hospital wrestled with the issue of the numerous types of drugs used and the large prescription volume of expensive original drugs. We thought that if we could use FINDAT to create and operate hospital formularies, we could expect improvement on these issues.

It seems like you operate formularies in many areas.

We wanted to actively operate formularies for the therapeutic classes likely to be most effective. So, our goal was to draw on the FINDAT platform as we sought to create a therapeutic class for each pharmaceutical affairs council. Currently, we operate hospital formularies for ten therapeutic classes.

Since you started operating these formularies, what has the response been from doctors?

There seemed to be some hesitation before we introduced the formularies, but once the doctors actually started prescribing generic drugs based on the formularies and saw that there was no difference in efficacy, they quickly warmed to the new system. The transition was much smoother than I imagined.

Clear-cut changes in prescription volumes and the balance of drug costs

What kind of changes have you seen in terms of drug costs?

For example, under our formularies, the recommended drugs for PPI/P-CAB*2 are the generic drugs rabeprazole and lansoprazole.

The prescription volume for these recommended drugs increased from about 180 cases per month before we introduced the formularies to about 650 cases per month immediately thereafter. Meanwhile, for drugs under provisional application other than recommended

*1 DPC (Diagnosis Procedure Combination) hospital: DPC indicates a diagnostic group classification method developed in Japan to standardize medical care for inpatients in the acute phase of illness, seeking to improve the quality of such care and make it more transparent. DPC hospitals are subject to a per-diem payment system based on this classification method.

Case Study Interview

Ibaraki Seinan Medical Center Hospital

Using FINDAT to create formularies that both realize patient benefits and address needs for reducing drug costs

<https://info.findat.jp/case/07/>

Ibaraki Seinan Medical Center Hospital introduced FINDAT to efficiently create hospital formularies and started up operation with a short turnaround time. The system seems to have had success in reducing drug costs, a long-standing issue for the hospital. We sat down to speak with President Akihiro Nomura, who promoted the introduction of FINDAT at the hospital with an eye to future hospital administration.

generic drugs—which include original drugs that were prescribed in large numbers until we introduced the formularies—prescription volume was down from about 410 cases per month previously to about nine cases per month immediately after introduction.

Overall prescription volume, including for both recommended generic drugs and drugs under provisional application, rose from about 590 cases per month to about 660 cases per month, but in terms of NHI drug prices, we were able to significantly pare down costs, from roughly 365,000 yen per month to 97,000 yen per month. We see this trend continuing even one year out after introduction of the formularies, giving us a clear sense of the impact of the rollout.

Based on your experience over the past two years, what implications do you think hospital formularies have for hospital administration?

Earnings that hospitals can receive from drugs include drug price margins, generic drug use framework premiums, and medication management guidance fees. Drug price margins were a major contributor to earnings in the past. However, these benefits diminished after Japan raised the consumption tax to 10%. In addition, because DPC hospitals like ours have to keep drug purchasing costs as low as possible, using formularies to carefully select the drugs to be adopted and prescribed is a critical issue.

What are your expectations for FINDAT in terms of gaining more widespread use of formularies in Japan?

Healthcare costs are on the rise across the board in Japan. Meanwhile, as hospital administration becomes more and more challenging, cutting drug costs is an issue all hospitals have to face. That being said, taking any step that might compromise the quality of healthcare would be exactly the wrong order with which to approach this issue. Given that this is the current state of regional healthcare, formularies can be a highly effective tool in holding down drug costs. Moreover, from our experience at the hospital, we feel that FINDAT is very useful in paving the way for the introduction of formularies.

*2 PPI: Proton pump inhibitor. P-CAB: Potassium-competitive acid blocker

Drugs which suppress gastric acid secretion in the stomach and are used to treat gastric ulcers and other symptoms, and relieve pain and heartburn associated with reflux esophagitis.

FINDAT Case Study

Rolling Out FINDAT to 440 Nihon Chouzai Pharmacies

As of April 2023, we had extended the rollout of FINDAT to 440 Nihon Chouzai-operated pharmacies nationwide, mainly university and general hospital-front locations.

Under a system launched in August 2021 that allowed pharmacies to be certified as regional cooperation pharmacies or specialized medical institution cooperation pharmacies, the standard expected of such pharmacies is that they will collaborate with regional medical institutions to provide information on the proper use of drugs and serve as regional drug information platforms.

In April 2021, Nihon Chouzai launched the online drug information platform FINDAT to help give shape to the kind of pharmacies envisioned by the certification scheme—pharmacies that provide higher quality healthcare as a trusted expert in drug treatment for patients. We carried out advanced trials of FINDAT, mainly at certain Nihon Chouzai pharmacies, to verify how pharmacies can best take advantage of the platform. Now, with the extension of the FINDAT platform to so many pharmacies, we are aiming to provide even higher quality healthcare.



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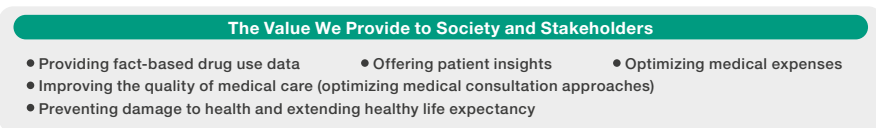
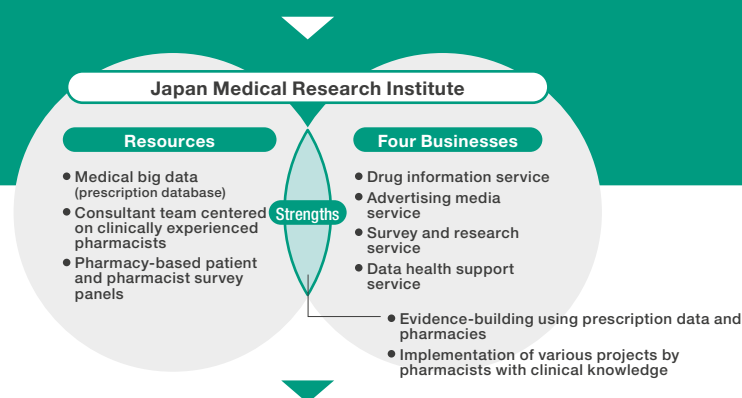
The Meishidaimae Pharmacy in Nagoya used FINDAT to develop an algorithm to evaluate contraindications for antihistamines prescribed to treat allergies. When a new antihistamine prescription comes in, the algorithm confirms whether a patient falls under one of five risk categories: whether the patient 1) drives a car, 2) has angle-closure glaucoma, 3) has prostatic hyperplasia, 4) is pregnant or breast-feeding, or 5) has epilepsy. If the patient drives a car, for example, pharmacists check whether the drug carries a warning for driving through a comparison with similar drugs with similar efficacy*1. If the prescribed drug is not appropriate, pharmacists consult a standard formulary to suggest other safe antihistamines. Pregnant and breastfeeding patients are

*1 Comparisons of similar drugs with similar efficacy: A compilation of materials summarizing the information necessary to evaluate homologous drugs from the perspectives of efficacy, safety, and cost-effectiveness.

*2 NK1 receptor antagonist antiemetic: A drug that suppresses nausea and vomiting brought about by anticancer drugs by inhibiting stimulation of the vomiting center.

evaluated using the same procedure. However, since there was no safety data for breastfeeding patients for the drug bilastine, the pharmacy contacted the physician who changed the prescription to fexofenadine.

The Meishidaimae location is also certified as a specialized medical institution cooperation pharmacy, and holds regular study sessions to cultivate certified oncology pharmacists. Drawing on FINDAT's standard formulary for the NK1 receptor antagonist antiemetic*2 and making a comparison of homologous drugs, the pharmacy carried out positioning for the new drug fosnetupitant and compared it against existing drugs, which was useful for information collection and evaluation of the new drug.



Information Provision and Consulting Business

Japan Medical Research Institute Co., Ltd.

Growth Strategy

Japan Medical Research Institute was launched in January 2012, with the aim of offering valuable information services to contribute to the sound development and growth of the pharmaceutical industry and to the improvement of people's lives, based on the healthcare data resources cultivated through various Nihon Chouzai Group companies. With its rapidly aging population, Japan is at the forefront of a variety of healthcare issues. Addressing these issues calls for providing services that meet a wide range of needs, including multiple types of healthcare data analysis, surveys, research, and healthcare policy proposals.

Japan Medical Research Institute seeks to meet the needs of pharmaceutical and healthcare companies, medical institutions, insurers, and pharmacies. To this end, we are helping to address healthcare issues affecting Japan as a whole—improving the quality of healthcare, optimizing medical expenses, and extending the healthy life expectancy of the population—based on prescription and health insurance claim data and a range of other medical big data. We offer four services through a team of consultants comprised mainly of pharmacists with a wealth of clinical experience.

Services

Contributing to ongoing healthcare optimization through four services

- 1 Drug Information Service**
 Analyzes the wealth of prescription information of Nihon Chouzai pharmacies throughout Japan to address issues of customers in the pharmaceutical sector.
- 2 Advertising Media Service**
 By offering an array of advertising media throughout the patient flow from entering to leaving a Nihon Chouzai pharmacy, generates points of contact between pharmacy visitors and the pharmaceutical and healthcare sectors.
- 3 Survey and Research Service**
 Addresses a wide range of issues through questionnaires and other outreach to patients visiting Nihon Chouzai pharmacies, pharmacists, and registered dietitians at pharmacies.
- 4 Data Health Support Service**
 Pharmacists with extensive clinical and data analysis experience support high-level data health projects, such as addressing problems related to medication, preventing progression, and supporting health awareness.

1 Drug Information Service

Targeting pharmaceutical companies

Since FY2001, we have been gathering data on prescriptions filled by the Dispensing Pharmacy Business and conducting research and analysis based on this data. In FY2014, we launched RI-PDS, Japan's first daily data feed service, and have been providing up-to-date data ever since. In FY2017, we developed the analytical system RI-CORE to provide data that is better tailored to customer demands.

By integrating this data with pharmacy functions, we are able to fully harness synergies within the Group and obtain high-value-added information, including disease literacy, research, market surveys, and initiatives to improve patient adherence.

We are developing information provision, survey, research, and consulting businesses for pharmaceutical companies and research institutes.

Main services

- 1 RI-PDS (daily data feed)
- 2 RI-CORE (monthly, weekly data feed)
- 3 RI-SHOT (ad-hoc analysis)
- 4 PUMAP (support program for proper drug use)

2 Advertising Media Service

For healthcare and pharmaceutical companies

We are developing in-store promotions (pharmacy-based advertising media services) for the more than 14 million patients who visit our pharmacies annually. In particular, pharmacists are able to provide multi-faceted medication guidance based on the latest information for daily visitors.

Going forward, a focus for this business will be using new media to help promote self-administered medication by patients.

Main services

- 1 Video broadcasts commissioned by companies and government entities aired on pharmacy monitors, as well as poster displays and leaflets
- 2 Providing useful information on self-administered medication in the form of brochures and free samples from companies, which pharmacists can provide directly to patients
- 3 Providing registered dietitians with information useful for dietary guidance and the use of samples to support pre-symptomatic disease and disease prevention

3 Survey and Research Service

Targeting organizations in medical fields

Since FY2020, Japan Medical Research Institute has continued to distribute reports via press releases and on its website, based on the independently operated RI-CORE prescription analysis system. The first was a series of COVID-19 market impact reports. This was followed by a report on market changes after the addition of new indications for a drug already used to treat diabetes, "Changes in Prescribing Trends Following Additional Indications for Dapagliflozin." The most recent release was a report on long-term repeat prescriptions prior to the introduction of a refill prescription system, included in the government's 2022 medical fee revision: "Analysis of Long-Term Repeat Prescriptions Before the Refill Prescription System Starts: Lifestyle Diseases Represent the Bulk of Prescriptions."

Main services

- 1 Patient questionnaires
- 2 Pharmacist questionnaires
- 3 Drug use survey

4 Data Health Support Service

Targeting insurers

In supporting the data health businesses of insurers, Japan Medical Research Institute is helping to address two pressing issues in Japan: extending healthy life expectancy and optimizing medical expenses. We provide high quality consulting services to this end, including medical big data analysis, problem-solving related to medication and prevention of disease progression, and awareness-raising activities.

Main services

- 1 Analysis of medical expenses, health checkup information, etc. (health insurance claim data, health checkup data)
- 2 Appropriate drug use, appropriate medical consultations (duplicate medications, overprescribing, contraindications for concomitant use, overlapping medical consultations, excessively frequent medical consultations)
- 3 Encouraging medical consultation (specific health consultation, patients ignoring abnormal test results, patients discontinuing treatment for lifestyle diseases, etc.)
- 4 Promoting generic drug use
- 5 Preventing progression related to lifestyle diseases (at-risk patients, patients discontinuing treatment, patients undergoing treatment)
- 6 Information and awareness-raising for health promotion (events, seminars, educational materials)

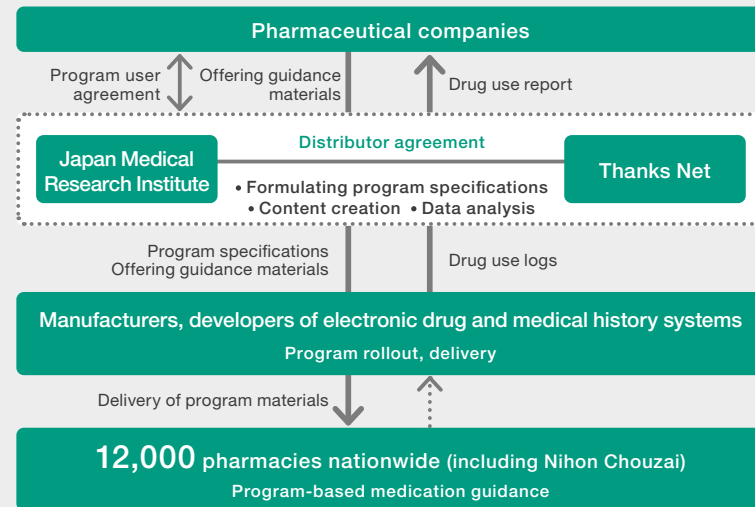
TOPICS

Distributor Agreement for PUMAP Program, Launch of Sales to Pharmaceutical Companies

Nihon Chouzai entered an agreement to sell PUMAP, a support program for proper drug use developed by Thanks Net Co., Ltd. PUMAP is a drug adherence guidance and support program focusing on the root causes of decreased drug adherence* by patients, which proposes guidance approaches to pharmacists to address these causes. The program is integrated into patients' electronic medical records so that pharmacists can access it before giving medication guidance. Pop-up windows appear offering hints and materials related to giving guidance on taking medication according to the circumstances and condition of the patient for whom the drug was prescribed. Going forward, we will accelerate sales of this program to pharmaceutical companies to further promote the proper use of drugs.

*Drug adherence: A patient's active participation in determining the direction of drug treatment and taking drugs in accordance with that direction.

Flow from Distribution of PUMAP-Based Program to Medication Guidance



Efforts to Curb Medical Expenses (More Widespread Awareness, Use of Formularies, Implementation Support)

Controlling medical expenses is an urgent task in terms of maintaining Japan's system of universal health insurance. The government's revised Fourth Medical Cost Optimization Plan for FY2024 recommends the creation of new formularies—the next step in bringing down medical expenses—to promote the use of generic drugs.

To keep the medical insurance system in place for the next generation, more people are looking to formularies as the next step to control medical costs. Going forward, Nihon Chouzai will support more widespread awareness and use of formularies as a resource for insurers to use in curbing medical expenses.

*Formularies are guidelines for the use of the most effective, safe, and cost-effective drugs for patients at medical institutions and in regional healthcare.





Pharmaceutical Manufacturing and Sales Business



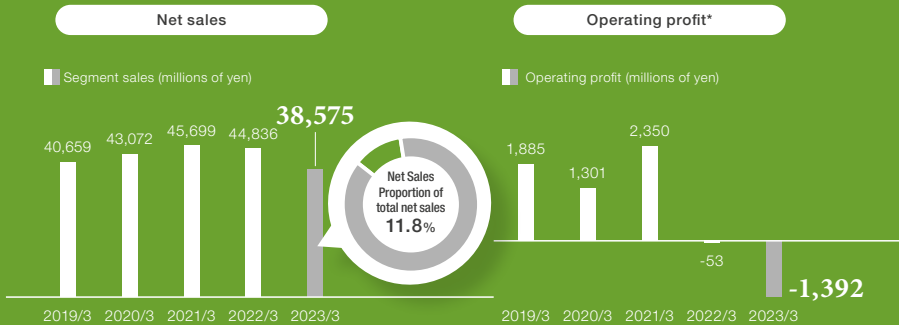
Nihon Generic Co., Ltd., Choseido Pharmaceutical Co., Ltd.

Instability in the drug supply stemming from quality issues continues to pose challenges to delivering drugs to the patients who need them. Group company Choseido Pharmaceutical Co., Ltd. was also subjected to administrative disciplinary action due to quality issues. Recognizing the seriousness of this issue, the Group is pursuing rigorous efforts to rebuild trust. In the Pharmaceutical Manufacturing and Sales Business, we will work together to ensure a stable supply of high-quality drugs at reasonable prices, earning the trust of patients and medical professionals.

Quality Control Initiatives

To deliver a stable supply of generic drugs to patients, we are working to produce high-quality drugs under a manufacturing control and quality control framework that complies thoroughly with GxP* government regulations. We have introduced a system to ensure proper manufacturing and quality control. In addition, we are practicing quality risk management, setting quality targets based on our Quality Policy, and carrying out regular education and training for all employees at manufacturing sites, including in the manufacturing and quality departments. We pursued even more thorough-going quality control measures in FY2022, while also actively taking part in initiatives of the Japan Generic Medicines Association and working to help raise the level of quality across the generic drug industry as a whole.

*Abbreviation of Good x Practice. A general term for standards established by government agencies for the purpose of ensuring safety and quality. Includes GMP, GVP, etc.



*The Pharmaceutical Manufacturing and Sales Business posted an operating loss due to one-time factors and was excluded from the calculation of the operating profit composition.

FY2023 Quality Targets

1

Fostering a quality culture

Emphasizing quality, raising compliance awareness, enhancing education and training, ongoing communication from management, etc.

2

Maintaining, managing approval documentation that matches actual manufacturing conditions

Confirming consistency in GMP audits and request forms, eliminating inconsistencies through proper regulatory procedures, properly evaluating change management, etc.

3

Practicing quality risk management

Appropriately managing suppliers of drug substances, raw materials, drugs, etc., complying with elemental impurity guidelines, evaluating and managing mutagenic impurities, etc.

4

Strengthening the framework for delivering quality information to medical institutions and patients

Strengthening the ability to respond to inquiries related to manufacturing and quality, etc.

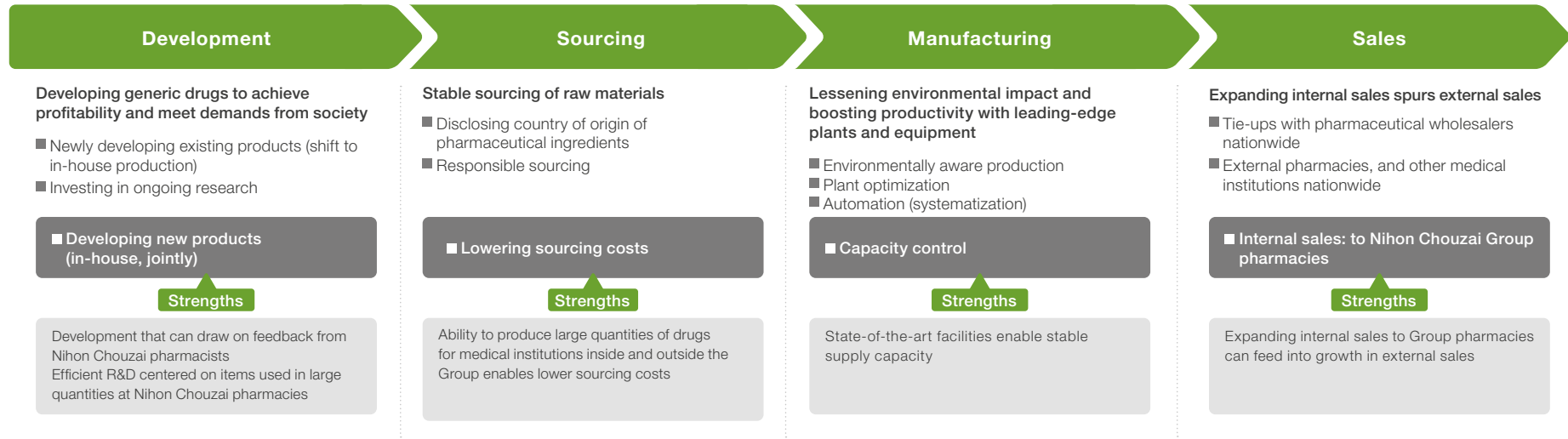
5

Ongoing improvements to a robust quality control system

Making GQP arrangements that reflect revised GMP regulations, revising drug quality manuals, exploring introduction of a document management system, etc.



Value Chain and Competitive Advantages of the Pharmaceutical Manufacturing and Sales Business



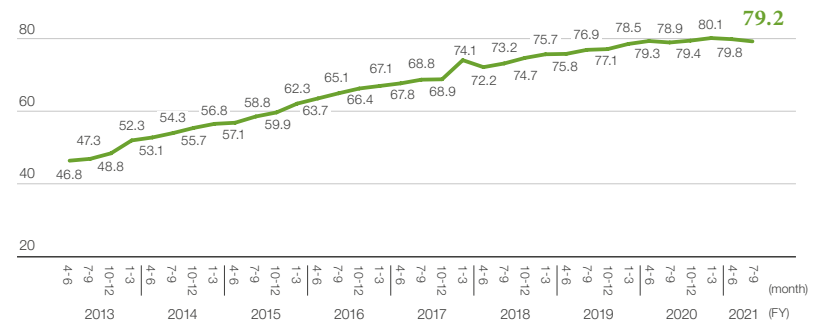
Business Environment

Against the backdrop of measures by the Ministry of Health, Labour and Welfare to promote the use of generic drugs, the scope of Group businesses has also expanded. In June 2021, the ministry set a new target, aiming for 80% or more generic drug use in all prefectures by the end of FY2023, while ensuring the reliable quality and stable supply of such drugs. To help reach this goal, the Nihon Chouzai Group will carry out strategic sales activities targeting the more widespread use of our drugs.

The business environment for generic drugs grows more challenging year by year, with drug prices in Japan being revised for the sixth year in a row in April 2023. By thoroughly managing profit for each product category and revising the product portfolio, the Group is working to enhance profitability in this business.

Moreover, starting in around 2020, some companies in Japan stopped manufacturing generic drug products where quality issues were identified, causing shortfalls in the domestic drug supply. Although the various companies have boosted production of alternative drugs, so far they have not been able to ensure an adequate supply of drugs nationwide, and supplies remain unstable. Group company Choseido Pharmaceutical was subjected to administrative disciplinary action due to quality issues. To fulfill its obligation to provide a stable supply of drugs, that company is moving forward with initiatives according to a business improvement plan. To address the issue of unstable supply, the Nihon Chouzai Group took immediate steps to boost production, and is working to resolve supply issues across all drug categories as soon as possible.

Generic Drug Volume Share (%)





Initiatives for Sustainable Supply

Initiatives to ensure stable supply

To address recent instability in the generic drug supply, we are reviewing production plans over the medium term and promptly adjusting to changing demand. Although COVID-19 and recent international developments have lengthened lead times for the supply of drug substances and materials, we are working to secure inventories, taking various risks into consideration. Group drug inventories suffered a loss following the November 2021 fire at a contractor logistics center, forcing limitations on shipments of numerous drugs and impeding a stable product supply. With inventory levels now recovering, we are in the process of lifting limitations on shipments for drugs that have a stable supply framework in place.

Shifting Outsourced Production to In-house

We are also exploring the in-house production at Group plants of drugs currently outsourced to other manufacturers, for which Nihon Chouzai already has manufacturing and sales approval. Producing these drugs in-house will enable us to shorten production lead times, respond more agilely to market demand, and boost profit margins.

Production Efficiency Capitalizing on the Characteristics of Each Plant

The Group has five plants. To ensure a stable drug supply, we are reviewing the manufacturing site for each product to create an optimal production framework for the Group as a whole. We will ramp up production for drugs that gain market share post-launch, commensurate with their sales volume. Increasing the amount of a drug that can be manufactured at one time will feed into greater production efficiency. In addition to enabling more efficient production planning for the more than 250 products the Group manufactures, we also expect to bring down manufacturing costs.



Plant Investment

The product portfolio of each plant is changing year by year with the launch of new drugs, transfers of drugs between manufacturing sites, and our efforts to shift outsourced production to in-house. Amid these changes, we continue to invest in the optimal equipment configuration for each context. We are also adding production lines as needed to enable us to manufacture more formulations. Plant equipment is basically made-to-order by equipment manufacturers, and manufacturing sometimes takes years. We created forward-looking investment plans by working backwards from the production plans of our plants down the road so that we can roll out new equipment at the appropriate time. In addition, when making plant investments, we carefully consider the likelihood of recovering investments and strive to realize investments that are efficient.

Securing and Cultivating Human Resources

We are hiring and cultivating human resources with the aim of boosting production volume and improving operating rates at our plants. A larger workforce will make it possible to build a stable shift-based production framework. About 60 new graduates joined the company in April 2023. We also continue to hire mid-career employees who already possess the skills needed to work. Moreover, we are focusing on education, centered around on-the-job training, so that the people we hire can play an active role as soon as possible.



Efforts to ensure a sustainable production framework

In the Pharmaceutical Manufacturing and Sales Business, we are designing environmentally-friendly plants from the construction stage. Also, by introducing solar power generation and carbon neutral city gas, we are pursuing sustainable production activities, seeking to preserve the natural environment through the lower and more efficient use of electricity, gas, water, and other resources.

Click here for details of initiatives:
<https://www.nicho.co.jp/en/sustainability/esg/environment/>

Growth Strategy

Ongoing New Product Development Showcases Nihon Chouzai Group Synergies

With both a Dispensing Pharmacy Business and a Pharmaceutical Manufacturing and Sales Business, the Nihon Chouzai Group is motivated to develop generic drugs in-house that reflect realities on the ground in the healthcare field, to address the needs of pharmacists on the front line in our pharmacies. To meet the needs of these pharmacies, which are the largest users of our drugs, we aim to develop a wide range of drugs without specifying certain disease areas, which allows us to accumulate the latest technology and expertise. We actively file patent applications for technologies obtained through our R&D activities while publicizing the results of new developments.

In FY2021, we integrated the R&D functions of Nihon Generic and Choseido Pharmaceutical into the Tsukuba Research Institute of Nihon Generic, centralizing the research and development knowledge of both companies. Moreover, because we can anticipate sales volumes to the Group's Dispensing Pharmacy Business in advance, we can forecast returns on investment from our drug development and realize efficient development planning. We will pursue effective R&D activities as we navigate annual NHI drug price revisions and an increasingly challenging earnings environment.

Continuous in-house development of new products

In the past, the launch of a single new generic drug would sometimes draw two dozen or more drug manufacturers into market. Now, however, the challenges of R&D are mounting, reflecting the fact that the government has lowered selling price levels of generic drugs at first listing and also revises drug prices annually, as well as the growing number of complex formulations. The number of manufacturers entering the generic drug market at first listing has declined as a result. Under this strict drug pricing system, achieving dramatic growth with existing drugs alone is difficult. Nihon Chouzai thus conducts R&D based on the notion that the ongoing introduction of new drugs is essential for growth. We carry out R&D activities in a planned way both to avoid missing out on the twice-a-year timing of NHI drug price listings and to stay abreast of other companies launching generic drugs with the same active ingredients. Our focus going forward will be on carrying out in-house development to ensure that we can steadily bring new drugs to market that can become growth drivers.



Drugs Recently Developed In-House

Launched in 2021

Zilmlol Tablets HD/LD JG, Solifenacin Succinate OD Tablets JG, Tadalafil Tablets 20mg AD JG, Methotrexate Tablets 2mg JG, Lamotrigine Tablets for Children JG, Duloxetine Capsules JG, Levetiracetam Tablets JG, Levetiracetam Dry Syrup 50% JG

Launched in 2022

Dasatinib Tablets JG, Febuxostat Tablets JG, Escitalopram Tablets JG, Ramelteon Tablets 8mg JG

Launched in 2023

Azilsartan Tablets JG, Sildenafil Tablets RE JG, Ezeato Tablets JG



Quality Initiatives at Choseido Pharmaceutical

Response to quality issues since occurrence

In light of the administrative action taken against Choseido Pharmaceutical Co., Ltd. in October 2021, the Group has formulated a “Business Improvement Plan” with members including lawyers and GMP specialists familiar with the “Act on Quality, Efficacy and Safety Assurance of Drugs and Medical Devices” (Pharmaceutical Affairs Law), and is working to establish and maintain a quality-conscious system, including a review of its management structure.

Please see the following discussion for details.

Submission of business improvement plan (Japanese only): ▼
<https://www.choseido.com/news/pdf/211025.pdf>

Progress of business improvement plan Choseido Pharmaceutical website (Japanese only) ▼
<https://www.choseido.com/improvement/>

Administrative disciplinary action based on the Pharmaceuticals and Medical Devices Act and the report of the special fact-finding team (Japanese only): ▼
<https://www.choseido.com/news/pdf/211011.pdf>

Deliberating on Results of Tokushima Prefectural Pharmaceutical Affairs Council

In October 2021, the Tokushima Prefectural Pharmaceutical Affairs Council discussed and approved the “Business Improvement Plan” formulated by Choseido Pharmaceutical. The progress of the business improvement plan is discussed at the Tokushima Prefectural Pharmaceutical Affairs Council (about twice a year). So far, the progress of each of these plans has been confirmed to be satisfactory.

Click here for information on the Second Pharmaceutical Affairs Council in FY2022 ▼

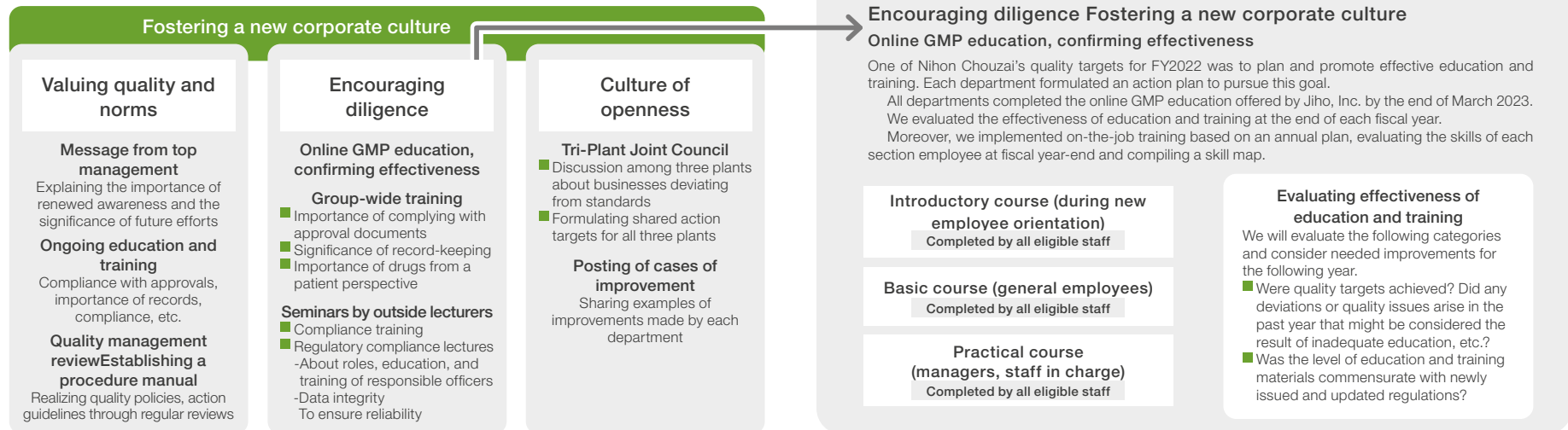
<https://www.pref.tokushima.lg.jp/kenseijoho/kenseisogo/shingikai/chijibukyoku/5049080/>

Efforts to Rebuild Trust

In FY2021, having completed reforms to the management framework and other preparations to lay the foundation needed to rebuild trust, we shifted into a practical action phase in FY2022.

1 Fostering a New Corporate Culture

We continue to work on fostering a new corporate culture from the following three perspectives.

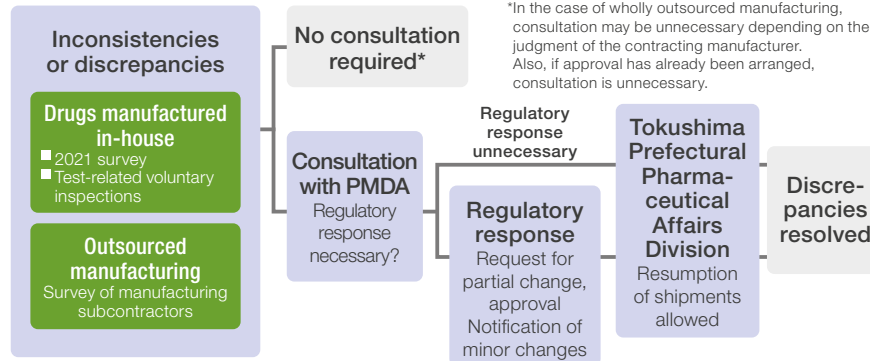




2 Status of resolution of inconsistencies with approval documents and procedures

We implement the necessary procedures after prior consultation with PMDA for all items for which discrepancies with the approval documents and procedures are found.

Roughly 55% of discrepancies were resolved as of July, 2023 (up 35% from October 2022).



3 Accessible Employee Internal Reporting System

Seeking More Widespread Use of the System

We hold sessions on an ongoing basis to familiarize employees with the purpose of the internal reporting system, our basic stance of protecting employees who report, and contact points for reporting.

Evaluating Effectiveness of the Reporting System

In the last two surveys of randomly selected employees (conducted five times each involving about 50 employees) found that recognition of the reporting hotline was high, at 100%. This confirmed the effectiveness of our actions to disseminate information on the system through explanatory sessions, the distribution of cards, and digital signage.

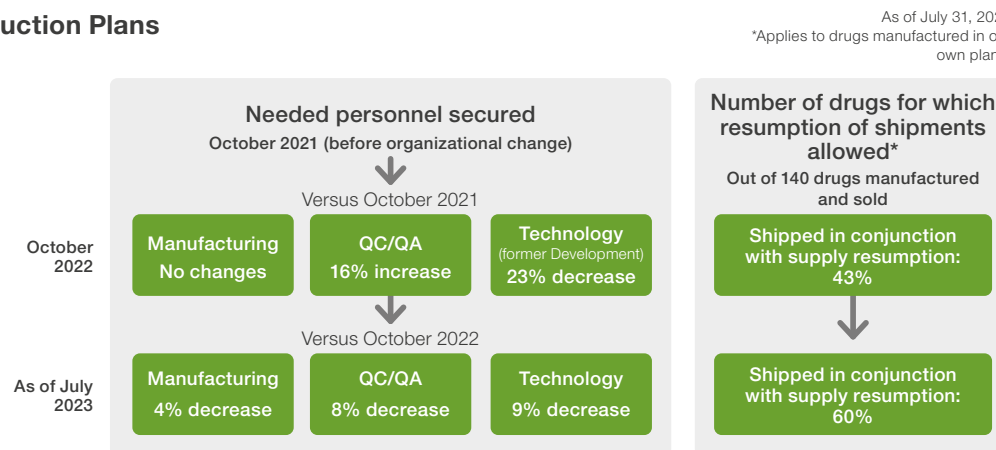
On the other hand, almost 70% of employees reported feeling that they would be dealt with appropriately if they reported, citing concerns about the confidentiality of information and the response after consultation.

In light of these findings, the explanatory sessions used specific case studies to explain the ways in which we ensure privacy and underscore that employees who report are not disadvantaged.

Recurrence prevention measures by manufacturers

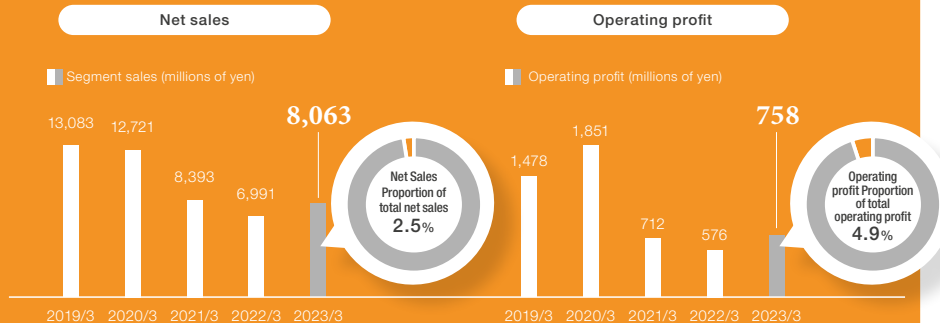
1 Optimization of Production Plans

Staff secured as of July 2023 (compared to October 2022 and October 2021 prior to the framework change) and the number of drugs that can be shipped are as follows. We continue to secure new staff while actively working to cultivate existing staff.



2 Enhanced Monitoring at Manufacturers

We have launched a support initiative called Tekuteku Support in which officers in charge visit worksites and support workers. To prevent deviations and work-related accidents, the officers make various proposals and confirm worksite operations. Moreover, implementation status is highlighted using digital signage.



A Triple Crown in Career Change Sites in Four Occupational Areas

Doctors

- No. 1 doctor career change site chosen for first career change
 - No. 1 career change site for skill and career advancement
 - No. 1 doctor career change site to recommend
- Survey by Japan Marketing Research Organization (conducted in April 2022)



Nurses

- No. 1 site for nurses changing careers in Tokyo and Kanagawa
 - No. 1 nurse career change site people are watching
 - No. 1 site with trustworthy consultant support
- Survey by Japan Marketing Research Organization (conducted in April 2021)



Pharmacists

- No. 1 pharmacist career change site to use for first career change
 - No.1 career change site for pharmacists in their 20s and 30s
 - No.1 career change site for highly skilled pharmacists
- Survey by Japan Marketing Research Organization (Survey Overview: Brand Image Survey for the year ending November 2021)



Registered Pharmaceutical Sellers

- No.1 career change site for registered pharmaceutical sellers who are experienced pharmacy managers and assistant managers
 - No. 1 company for registered pharmaceutical sellers changing careers
 - No.1 career change site for registered pharmaceutical sellers in their 20s and 30s
- Survey by Japan Marketing Research Organization (conducted in December 2020)



Medical Professional Staffing and Placement Business



Medical Resources Co., Ltd.

Competitive advantages in business

- 1 An HR business portfolio specializing in healthcare professionals**
With a particular focus on pharmacists, we specialize in HR services for doctors (including occupational doctors), nurses, registered pharmaceutical sellers, and other healthcare professionals.
- 2 High-quality HR services that have earned multiple certifications**
 - We have obtained four certifications
- 3 Harnessing synergies with the strong brand recognition of the Nihon Chouzai Group**
 - Strong recognition of the Nihon Chouzai Group brand
 - Harnessing the Nihon Chouzai Group's training expertise

Seeking to Grow the Business, Placing Value on "Meeting"

We believe communication with job seekers (medical professionals) and job providers (medical institutions and companies) is extremely important for our human resources business. Medical Resources values face-to-face meetings with both client groups, and have set up offices nationwide to establish a framework for meetings and conversations. We have gained the trust and satisfaction of both job seekers and job providers through our efforts to grasp nuanced needs that are hard to convey over the telephone or in writing and crafting proposals that match the needs of both parties.



Value Chain and Competitive Strengths of Medical Professional Staffing and Placement Business



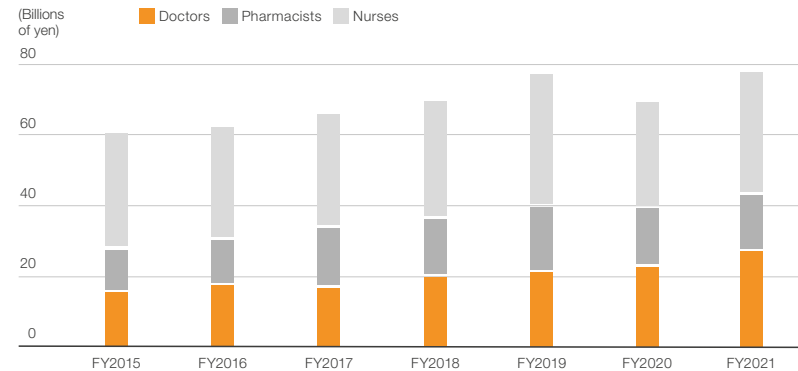
Market Environment

The scale of the healthcare personnel placement market in FY2021 was 16.0 billion yen for pharmacists, 27.1 billion yen for doctors, and 34.8 billion yen for nurses. The pharmacist business continued to face a challenging environment as the population of COVID-19 patients waned nationwide, but the scale of the placement market for doctors and nurses expanded.

Nevertheless, driven in part by the newly launched system for certifying pharmacies separately by function, the need for highly qualified pharmacists is poised to grow going forward. Moreover, since the potential market scale for doctors and nurses is much larger than that for pharmacists, we can expect further expansion of the placement business.

We will continue to pursue greater business expansion by leveraging the strengths the Group has built up over time, including its strong brand recognition, reputation for reliability, and the appeal of face-to-face support.

Size of Market for Pharmacists, Doctors, and Nurses



Source: Aggregated Results of Business Reports of Job Placement Agencies





Growth Strategy

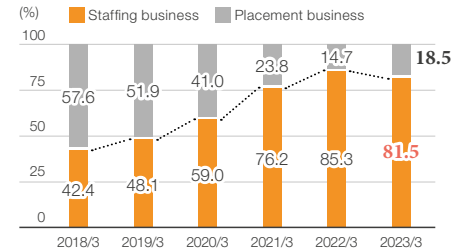
Ensuring high profitability and creating a balanced business portfolio by expanding the placement business

As the sector's leading company, Medical Resources boasts numerous strengths in the area of pharmacist staffing. Meanwhile, we are transitioning toward a more balanced business portfolio while targeting high profitability by expanding our placement business.

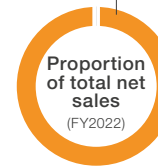
Going forward, in addition to capturing rising demand for family pharmacists* and growing the pharmacist placement service, we will expand our placement business for doctors, nurses, registered pharmaceutical sellers, and other healthcare professionals, to achieve even higher growth.

Although Medical Resources is part of the Nihon Chouzai Group, the Group only accounts for 0.2% of total transactions. We will further expand the range of services we provide to the medical institutions and companies seeking qualified human resources and to the healthcare professionals who are considering a career change.

Gross profit ratio



External sales
99.85%



*A family pharmacist is expected to provide long-term support to a patient, grasping the patient's medication status (all prescription and over-the-counter drugs), continuously monitoring whether or not there are any unused medications and whether any side effects occur, and providing appropriate guidance. To enable such support, family pharmacists must meet the following criteria. Criteria for a family pharmacist:

1. More than three years pharmacy experience
2. Works at the pharmacy for at least 32 hours a week
3. Has at least one year tenure at the pharmacy
4. Has obtained certified pharmacist training credentials from a certifying organization

Increasing satisfaction of job seekers, job providers with highly reliable services backed by four kinds of outside certification

We have continued to improve matching quality over many years through our detail-oriented counseling. As a company that handles important personal information, we have acquired Privacy Mark certification and have sought to build a high-quality, highly reliable staffing and placement business. A company that obtains these certifications has not only demonstrated the quality of its placement and staffing services, but proven that it meets numerous other criteria, including having a sound business and a framework for compliance management. Medical Resources has obtained the four certifications shown at right—only two job placement agencies in Japan have acquired all four. The company continues to contribute to the philosophy “To give people the closest possible support” by providing highly reliable HR services.

Four things that bring peace of mind to pharmacy staff

Medical Resources provides four reassurances to encourage the success of pharmacists changing careers.



Certified as an Excellent Employment Placement Business

Medical Resources is certified as a company that works to promote appropriate matching between job providers and job seekers.



Appropriate Fee-Charging Job Placement Agency in the Healthcare Field

The company is certified as an appropriate fee-charging job placement agency that clears certain standards.



Certified as an Excellent Temporary Staffing Agency

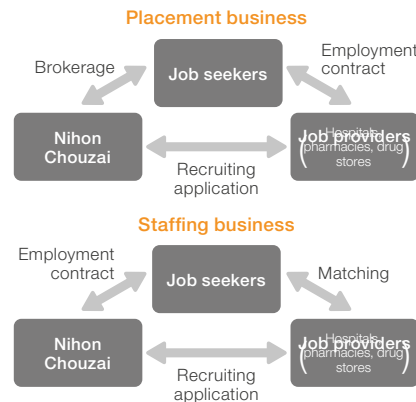
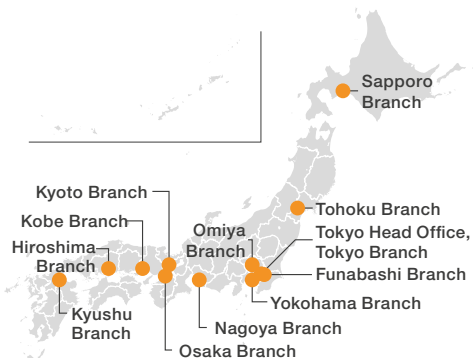
Medical Resources has also been certified for its efforts to support career development and help ensure better working environments for temporary staff.



Privacy Mark Certification

Indicates a company that handles the personal information of job seekers appropriately in accordance with rigorous management standards.

*Number of certified companies: Excellent Job Placement Agency certification = 35; Excellent Temporary Staffing Agency certification = 144; Privacy Mark: 17,462; Appropriate Fee-Charging Job Placement Agency in the Healthcare Field: 28
*Companies with all four kinds of certification were extracted from all certified companies appearing in the following: JIPDEC, List of Excellent Job Placement Agencies, List of Excellent Temporary Staffing Agencies (as of Monday, June 12, 2023)





Business Development

Pharmacist businesses

■ Supporting recruitment of pharmacists and pharmacology students

Target: Pharmacies, hospitals, drug stores, etc.

Medical Resources operates Pharma Staff at 12 locations nationwide, supporting the recruitment of pharmacists by pharmacies, hospitals, drug stores, and other job providers. Since the start of the HR business, the company has emphasized a stance of meeting both job providers and job seekers face-to-face. Its strengths lie in introducing personnel based on detailed interviews and information that cannot be obtained merely in writing or by telephone.

Strong brand recognition

Competitive advantages in pharmacist business

Ability to attract customers

Face-to-face engagement

Education

Strong brand recognition

Medical Resources undertakes HR services for Nihon Chouzai, a company with overwhelmingly high brand recognition in the healthcare industry, which is renowned for its high caliber of education. By providing high-quality educational content to the pharmacists we staff and place, we deliver high-value-added human resources. We are striving to further enhance our brand recognition, such as by providing client pharmacies with business support plans and high-value-added services that draw on the pharmacy management expertise of the Nihon Chouzai Group.

Ability to attract customers

Regardless of whether or not they are actively seeking a new job, pharmacists tend to be highly motivated people. Many are attuned to new information on a daily basis. Moreover, because pharmacists are required to have a high degree of specialized knowledge as medical professionals, needs for informative websites, such as the one shown below (Pharma Labo), are increasing year by year. By adapting to these circumstances and keeping abreast of pharmacists' careers, we are working continuously to be an even more trusted medium.



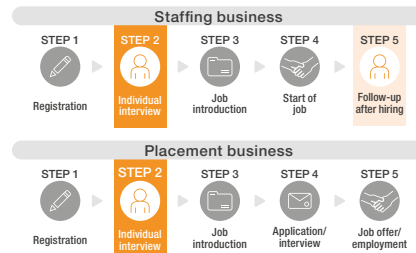
Face-to-face engagement

With offices throughout Japan, we place great value on the information that can be gleaned by speaking directly with medical professionals as we meet face-to-face and offer career change counseling. We stress the importance not only of identifying desired employment conditions of job seekers, but also their optimal working environments and needs, to be able to present them with ideal job offers.

Working styles have a tremendous influence on people's lives. We seek to provide a sense of security to job seekers with regard to working styles by leveraging our high brand recognition and cultivating trust through direct dialogue.

For job providers, we provide detailed information about the latest developments in the career change market. Combined with the high quality of our matching services, this supports our unflagging efforts to ensure a win-win situation for both job seekers and recruiters at hiring companies.

High matching quality



Education

By providing high-quality educational content to pharmacists in our staffing and placement businesses, we cultivate high-value-added human resources. The advanced educational program developed for pharmacies in Nihon Chouzai's Dispensing Pharmacy Business is a strength unmatched by other companies.

Content for pharmacists

JP Learning

JP Learning is an e-learning course that allows participants to earn the credits needed to acquire certified pharmacist training credentials. The course offers more than 1,000 pages of substantial content.

Seminars for pharmacists

We hold seminars for pharmacists several times a year, teaching the drug dispensing and medical knowledge required of pharmacists and new industry trends.

White paper

Delivering columns by well-known personalities, industry research, columns to enrich pharmacists' lifestyles, etc. based on the main concept of "useful and educational for work."

Yaku-Tore (medication training)

A drug dispensing textbook edited by Nihon Chouzai, provided as a smartphone-based app. The textbook also covers drug dispensing fee revisions.

Content for pharmacies

Management seminars

A pharmacy management seminar teaching the management know-how of Nihon Chouzai

Business support planning

This program for companies addresses various issues in pharmacy management through seminars and practical training



Doctor business

■ Support for recruiting doctors, occupational doctor service support

Target: Hospitals, clinics, health care facilities for the elderly, companies, etc.

Medical Resources has expanded outward from urban to regional areas, mainly in Tokyo, Sapporo, Nagoya, Osaka, and Fukuoka. Staff specializing in the medical industry support recruitment activities to meet the increasingly diverse needs of medical institutions.

The company began full-scale involvement in the doctor staffing and placement business in FY2017, and began expanding nationwide in April 2018. Having a dispensing pharmacy business within the Group affords the advantage of being able to quickly identify the needs of doctors opening up new practices. Medical Resources is also expanding its placement business for doctors by demonstrating the mutual benefits of collaboration with the MC-Mentaio Sales Division, which operates pharmacies for Nihon Chouzai's Dispensing Pharmacy Business.

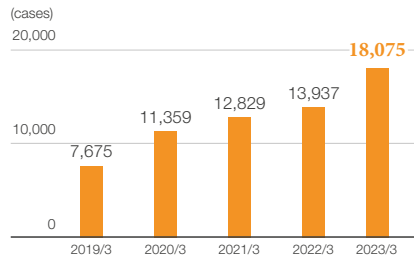
Performance expanded steadily in FY2022, partly due to demand for COVID-19 vaccination services. Japan is poised to move ahead with more extensive task sharing in the healthcare field. Reforms to the working styles of doctors and greater task shifting and task sharing will fuel the transfer of some work previously entrusted to doctors to other occupations, such as nurses and pharmacists. This bodes well for expansion in the placement business going forward, as the doctor business works together with the pharmacist and nurse businesses.

Moreover, since April 2021, in response to demand for COVID-19 vaccinations, Medical Resources has been able to contribute to society by placing doctors with local governments and companies nationwide to carry out mass vaccination efforts.



Increase in the number of job offers in FY2022

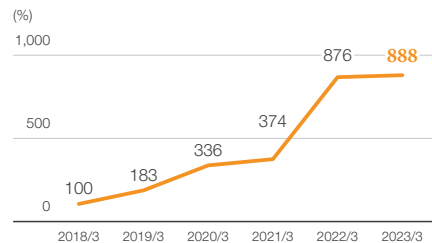
Job offers in the doctor business



*Results of Workers Doctors have been included in the doctor business due to that company's integration.

Contributing to sales in FY2022

Growth in sales of doctor business



*Compared to sales in FY2017 set at 100%

Occupational doctor business

■ Supporting occupational health by contracting work for locations nationwide

Target: Companies, government agencies, etc.

Medical Resources offers services nationwide from its base in Tokyo. In line with the needs of individual companies and government agencies, the company supports occupational health by contracting services to dedicated industrial doctor service staff, while also supporting recruitment activities for industrial doctors and occupational health nurses.

As part of the key strategy of promoting doctor businesses, we entered the occupational doctor HR field in November 2020. We will expand our presence in the healthcare field by capturing the growing demand for effective health management as part of corporate management. By drawing on Medical Resources' track record in doctor placements and nationwide sales framework, we will expand the occupational doctor HR business nationwide while also broadening the business to meet a wider range of needs for occupational health management, including mental health, which has become indispensable for companies' health management initiatives.

As companies become increasingly sensitive to the importance of effective health management, Medical Resources is seeking to capture demand in this area. We launched a new website and renewed our corporate logo, seeking to expand our presence in the healthcare field. The logo has a hexagonal motif, a symbol of longevity, and features an apricot, signifying health, which served as the base color of the former logo.

Medical Resources
Occupational doctor placements, occupational doctor service introduction



Healthcare in the workplace



Nurse business

Support for recruiting nurses

Target: Hospitals, clinics, home-visit nursing stations, facilities for the elderly, companies, etc.

Our specialization in different areas is what enables us to support the recruitment of nurses, offering swift placement services. We closely analyze the career change market for nurses based on our extensive track record and experience, further gaining expertise in guiding successful career changes. We have also allocated staff specializing in the healthcare industry who understand the characteristics of each area of healthcare and job seeker trends.

We overhauled the recruitment website for nurses in August 2019 to make it easier to use for job seekers.

We have continued to expand the workforce and carry out nurse-centered sales activities. One outcome has been that we were voted the No. 1 recruitment site with trustworthy consultant support. The business is off to a solid start, and we will continue to take actions to grow the business going forward.



Registered pharmaceutical seller business

Supporting recruitment of registered pharmaceutical sellers and pharmacy and medical office workers

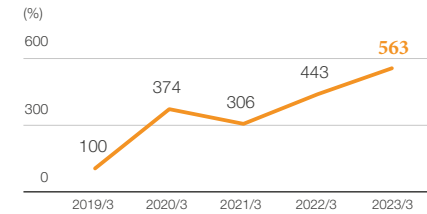
Target: Drug stores, pharmacies, mass retailers, home centers, etc.

Medical Resources supports the recruitment of registered pharmaceutical sellers with high matching accuracy through a comprehensive service. One of our strengths is that specialists in the medical industry handle all stages of recruitment, from dealing with companies to dealing with job seekers.

More companies are seeking to hire registered pharmaceutical sellers, who are qualified to sell Class 2 (medium-risk) and Class 3 (low-risk) over-the-counter (OTC) drugs. The scale of this market is also expanding, as drug stores, convenience stores, and other retailers broaden their lineup of OTC drugs. We started this new business in FY2018. Although sales in FY2020 were down year on year due to the impact of COVID-19, sales since FY2021 have risen in part on the back of growth in the client base.

We also overhauled our recruitment website in March 2020, drawing broad support, and have been chosen as the No. 1 company among registered pharmaceutical sellers considering a career change.

Growth in Sales of Registered Pharmaceutical Seller Business



*Compared to sales in FY2018 set at 100%

Philosophy of Medical Resources

Mission

Pursuing the possibilities of people and new values to move together beyond the present

Our desire is to work alongside people to achieve their hopes for a brighter future. Because we more than anyone believe in the potential of people, we can draw out value that they could not have identified on their own. We come alongside people who seek to constantly grow and together go beyond the present to realize a better future.

Vision

Becoming a partner in creating the future for people, medicine, and healthcare

The future we envision always centers around people. With a view to their wellbeing, sometimes we come alongside people and sometimes we guide them forward. By focusing on each individual, we are contributing to society by supporting the wealth of medical care and healthcare that only people can realize. Medical Resources is the partner of choice in creating the future.

Value

Basic Approach
Sincere in all that we do, we focus on people.

- Action guidelines**
- Taking on challenges** Never content with the status quo, continuing to grow.
- Collaborating** Thinking, acting together with a sense of ownership to build synergies.
- Exceeding expectations** Moving people by focusing on the essentials and offering more than what is imaginable.

Sustainability

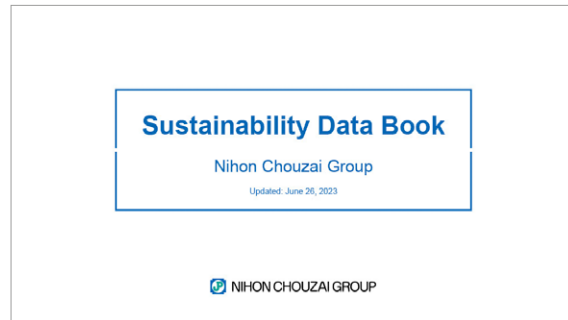
Sustainability

The Nihon Chouzai Group recognizes sustainability as a central aspect of a management strategy that seeks to enhance corporate value over the longer term. In FY2022, in addition to expressing support for the TCFD recommendations, we made steady progress in addressing material issues (materiality), formulating performance indicators, and expanding disclosure in line with TCFD recommendations.

Going forward, we will pursue initiatives aimed at enhancing longer-term corporate value and addressing social issues, continuing to revisit our material issues in line with revisions to the long-term vision. Initiatives will include setting targets and performance indicators, managing human capital, and further expanding disclosure. See the Sustainability Data Book for details on Nihon Chouzai's sustainability management, including our Basic Sustainability Policy and promotion framework.

Sustainability Data Book

We publish a Sustainability Data Book for the purpose of comprehensively disclosing sustainability information to stakeholders.



<https://www.nicho.co.jp/en/sustainability/databook/>

Main disclosure categories:

- Disclosure based on TCFD recommendations
- Material issues and corresponding initiatives, performance indicators
- Distribution of director skills
- Ethical Conduct Guideline, Human Rights Policy, Environmental Policy, and Basic Procurement Policy and Supplier Code of Conduct

Sustainability Initiatives

Selected for the first time for FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index

The Group is faced with increasingly diverse social issues, including worsening climate change and its impact on ecosystems, as well as issues involving natural resources. In this context, we regard initiatives to support the sustainable development of society as a critical management issue. We established a Group-wide Sustainability Committee in 2021, which is guiding our efforts to strengthen the management foundation of the Group as a whole. These efforts have focused on responding to climate change issues, protecting human rights, improving the working environment, addressing anti-corruption, and fortifying governance. As a result of our efforts, we were selected for the first time in FY2022 as a constituent of both the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index, which target Japanese companies taking outstanding action in terms of ESG practices.



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index

Signing the United Nations Global Compact

In August 2023, Nihon Chouzai signed the United Nations Global Compact, an international initiative to support greater corporate social responsibility. Participation in the Global Compact demonstrates a company's stance on Ten Principles related to four areas—human rights, labor, environment, and anti-corruption. In recent years, companies are called on to consider both the impact of their business activities on the environment and society and the impact of the environment and society on their business activities in their pursuit of business. To this end, we will convey the intent of the Global Compact to all Group officers and employees, while revisiting our business activities in light of the values underlying the Ten Principles, seeking to ascertain areas for improvement and continuously enhance corporate value.



Sustainability Committee Activities (FY2022)

- Number of meetings: 3
- Main topics of discussion
 - Setting performance indicators for material issues
 - Disclosure in line with TCFD recommendations; calculation of Scope 1, 2 emissions; CO₂ reduction targets
 - Gap analysis of sustainability assessment
 - Revisions to Ethical Conduct Guideline
 - Formulation of Human Rights Policy, Environmental Policy, and Basic Procurement Policy and Supplier Code of Conduct
 - Response to environmental and human rights risks
 - Response to human capital management

Material issues (materiality) for the Nihon Chouzai Group

In FY2021, the Nihon Chouzai Group identified material issues essential to contributing to a sustainable society. To contribute more concretely to sustainability through our business activities and to shore up the foundation for management, we established initiatives and performance indicators to address these material issues. Going forward, we will strive to further promote sustainability management by putting in place the initiatives we have

formulated and monitoring performance indicators. We will also revise the initiatives and performance indicators as appropriate, disclosing information on areas under consideration as needed. See the Nihon Chouzai Group Sustainability website for details on the process of identifying material issues, initiatives, and performance indicators.

<https://www.nicho.co.jp/en/sustainability/materiality/>

Materiality Group	Material Issue	Relevant SGDs
Healthcare quality and accessibility	<ol style="list-style-type: none"> Increase the effectiveness of drug treatments for patients by strengthening pharmacy functions (accommodate advanced healthcare and regional healthcare) Expand the functions of pharmacies to support the health of the community (e.g., illness prevention and pre-symptomatic illness) Contribute to social security by ensuring appropriate use of pharmaceuticals at pharmacies Ensure the continuous operation of pharmacies as a regional healthcare/welfare infrastructure, and respond effectively to disasters, pandemics, and other crises Ensure the medical safety at pharmacies Leverage digital transformation to promote online healthcare and create new business Publish surveys and research that contribute to the development of healthcare 	
Quality and stable supply of pharmaceuticals	<ol style="list-style-type: none"> Undertake R&D and manufacturing of safe, high quality pharmaceuticals Ensure a stable supply of pharmaceuticals 	
Resolving human issues at healthcare institutions	<ol style="list-style-type: none"> Provide "human" support in providing high-quality healthcare services Support occupational health and general health, including mental health, by introducing occupational physicians 	
Contributing to a carbon neutral, circular economy	<ol style="list-style-type: none"> Reduce waste materials and increase the efficiency of resource usage, especially at pharmacies and plants Reduce 2 emissions by increasing energy usage efficiency and promoting the use of renewable energy Build environment-friendly and society-friendly supply chains with outstanding transparency 	
Fostering and utilizing diverse workforce	<ol style="list-style-type: none"> Secure human resources that supports the company's growth, and put in place HR systems that promote the growth of employees Promote diversity, respect for human rights, and the participation of women in the workplace Establish a workplace environment that enhances employee health and motivation 	
Strengthening governance to fulfill social responsibilities	<ol style="list-style-type: none"> Support the healthcare and welfare fields (e.g., persons with intractable diseases or disabilities) Continuously strengthen corporate governance, and disclose information with a high level of transparency Continuously strengthen compliance, and prevent corruption Create opportunities by appropriately evaluating and responding to risks 	

Environmental Initiatives

Recognizing that dealing with climate change issues is a critical aspect of sustainability management, the Group in June 2022 endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Going forward, we will consider measures to address climate change and reduce greenhouse gas emissions, making appropriate disclosure based on the TCFD recommendations.



FY2022	Scope1	Scope2
	5,454 t-CO ₂ e	31,612 t-CO ₂ e

Dispensing Pharmacy Business

In the Dispensing Pharmacy Business, we are working to lower our environmental impact by creating environment-conscious pharmacies, promoting the use of personal shopping bags, and reducing unused medications. While considering convenience for the patients visiting our pharmacies, we will comply with all environmental laws and regulations and take proactive measures to protect the environment, striving to use resources effectively across all of our business activities.

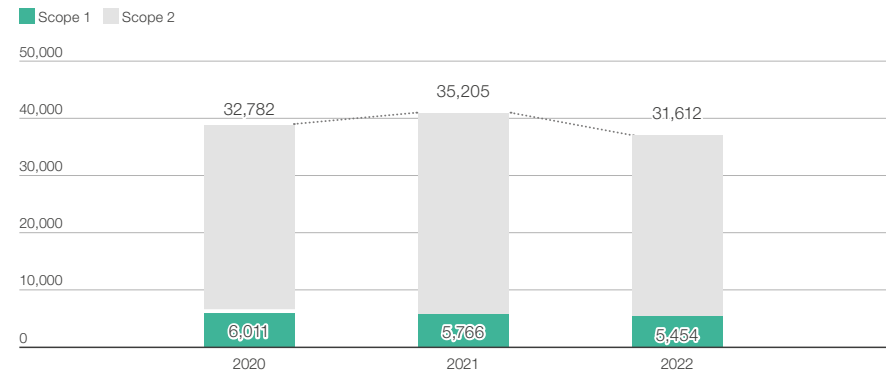
Pharmaceutical Manufacturing and Sales Business

The Pharmaceutical Manufacturing and Sales Business renovates the production facilities it acquires, installing the latest equipment to ensure lower CO₂ emissions, fresh-water usage, and electrical power usage. Newly constructed plants are designed from the planning stages to be environmentally friendly. We will continue to make investments and take initiatives to reduce our impact on the environment.

See the Sustainability website for various initiatives and data in our Dispensing Pharmacy and Pharmaceutical Manufacturing and Sales businesses.

<https://www.nicho.co.jp/en/sustainability/esg/environment/>

CO₂ Emissions (Scope 1, 2)



We set the following Group targets for the reduction of greenhouse gases.

- 2030: Dispensing Pharmacy Business = 30% reduction in CO₂ emissions per pharmacy (versus FY2020)
Pharmaceutical Manufacturing and Sales Business = 30% reduction in CO₂ emissions per 100 million tablets produced (versus FY2020)
- 2050: Carbon neutrality (effectively zero CO₂ emissions)

TOPIC / Use of LED Lighting at Pharmacies

Nihon Chouzai has set a goal of reducing CO₂ emissions per pharmacy by 30% by FY2030 versus FY2020. We explored a range of initiatives that might help us achieve this goal. One such initiative we put in place is the conversion of pharmacies to LED lighting. All of the lighting in pharmacies we have opened since June 2016 now use LED lighting. About 460 pharmacies opened prior to that point do not yet support LED lighting. To cut down Scope 2 CO₂ emissions, we will convert around 100 pharmacies to LED lighting each year and take steps to reduce costs.



HR Strategy

Recognizing the people who support the Group to be a vital management resource, Nihon Chouzai has positioned fostering and utilizing a diverse workforce as a material issue for the Group. We are pursuing measures to enhance employee value and contribute to sustainable corporate growth, including hiring, training, evaluating, and engaging employees, initiatives in which we actively invest.

Managing Human Resources and the Organization



Hiring

Securing pharmacists and other talent is vitally important to our ability to offer high-quality pharmacy services and enhance the competitive strategies needed to expand the organization. To navigate changes in the business environment in Japan stemming from regulatory revisions and restructuring of the pharmacy industry, we are focusing on reinforcing our framework for hiring new graduates and mid-career employees, including pharmacists, registered dietitians, medical office workers, and administrative staff.

Reinforcing Recruitment of New Pharmacist Graduates

The importance of a pharmacist's patient-centered work—whether in the family pharmacist system, at-home medical care, or consultations about drug therapies in various specialized fields—is gaining attention. Securing excellent talent is the most critical issue in realizing the growth strategies needed to survive ongoing restructuring of the pharmacy industry in Japan. To this end, we are taking steps to recruit talented new pharmacist graduates.

Popularity ranking among job-seeking graduates Mynavi/Nikkei survey 2024

FY2023 **335** new hires

Nihon Chouzai ranked **No. 1** in the pharmacy/drugstore sector in four categories

Winning Four Crowns Two Years in a Row

Healthcare/welfare/ pharmacy majors:
Science majors overall:
Chemistry/ pharmacology majors:
Female science majors:

No. 1

Administrative Departments

We are also strengthening the recruitment of personnel in managerial positions who are capable of mapping out solid strategies for future growth, including new business generation and new operating frameworks. We are capitalizing on a wide range of recruiting channels to attract both new graduates and mid-career personnel, with the aim of securing the best talent in each discipline, from HR and business development to marketing and engineering.

Development

In the mainstay Dispensing Pharmacy Business, to fulfill its mission to be healthcare professionals, Nihon Chouzai is working to develop personnel who have a patient-centered perspective and a high degree of expertise. We have expanded the organization by opening multiple pharmacies across Japan. We therefore see it as a key management issue to seek to strengthen the human capital needed to manage the organization and continue to cultivate the next generation of leaders who can guide this process.

Cultivating Highly Specialized Pharmacists

Strengthening training of increasingly in-demand specialized pharmacists: Setting Nihon Chouzai apart

Having already achieved the goal of recruiting high-quality pharmacists, the Dispensing Pharmacy Business is moving to the next step: offering high-quality education. We launched the Pharmacist Stage evaluation system in April 2018. Under this system, we encourage employees to acquire in-house certification and offer full support to this end, preparing them for the next step of obtaining more advanced outside certification. Acquiring outside certification requires not only pharmacy experience but also hospital-based training. More than 50 of our pharmacists undergo such clinical training every year.

Developing Leadership Talent

Nihon Chouzai has various programs in place to raise up the next generation of managers.

Mid-career employee training / IT training / Evaluator training / Talent management

See the link for details: <https://www.nicho.co.jp/en/sustainability/esg/human/>

TOPIC / Mitsuhashi Business Academy Opens

A Project to Work Out the Future of Nihon Chouzai

In this inaugural project aiming to cultivate the next generation of management for the Group, President Mitsuhashi headed up an academy, made up of nine members selected from various departments throughout the Group, who came together to work out the future of Nihon Chouzai. Running for about half a year, the project included weekly study sessions and a retreat. In the first half of the learning period, the academy brought in lecturers from both inside and outside the Group to speak, while participants also read books together. Learning activities allowed participants to gain a better understanding of the Nihon Chouzai Group and of conditions in the pharmacy industry and beyond and a firmer grasp issues facing the Group. They also shared opinions on the future the Nippon Chouzai Group seeks to create.

Moving then into the planning stage, starting with proposals offered by each member, eventually more than 200 proposals were put forward. Participants then sought to narrow down these proposals and held repeated discussions as they worked to finalize the plan. Ultimately, they released five recommendations and shared opinions on these with Group executives. The Group will now move forward with specific considerations of how to put the recommendations in practice.

Evaluation

Nihon Chouzai has established its own in-house system, the Pharmacist Stage System JP-STAR, to evaluate and promote the specialized expertise of pharmacists with regard to their knowledge and skills. Requirements for advancing to the next stage include obtaining in-house certification by disease type for the five major diseases prioritized by the Japanese government, as well as eight areas, including palliative care, at-home medical care, and dementia. Outside specialized pharmacist qualification is also required for the higher stages. By evaluating the advanced knowledge, skills, and attitudes of pharmacists, the system facilitates a greater degree of motivation and enhanced skills.

Engagement

■ Surveys

With the aim of building a more robust organization and fostering employee growth over the longer term, we regularly take stock of employee engagement levels. Seeking to increase engagement, we are attentive to factors that foster loyalty, and are working to spread awareness of the Group philosophy, create opportunities for dialogue with management, and revise the personnel system.

In an engagement survey conducted in 2022, the lack of opportunities for communication due to the pandemic emerged as an issue. On the other hand, the results

indicated a high level of willingness to contribute to the work and a high level of confidence in management.

Based on these results, managers are now holding regular one-on-one meetings with their teams to intentionally ensure opportunities for communication with a view to career development and goal achievement for each employee. At the head office, we held a panel discussion involving the heads of each division with the aim of deepening mutual understanding between departments.

■ Efforts to Instill the Group Philosophy

The Nihon Chouzai Group formulated a new Group philosophy in April 2022. Through a combination of top-down and bottom-up initiatives, we aim to inculcate throughout the Group an outlook that expresses the Group's purpose in society and defines the actions needed to lead to future growth.

Communication from top management to all employees

- The President and CEO writes a blog to send out messages linked to the Group philosophy, while the corporate intranet has a "Branding Communication" corner expressing the thinking of each executive on the Group philosophy and how it relates to the various Group businesses.

Community of employee philosophy advocates

- Formation of a community of influencers across various Group companies and departments, from young to mid-career employees, aiming to smoothly inculcate the Group philosophy at each site.

Opportunities for employees to take ownership of the Group philosophy

- A regular corner in the Group's in-house newsletter reports on a project in which employees talk about the philosophy in their own words.
- We appointed "brand activators" from each department to hold meetings to exchange opinions on the philosophy in each branch department and each supporting department.

■ Health Management

Nihon Chouzai believes that, along with risk management, employee safety and health are crucial, fundamental prerequisites for raising individual and organizational productivity. An organization where every employee works energetically is able to provide healthcare that is grounded in regional communities and offer medical services adapted to the changing times. Furthermore, convinced that maintaining healthy employees and a healthy organization will tie into the realization of the Group philosophy, we are strategically and systematically investing in health management. At the same time, recognizing the importance of supporting employees and their families, we are taking steps to improve the working environment both from the aspect of better systems that balance work with

the demands of illness, childcare, and long-term care, and in terms of gaining deeper understanding from the people with whom employees work. To this end, we are fostering a variety of working styles to suit different stages of life.

Health management initiatives

- Establishing standard values for employment based on regular medical check-up results and expanding outreach to high-risk individuals
- Enhancing primary prevention measures for the purpose of health promotion and disease prevention (interviews with medical professionals for all employees who are underweight or at risk of hypertension)
- Prohibiting on-premises smoking, including outdoors, at all business sites, and developing company-specific programs to support quitting smoking
- Regular distribution of original health-related videos, including by occupational doctors, public health nurses, and physical therapists, and implementation of health campaigns, such as breakfast and exercise campaigns
- Enhanced support for balancing medical treatment and work (certified by the Tokyo Metropolitan Government and Kanagawa Prefecture)
- Reinforcing work-related accident prevention activities

Health Management is a registered trademark of the NPO Kenko Keiei Kenkyukai.

■ Certified as a 2023 Health & Productivity Management Outstanding Organization in the large enterprise category

Following on from last year, Nihon Chouzai was again selected as a Health & Productivity Management Outstanding Organization in the large enterprise category, under the recognition program established by the Ministry of Economy, Trade and Industry. This program recognizes companies that take employee health management seriously from a management perspective and strategically pursue health management initiatives.

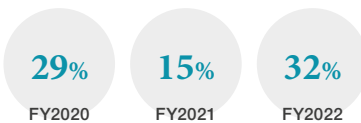


■ Diversity and Inclusion (D&I)

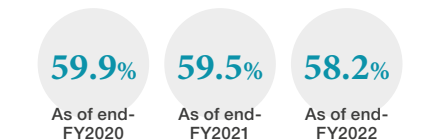
Mid-Career Hires

Attracting highly specialized talent from outside not only fills job vacancies—it helps us shore up the expertise of the organization as a whole and generate new and different value than is possible with existing employees alone. For this reason, we are focusing on hiring experienced employees as well as new graduates.

Ratio of mid-career to new graduate hires



Percentage of mid-career hires in managerial positions



Empowerment of Women in the Workplace

The percentage of female pharmacists has traditionally been high in Japan. About 70% of Nihon Chouzai pharmacists are female. For this reason, we are pursuing Group-wide initiatives to promote the active participation of women, including supporting the careers of our female employees and raising awareness among managers.

Action Plan

- 1 Increase the ratio of women in managerial positions* to over 13% (April 2022–March 2025)**
- 2 Increase the ratio of full-time male employees who take childcare leave to over 40%.**

As of March 2023:
Female manager ratio 10.8%
Female area manager ratio 17.5%

As of March 2023:
Male employees taking childcare leave 69.0%

Female employee ratio **70.3%**

Employees using reduced working hour system for childcare **594**

Rate of return from childcare leave **100%**

(as of end-March 2023)

Outside Recognition

Nihon Chouzai has been recognized for its ongoing efforts to foster an environment which makes it easier for women to work and to create opportunities for the active participation of all employees regardless of gender. These efforts have earned the company the following certifications from the Ministry of Health, Labour and Welfare.



Eruboshi
Empowering the participation of women in the workplace
Acquired in 2018
(Nihon Chouzai)



Kurumin
Support for parenting
Acquired in 2021
(Nihon Chouzai, Nihon Generic)



Tomonin
Support for long-term care providers
Acquired in 2021
(Nihon Chouzai)

Active Participation of People with Disabilities

Nihon Chouzai is promoting various initiatives to enable diverse human resources to play an active role in business operations.

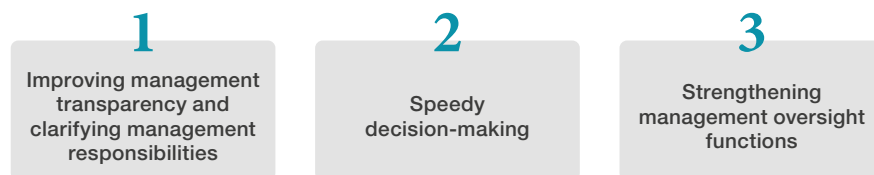
Nihon Chouzai currently employs 134 staff with disabilities, representing 2.69% of all employees (as of June 2023). This exceeds the statutory employment rate. We are actively seeking to hire more employees with disabilities while broadening the scope of potential job positions.

Initiatives <https://www.nicho.co.jp/en/sustainability/esg/human/>

Corporate Governance

Corporate Governance

Nihon Chouzai's Concept of Corporate Governance



These three elements are essential to responding effectively to changes in the business environment, ensuring the ongoing soundness of the company, and further enhancing

Corporate Governance Framework

In June 2016, we transitioned from a company with a board of corporate auditors to a company with an Audit and Supervisory Committee. We also determined that the Board of Directors should be made up of eight directors (including two outside directors) and three directors who are Audit and Supervisory Committee members (including two outside directors). The role of the Board is to decide on important matters stipulated by laws and regulations and oversee the performance of duties by executives.

The Audit and Supervisory Committee comprises three directors, including two outside directors. They carry out their oversight functions by exercising their voting rights at meetings of the Board of Directors, as well as auditing the performance of duties by directors and preparing audit reports. Moreover, Deloitte Touche Tohmatsu LLC was appointed to be the accounting auditor for the company to ensure proper accounting and management transparency.

Corporate Governance Framework

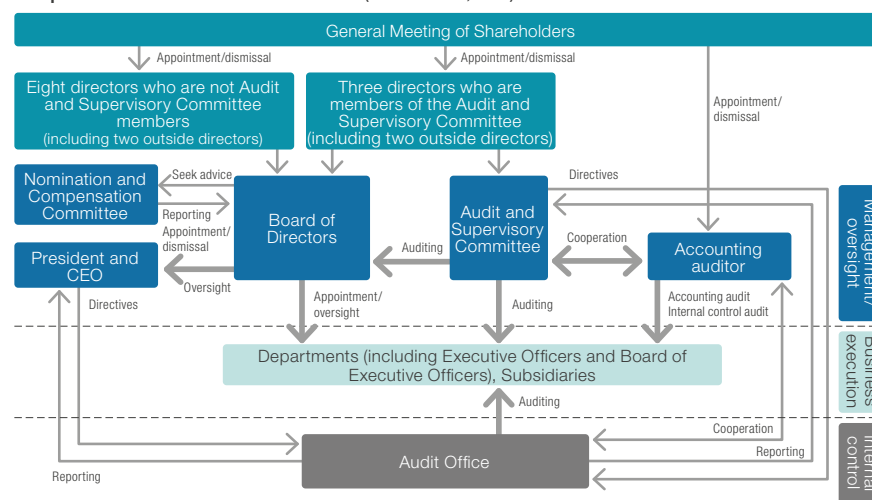
Activities in 2022

The Board of Directors met 15 times from April 1, 2022 to March 31, 2023. In principle, Board meetings are held once a month, or as needed. Officers from Nihon Chouzai also sit in on the Board meetings of group companies and take other actions to reflect the group as a whole in Board discussions. Audit and Supervisory Committee meetings are held separately.

corporate value. Particularly as a corporate group operating in fields that are governed by various laws and regulations, Nihon Chouzai recognizes the critical importance of maintaining robust corporate governance and strict compliance. We are pursuing various measures based on this recognition.

Given the scale and nature of our businesses, we determined that being a company with an Audit and Supervisory Committee was the most appropriate organizational form to enable Nihon Chouzai to fulfill its audit and oversight functions and corporate governance responsibilities.

Corporate Governance Framework (as of June 23, 2023)



Board of Directors Meetings and Key Topics of Deliberation

Frequency	In principle, once a month or as needed
Meetings Held	15 (Friday, April 1, 2022–Friday, March 31, 2023)
Key Topics of Deliberation	Budget and financial results; fund procurement; director nomination and compensation; pharmacy openings, closings, mergers and acquisitions; personnel and labor affairs; regulatory changes; organizational changes; group governance; risk management framework; digital transformation strategy; sustainability; etc.

Analyzing and Evaluating the Effectiveness of the Board of Directors

At least once a year, the Board of Directors conducts an evaluation to improve its effectiveness as a whole.

■ Process of Evaluating the Board's Effectiveness



■ Major Issues and Initiatives in Evaluating Effectiveness in FY2021

Based on the FY2021 evaluation of the Board's effectiveness, we took steps to address the issues raised. In particular, in response to the quality issue at Choseido Pharmaceutical in 2021, we augmented our oversight functions for Group companies. Also, in seeking to shape discussions around the issue of optimizing the Group as a whole, we identified the need to better evaluate the role of the Group headquarters in the effectiveness evaluation for FY2021.

In addition, the Board of Directors took time out twice during the year to share feedback obtained through dialogue with investors. Partly as a result of this, we saw improvement in the category of "making use of shareholder feedback." Going forward, we will strive to further deepen discussions informed by shareholder feedback and engage in constructive dialogue with investors. On the other hand, we saw some issues as outstanding, and committed to continue to work on them.

■ Results of FY2022 Effectiveness Evaluation

The evaluation confirmed that the effectiveness of the Board of Directors has been generally ensured. On the other hand, it highlighted some issues, including securing time for deliberations, considering strategy from multiple angles, succession planning, and oversight to ensure the diversity of core human resources. We will continue to take steps to address these issues.

■ Future Initiatives Based on Issues Identified

01 Securing more time for deliberations and consideration of strategy from multiple angles

We introduced an executive officer system in April 2022, aiming to better separate management decision-making and oversight functions from business execution functions and enhance management agility. The system further clarifies the division of roles between the Board of Directors and the Board of Executive Officers, resulting in more focused agendas from the perspective of the separation of oversight and execution. Meanwhile, delegating greater authority to the executive side frees up more time for discussion on longer-term themes at Board of Directors meetings.

Moreover, we are working to secure more time in venues outside meetings of the Board of Directors for deliberation and more in-depth discussions, such as at executive retreats, allowing executives to zoom in on longer-term issues and strategies.

02 Succession Planning Initiatives for Executives

Members of the Nomination and Compensation Committee will deliberate on the method of framing discussions around succession planning for executives as well as on an objective, transparent screening process. Meanwhile, members of the Board of Directors will deliberate on how information from the Nomination and Compensation Committee should be linked to Board meetings in terms of ideal scope and depth.

03 Oversight to Ensure Diversity of Core Human Resources

We continue to take steps to ensure diversity in our workforce, including promoting women's empowerment, but this effectiveness evaluation points out the need for further improvement in the ratio of female managers and measures to appoint female directors from within the company.

To better oversee an HR strategy that is linked to our management strategies, the Board of Directors in future meetings will discuss policies for investing in human resources by backcasting from longer-term strategic goals and setting indicators suitable for monitoring. The Board will also continue to monitor efforts to develop core human resources, including increasing the ratio of female managers.

Executive Compensation System

Basic Policy

- We will set executive compensation at an appropriate level to secure and retain outstanding personnel who act to realize the Group philosophy, motivating them to adequately carry out the roles expected of them in bringing about the sustainable enhancement of corporate and shareholder value.
- Acknowledging that we should be fully accountable to shareholders and other stakeholders, we will work to ensure reasonable, objective, and transparent compensation both in terms of content and the decision-making process.

Compensation Structure

- Outside directors responsible for oversight functions and directors who are members of the Audit and Supervisory Committee > Basic compensation
Directors and executive officers responsible for business execution > basic compensation, performance-based compensation, stock-based compensation (stock ownership plan)
- The ratio of each type of compensation for directors and executive officers responsible for business execution will be determined based on factors such as their position and role and the trends of other companies that have a business scale similar to that of Nihon Chouzai.

Basic Compensation

We determine compensation amounts according to the common basic salary table for directors and executive officers, plus allowances according to position and role, and pay compensation at a fixed time every month. We will establish a basic salary table for each director and executive officer, and will review the table as appropriate based on annual evaluations, length of service, and other factors.

Cross-Shareholdings

The company may hold, as cross-shareholdings, shares of companies that it deems necessary for maintaining and strengthening business relationships. The Board of Directors meets annually to carefully examine whether the purpose of owning individual cross-shareholdings is appropriate and whether the benefits and risks associated with these holdings are commensurate with the cost of capital, among other considerations, in this way verifying the suitability of cross-shareholdings.

The company's policy is to exercise voting rights pertaining to cross-shareholdings from the perspective of whether or not such exercise will contribute to enhancing the corporate value of the company invested in, along with due consideration of the purpose of the holding.

Performance-Based Compensation

To motivate directors and executive officers to contribute to the enhancement of business performance each fiscal year, we will pay bonuses on a fixed date every year, calculated based on the following formulas.

- 01** Directors: Profit-sharing method based on consolidated ordinary profit, and target method based on consolidated net sales and operating profit and individual evaluations of each director
- 02** Executive officers: Target method based on consolidated net sales and operating income and individual evaluations of each executive officer

Details of Stock-Based Compensation

To motivate directors and executive officers to share value with shareholders and contribute to the enhancement of longer-term corporate and shareholder value, we will grant shares at a certain term after retirement based on a stock ownership system.

Procedures for Determining Compensation

Compensation for all directors (excluding outside directors and directors who are members of the Audit and Supervisory Committee) and executive officers is determined by resolution of the Board of Directors in consideration of the deliberations and reports of the Nomination and Compensation Committee, of which the majority of members are independent outside directors.

	Unlisted shares	Shares other than unlisted shares
FY2021	Number of issues	1
	Amount* (millions of yen)	13
FY2022	Number of issues	1
	Amount* (millions of yen)	13

*Aggregate amount recorded on the balance sheet

Organization and Activities of Internal Control System

Committee Organization

The purpose, related departments, and activities of each committee are as described below.



Formulation and Dissemination of Rules and Regulations

To ensure the appropriateness of the Group's business operations, Nihon Chouzai has formulated various internal rules, operation flow charts and manuals, business continuity plans, and a disaster response pocket manual. It seeks to ensure employee awareness of these matters by circulating materials and posting them on the corporate intranet and various meetings.

	Purpose	Related departments	Committee operation
Nomination and Compensation Committee	Seeks to strengthen the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and executive officers, and further enhance the corporate governance framework.	Human Resources Department, General Affairs Department	Held three times in FY2022 (April 2022–March 2023). Made up of three or more members who are directors or executive officers, the majority of whom are independent outside directors. As an advisory body to the Board of Directors, the committee deliberates on such matters as composition of the Board of Directors, the rationales for appointing directors and executive officers, and the appropriateness of individual compensation amounts, and reports to the Board of Directors.
Compliance Committee	Ensures thorough compliance by defining basic matters related to compliance actions and constructing and properly managing a compliance framework.	Risk Management and Compliance Office, General Affairs Department, System Headquarters, Pharmaceutical Headquarters, Accounting Department, Human Resources Department, Public Relations Department, Audit and Supervisory Committee, etc.	In principle, meets once every three months. In addition to monitoring and reviewing the development and operation of the compliance framework, the committee takes up matters related to the planning and execution of compliance programs aimed at promoting compliance throughout the Group. Specifically, the committee considers the response to relevant business laws, the internal reporting framework, and training programs aimed at fostering employee compliance awareness. Subsidiaries hold similar meetings.
Risk Management Committee	To be aware of risks that may significantly impact the attainment of management goals and corporate sustainability, and to support appropriate judgments and responses to risks, the committee works to promote more sophisticated risk management.	Risk Management and Compliance Office, General Affairs Department, System Headquarters, Pharmaceutical Headquarters, Accounting Department, Human Resources Department, Public Relations Department, Audit and Supervisory Committee, etc.	In principle, meets once every three months. Based on the risk management policy, the committee works to develop and appropriately operate Group-wide risk management. Specifically, it identifies and examines risks based on the internal and external business environment, takes response measures, conducts regular monitoring, and takes necessary action based on circumstances. Subsidiaries hold similar meetings.
Information Security Committee	Promotes information security management, including implementing information security measures and disseminating policy, and constructs and operates a Group-wide information security framework.	System Headquarters, Pharmaceutical Headquarters, General Affairs Department, Human Resources Department, Risk Management and Compliance Office, etc.	In principle, meets once every three months. The committee shares information on measures based on the Security Guidelines for Medical Information Systems published by the Ministry of Health, Labour and Welfare and related laws and guidelines, assesses whether there are any information security violations, examines case studies of cyber security incidents, etc., while holding discussions on countermeasures.
Medical Safety Committee	Promotes appropriate medical safety management and contributes to the safe provision of healthcare.	Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department, Quality Control Department), Risk Management and Compliance Office, General Affairs Department, Audit and Supervisory Committee	The Medical Safety Committee discusses all events related to medical safety management. It also discusses the revision of measures to prevent the recurrence of safety incidents and improve safety.
Sustainability Committee	Aims to achieve sustainable growth and enhance corporate value of the Group over the longer term, while contributing to the creation of a sustainable society through Group business activities.	Sustainability Supervision Office, Corporate Planning Department, General Affairs Department, Group companies	Held three times in FY2022 (April 2022–March 2023). Supervises and evaluates the progress of initiatives to address the material issues the Group has identified, builds these issues into corporate and business strategies, and deliberates on observance of international guidelines and participation in global initiatives, reporting to the Board as needed.



Message from Outside Directors

Further promoting sustainability management from the perspective of a female outside director

Outside Director
Shio Harada

As an attorney, I have been involved in a wide array of legal consultations, ranging from the kind of general civil matters that people face in their day-to-day lives to the legal affairs of listed corporations, while also teaching as a lecturer in the area of civil affairs at the Legal Research and Training Institute, for the purpose of nurturing younger generations of attorneys. I also have deepened my knowledge of women's rights in general and gender equality in particular by taking part in the Gender Equality Committee of the bar association to which I belong.

It has been a year now since I was appointed as an outside director and the first female director at Nihon Chouzai. Through repeated discussions at Board of Directors meetings, I have gained a fuller understanding of the company and its business activities as it earnestly seeks to address healthcare issues facing Japan, grounded in the Group philosophy. I resonate very much with the Group's commitment to contribute to society from a broad perspective, one that also looks forward to emerging social issues.

Nihon Chouzai is actively pursuing sustainability management. My sense is that the Group is making steady headway in addressing sustainability issues related to the area of healthcare in particular. Also, with regard to corporate governance, compliance, and other aspects of risk management, the Group is making progress year-by-year in terms of systems and frameworks. Still, I recognize that the challenge going forward will be to further enhance the effectiveness of these systems and frameworks. To pursue even more thorough-going sustainability management, the Group is setting performance indicators for its key management issues (materiality) and strengthening monitoring functions.

Ensuring diversity and maintaining a sound management foundation are essential to

sustainable corporate growth. Women currently account for about 70% of the officers and employees of the Group. I feel that the company's approach to gender diversity, including the empowerment of women, is really wonderful.

I am also paying attention to the recruitment and cultivation of talent. Numerous multi-talented female pharmacists are taking an active role at Nihon Chouzai pharmacies. However, although the ratio of female managers and area managers is increasing according to plan, I would still be hard-pressed to say that the level is high. For women, the formation of a career path tends to be interrupted by life events such as childbirth and childcare. Consequently, creating the kind of systems and environments in which women can form such career paths and continue to work without worry over the long term is an issue that warrants deeper consideration. In FY2022, 69.0% of male employees took childcare leave, which is a solid result vis-a-vis the company's target of 40%. Going forward, I think it would be a good idea to expand discussions around topics such as more flexible HR systems and an increase in the number of leave days taken. I am convinced that improving the working styles of all employees, including men, will lead to a workplace environment that allows women to play a more active role, and that this in turn will help the company secure and cultivate diverse, invaluable talent. But not only that: It is vital in terms of corporate growth and in terms of enhancing corporate value to secure diverse human resources to serve as directors and hold other such positions of authority, so that they can reflect their diversity in corporate decision-making. This is an area that is gaining broader recognition in society. In this respect as well, I look forward to seeing the various initiatives of the Nihon Chouzai Group bear fruit in the near future.

Message from Outside Directors

Dialogue with investors centered on long-term management strategies is key to the long-term enhancement of corporate value.

Outside Director
Yoshimitsu Onji



Five years have gone by quickly since I was appointed as an outside director of Nihon Chouzai in June 2018. Over that period, my strong sense is that the roles expected of an outside director have expanded to include strengthening corporate governance. At the same time, there have been major changes that I feel have impacted the management of the Group as a whole over the past five years.

One of the most significant changes, of course, was the passing of the baton to a new President at Nippon Chouzai shortly after I was appointed. Under the current President's leadership, the Board of Directors meetings—which up to then gave me the strong impression of serving as a venue for providing explanations to outside directors—have changed to become more of a forum for a mutual exchange of ideas in both directions. In 2022, Shio Harada was also appointed as the company's first female director. Going forward, even greater diversity, such as in terms of gender and age, will enable Board meetings to generate discussions from an even broader array of perspectives.

Among the management issues facing Nihon Chouzai, I have a particularly keen interest in three themes. The first is revising the long-term vision and exploring a new medium-term management plan. Enhancing corporate value over the long term calls for establishing a long-term vision for the Group and setting out an appropriate roadmap (medium-term management plan) to achieve that vision. I sincerely hope the Board of Directors will thoroughly revise the long-term vision and engage in discussions around the formulation of a new medium-term management plan, with a view to monitoring the degree to which it achieves its goals more closely than ever. The company has recently launched a project team staffed mainly by younger employees spanning various departments and operating

companies. I look to this team to engage in vigorous discussions about issues facing the Group. It is crucial that the generation that will actually lead the company into the future actively participates in shaping that future, with a sense of ownership.

Secondly, I feel that the current business portfolio is in good shape for Nihon Chouzai as a healthcare group. On the other hand, I feel that the company needs to revisit its strategies, such as how to grow the various businesses in the portfolio. Investors often find Japan's healthcare system difficult to understand. I would like to hold more discussions with these investors so that we can adequately communicate both the risks and the new growth opportunities facing the company.

Third, like other companies listed on the Tokyo Stock Exchange Prime market, I recognize that enhancing corporate value is a major issue for Nihon Chouzai as well. To recover and maintain a price book-value ratio of more than 1.0x, it is of chief importance that the company informs investors about its strengths. My impression is that the company has not yet created sufficient opportunities for communication between outside directors and investors. I would like to expand the number of wide-ranging dialogues beyond the current level, for example by looking overseas.

Nihon Chouzai announced a new Group philosophy in April 2022. I would like the company to be a place where every employee can take ownership of this philosophy, thinking and acting to turn it into a reality. Moreover, I would like to see Nihon Chouzai become more widely known as a key player in healthcare in Japan, as the place to turn to for people pursuing health and wellbeing. I will continue to communicate actively with the company's investors and other stakeholders. I hope that you will look forward to the growth of the Group.

Board of Directors (as of June 23, 2023)

NC Nomination and Compensation Committee
Audit Audit and Supervisory Committee member



Yosuke Mitsuvara
President and CEO

NC

Having served as General Manager of the Corporate Planning Department, Subsidiary Director, Managing Director, and Senior Managing Director, Mitsuvara became President and CEO of the Company in 2019. With thorough knowledge of ICT, he spearheaded development of the Company's electronic medication notebook and has implemented company-wide digital transformation initiatives. With an MBA from Waseda University Graduate School and a master's degree from Johns Hopkins University Bloomberg School of Public Health, he is contributing to management from both management and medical perspectives. From December 2021, Mitsuvara chairs the Sustainability Committee.



Naoto Kasai
Managing Director and Managing Executive Officer

At Mitsubishi UFJ Trust and Banking, Kasai was Manager of the Human Resources Department, Manager of the Corporate Planning Division, and a Branch Manager. As General Manager of the Sales Management Department in charge of new pharmacy openings for Nihon Chouzai, he sets policy for pharmacy openings, acquisitions, and pharmacy development, and manages business operations. Kasai has been in charge of the Sales Management, Development, Corporate information, Public Relations and Sustainability.



Toshiyuki Koyanagi
Director and Senior Executive Officer

Pharmacist. Koyanagi joined Nihon Chouzai after working in a hospital. He has since served as Manager and General Manager of the Pharmaceutical Department, General Manager of the Purchasing Department, and in other capacities. In addition to overseeing the Dispensing Pharmacy Business, his responsibilities include pharmacy staff training, drug planning, marketing, generic drug promotion, purchasing, at-home care, healthcare promotion, pharmacy branch management, quality control, medical strategic planning, systems, and business development. With a wealth of experience in pharmacy management and thorough knowledge of medical administration, he has contributed to the expansion of the Dispensing Pharmacy Business by taking the lead in addressing changes in the operating environment, including medical service fee revisions.



Kazunori Ogi
Director and Senior Executive Officer

Before joining Nihon Chouzai, Ogi worked for a leading bank and was involved in finance and MBO projects for major companies. After joining the Company, he was a Manager of the Finance Department. Currently, as Director and General Manager, he is in charge of accounting, finance, and affiliated companies. In terms of the Group as a whole, he helps to identify management issues for the Company and its subsidiaries and formulate management strategies to address them. Since October 2021, he has also served as President and CEO of Choseido Pharmaceutical Co., Ltd. and Director of Nihon Generic Co., Ltd.



Yoshihisa Fujimoto
Director and Senior Executive Officer

Fujimoto is responsible for corporate governance, working style reform, empowering women in the workplace, recruitment, as well as serving as Chief Security Officer (CSO). He contributes to the governance of the entire company, including serving on the Information Security Committee, and the Risk Management and Compliance Committee.





Masahiro Inoue
Director

Before joining Nihon Generic, Inoue served as branch manager and area branch manager for Sumitomo Mitsui Banking. Since joining that company, he has been in charge of its overall management, and possesses a wide range of knowledge and experience around the manufacture and sale of generic drugs. In June 2022, he began overseeing the Pharmaceutical Manufacturing and Sales Business as President & CEO of Nihon Generic.

Board of Directors*1

- / -



Yoshimitsu Onji
Outside Director

Outside Independent NC

Onji has experience as a company president and chairman. Prior to joining Nihon Chouzai, he was involved in starting up a staffing firm and in numerous corporate acquisitions, as well as being responsible for financial strategy. As a manager with a wealth of experience in funding and M&A transactions, he is helping to oversee management of the Company and provides feedback as an outside director.

Board of Directors

15/15

Nomination and Compensation Committee

3/3



Mikiharu Noma
Outside Director

Outside Independent NC

As a professor in the Graduate School of Business Administration of Hitotsubashi University, Noma has specialized knowledge in financial accounting and corporate valuation. Since 2013, he has been chair of the Corporate Reporting Lab set up by the Ministry of Economy, Trade and Industry, and is well-versed in building corporate value, investor engagement, ESG and human capital management.

Board of Directors

15/15

Nomination and Compensation Committee

3/3



Nobuyuki Hatakeyama
Director

Audit

Since the early days of Nihon Chouzai's founding, Hatakeyama has held a wide range of key positions, including Sales Manager, Branch Manager, General Manager of the Operational Audits Department, and Director. With a wealth of experience and knowledge in pharmacy development and pharmacy operations in the Dispensing Pharmacy Business, in addition to his auditing role as an Audit and Supervisory Committee member, he also oversees management and provides appropriate feedback.

Board of Directors

15/15

Audit and Supervisory Committee

15/15



Arata Toyoshi
Outside Director

Outside Independent NC Audit

Certified public accountant and licensed tax accountant. Holds a Master of Business Administration. As part of a leading auditing firm, Toyoshi gained extensive knowledge of manufacturing, IT, finance, distribution, as well as of public enterprises. He also has experience as a director of human resources management at the headquarters of a company. As an Audit and Supervisory Committee member, he helps to oversee and provide feedback on the management of the Board of Directors, with an awareness of the perspectives of various stakeholders.

Board of Directors

15/15

Nomination and Compensation Committee
Audit and Supervisory Committee

3/3

15/15



Shio Harada
Outside Director

Outside Independent NC Audit

Attorney. Harada has a wealth of experience and insight regarding legal affairs as a whole, including as a lecturer in the area of civil affairs at the Legal Research and Training Institute. In addition to serving as outside director of another listed company, she has extensive knowledge of sustainability management centered on gender diversity.

Board of Directors*2

9/10

Nomination and Compensation Committee*2

2/2

Audit and Supervisory Committee*2

10/10

Risk management and compliance
M&A and Pharmacy network strategy
Medical Professional Staffing and Placement
Pharmaceutical Manufacturing and Sales
Dispensing Pharmacy Management oversight and feedback
IT and digital transformation (development)
Sustainability
Administration (including medical and pharmaceutical affairs)
Legal affairs and compliance finance
Financial accounting and General management

*1 Masahiro Inoue was appointed as a director at the general meeting of shareholders held in June 2023.
*2 Number of meetings attended since appointment as outside director in June 2022.

11-Year Summary of Financial and Non-Financial Data (As of March 31, 2023)

(Millions of yen)

Consolidated Financial Data	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Fiscal year in which revisions to dispensing fees and NHI drug prices were made	Dispensing Fees NHI Drug Prices		Dispensing Fees NHI Drug Prices		Dispensing Fees NHI Drug Prices		Dispensing Fees NHI Drug Prices	Dispensing Fees NHI Drug Prices ¹¹	Dispensing Fees NHI Drug Prices	Dispensing Fees NHI Drug Prices	Dispensing Fees NHI Drug Prices
Business results (fiscal year)											
Net sales	139,466	165,347	181,844	219,239	223,468	241,274	245,687	268,520	278,951	299,392	313,318
Gross profit	21,494	25,623	31,929	39,068	39,258	43,837	41,975	46,372	49,374	52,422	53,643
Selling, general and administrative expenses	18,248	20,878	25,281	28,578	30,738	33,250	35,242	38,779	41,267	45,833	46,057
Operating profit	3,245	4,744	6,647	10,489	8,519	10,587	6,733	7,593	8,106	6,589	7,586
EBITDA ¹	7,319	9,129	10,923	15,615	14,237	17,127	14,525	15,491	16,286	14,974	16,337
Ordinary profit	2,855	4,188	6,003	9,878	7,976	10,138	6,077	7,405	8,409	6,767	7,682
Profit attributable to owners of parent	184	1,901	2,778	6,329	4,638	6,104	3,790	6,697	3,538	3,705	4,458
Cash flows (fiscal year)											
Cash flows from operating activities	2,885	6,243	5,831	19,327	△940	23,141	13,572	13,192	11,213	19,411	7,532
Cash flows from investing activities	△6,422	△14,510	△8,437	△7,823	△28,444	△13,843	△1,770	△2,731	△7,767	△9,313	△10,018
Cash flows from financing activities	5,496	8,782	1,422	7,031	18,205	△2,034	△10,516	△7,955	△2,806	△17,448	713
Financial position (at year-end)											
Total assets ²	95,140	117,295	130,141	157,609	178,347	186,573	178,677	185,551	186,262	178,753	185,297
Net assets	14,702	15,849	17,635	32,473	36,447	41,506	41,073	47,072	49,868	52,876	56,483
Cash and cash equivalents	14,513	15,027	13,844	32,380	21,200	28,464	29,749	32,254	32,893	25,543	23,770
Merchandise and finished goo	11,908	12,165	15,911	15,328	21,455	20,873	22,272	22,988	23,139	23,024	28,416
Interest-bearing debt ³	48,281	62,037	68,327	66,794	86,524	87,611	81,302	74,381	73,219	56,597	58,128
Per share information											
Net assets per share ⁴ (yen)	508.52	545.32	628.80	1,015.11	1,139.35	1,297.50	1,369.52	1,569.77	1,663.01	1,763.34	1,888.17
Net income per share ⁴ (yen)	6.42	65.62	97.24	216.42	145.02	190.84	121.74	223.33	118.01	123.56	148.92
Financial and non-financial data											
Sales growth rate (%)	7.2	18.6	10.0	20.6	1.9	8.0	1.8	9.3	3.9	7.3	4.7
SG&A expense ratio (%)	13.1	12.6	13.9	13.0	13.8	13.8	14.3	14.4	14.8	15.3	14.7
Operating margin (%)	2.3	2.9	3.7	4.8	3.8	4.4	2.7	2.8	2.9	2.2	2.4
ROA(%) ⁵	0.2	1.8	2.2	4.4	2.8	3.3	2.1	3.6	1.9	2.0	2.4
ROE(%) ⁶	1.3	12.0	16.6	25.3	13.5	15.7	9.2	15.2	7.3	7.2	8.2
Equity ratio(%) ⁷	15.5	13.5	13.6	20.6	20.4	22.2	23.0	25.4	26.8	29.6	30.5
Interest coverage ratio ⁸ (times)	4.9	8.6	7.1	24.4	—	37.1	25.8	34.9	35.1	64.8	28.2
Debt-to-equity ratio ⁹ (times)	3.3	3.9	3.9	2.1	2.4	2.1	2.0	1.6	1.5	1.1	1.0
Capital expenditure	5,566	9,069	12,279	8,073	23,344	15,316	5,254	12,025	9,492	8,362	10,321
Depreciation	3,591	3,825	3,631	4,461	4,741	5,214	6,304	6,316	6,416	6,569	6,740
R&D expenses	1,023	1,534	1,767	1,913	2,388	2,784	2,764	2,991	2,776	3,411	3,065
Number of employees ¹⁰	2,488	3,009	3,283	3,435	3,781	4,075	4,383	4,904	5,221	5,552	5,689

* Figures have been rounded down. Percentages have been rounded to the nearest first decimal place.

Notes: 1. EBITDA = Operating profit + depreciation + amortization of goodwill

*2. Figures before FY2017 are not retroactively adjusted in accordance with a change in accounting standards.

*3. Interest-bearing debt = loans + lease obligations + installment accounts payable + bonds

*4. Nihon Chouzai conducted 2-for-1 stock splits on October 1, 2015 and April 1, 2020. Net assets per share and net income per share have been calculated as if these stock splits had taken place at the beginning of FY2012.

*5. ROA = profit attributable to owners of parent ÷ average of total assets at the beginning and end of the fiscal year

*6. ROE = profit attributable to owners of parent ÷ average equity at the beginning and end of the fiscal year

*7. Equity ratio = shareholders' equity ÷ total assets

*8. Interest coverage ratio = operating cash flows ÷ interest payment. This figure is not presented when operating cash flows are negative.

*9. Debt-to-equity ratio = interest-bearing debt ÷ net assets

*10. Number of employees indicates regular employees. It does not include non-regular employees such as associate, contract, fixed-term, or part-time employees.

*11. NHI drug prices were revised in October 2019 in line with changes in the consumption tax rate.

Consolidated Balance Sheet

Nihon Chouzai Co., Ltd. and subsidiaries (as of March 31, 2022 and 2023)

(Millions of yen)

Liabilities	FY2021	FY 2022	Liabilities	FY2021	FY 2022
Current assets			Current liabilities		
Cash and deposits	25,543	23,770	Accounts payable–trade	48,513	47,916
Notes receivable–trade	27	70	Electronically recorded monetary obligations–operating	2,862	1,476
Accounts receivable–trade and contract assets	20,458	21,246	Short-term borrowings	1,000	2,000
Electronically recorded monetary claims–operating	422	437	Current portion of long-term loans payable	12,366	10,390
Merchandise and finished goods	23,024	28,416	Lease obligations	148	143
Work in process	1,799	1,742	Income taxes payable	1,800	2,640
Raw materials and supplies	6,262	6,021	Provision for bonuses	3,861	3,892
Other	4,121	4,022	Provision for directors' bonuses	45	68
Allowance for doubtful accounts	△8	△6	Asset retirement obligations	4	20
Total current assets	81,651	85,720	Other	8,330	8,502
Non-current assets			Total current liabilities	78,931	77,050
Property, plant and equipment			Non-current liabilities		
Property, plant and equipment	55,883	56,756	Long-term loans payable	41,531	44,640
Accumulated depreciation	△26,324	△28,395	Lease obligations	1,127	953
Buildings and structures, net	29,559	28,361	Provision for directors' retirement benefits	71	79
Machinery, equipment and vehicles	21,700	22,561	Net defined benefit liabilities	2,276	2,464
Accumulated depreciation	△7,956	△9,256	Asset retirement obligations	1,422	1,485
Machinery, equipment and vehicles, net	13,743	13,305	Other	514	2,140
Land	14,155	13,377	Total non-current liabilities	46,944	51,763
Leased assets	2,799	1,509	Total liabilities	125,876	128,814
Accumulated depreciation	△1,704	△601			
Leased assets, net	1,095	907			
Construction in progress	1,226	1,828			
Other	21,091	22,001			
Accumulated depreciation	△16,847	△18,346			
Other, net	4,244	3,655			
Total property, plant and equipment	64,025	61,435			
Intangible assets					
Goodwill	15,220	14,195			
Other	3,749	5,377			
Total intangible assets	18,969	19,573			
Investments and other assets					
Investment securities	16	16			
Long-term loans receivable	554	3,786			
Lease and guarantee deposits	8,797	9,160			
Deferred tax assets	3,842	4,402			
Other	896	1,202			
Total investments and other assets	14,107	18,568			
Total non-current assets	97,102	99,576			
Total assets	178,753	185,297			

(Millions of yen)

Net assets	FY2021	FY 2022
Shareholders' equity		
Capital stock	3,953	3,953
Capital surplus	10,926	10,926
Retained earnings	41,507	45,216
Treasury stock	△3,500	△3,600
Total shareholders' equity	52,887	56,495
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	△10	△12
Total accumulated other comprehensive income	△10	△12
Total net assets	52,876	56,483
Total liabilities and net assets	178,753	185,297

Consolidated Statement of Income

Nihon Chouzai Co., Ltd. and subsidiaries
For the years ended March 31, 2022 and 2023

(Millions of yen)

	FY2021	FY 2022
Net sales	299,392	313,318
Cost of sales	246,969	259,674
Gross Profit	52,422	53,643
Selling, general and administrative expenses	45,833	46,057
Operating profit	6,589	7,586
Non-operating income		
Commissions received	38	41
Rent income	511	593
Compensation income	40	114
Insurance claim income	144	64
Subsidy income	218	81
Other	258	235
Total non-operating income	1,212	1,130
Non-operating expenses		
Interest expenses	295	266
Commissions paid	0	–
Rent expenses	381	442
Loss on retirement of non-current assets	107	80
Other	249	244
Total non-operating expenses	1,034	1,033
Ordinary profit	6,767	7,682
Extraordinary income		
Gain on sales of non-current assets	6	1,214
Compensation income	–	1,573
Reversal of provision for retirement benefits for directors (and other officers)	46	–
Insurance claim income	3,909	–
Gain on transfer from business divestitures	67	–
Total extraordinary profit	4,030	2,787
Extraordinary losses		
Loss on sale of non-current assets	–	52
Impairment losses	669	2,574
Loss due to disaster	3,910	–
Total extraordinary losses	4,580	2,627
Profit before income taxes	6,217	7,843
Income taxes–current	2,984	3,992
Income taxes–deferred	△473	△608
Total income taxes	2,511	3,384
Profit	3,705	4,458
Profit attributable to owners of parent	3,705	4,458

Consolidated Statement of Comprehensive Income

Nihon Chouzai Co., Ltd. and subsidiaries For the years ended March 31, 2022 and 2023

(Millions of yen)

	FY2021	FY 2022
Profit	3,705	4,458
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	53	△2
Total other comprehensive income	53	△2
Comprehensive income	3,758	4,456
(Of which)		
Comprehensive income attributable to owners of parent	3,758	4,456

Consolidated Statement of Changes in Net Assets

Nihon Chouzai Co., Ltd. and subsidiaries

(Millions of yen)

For the year ended assets March 31, 2021	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury stock	Total shareholders' equity	Remeasurements of defined benefit Plans	Total accumulated other comprehensive Income	
Balance at the beginning of the period	3,953	10,926	38,551	△3,500	49,931	△63	△63	49,868
Changes of items during the Period								
Dividends from surplus			△749		△749			△749
Profit attributable to owners of parent			3,705		3,705			3,705
Purchase of treasury stock				△0	△0			△0
Net changes of items other than shareholders' equity						53	53	53
Total changes of items during the period	-	-	2,955	△0	2,955	53	53	3,008
Balance at the end of the period	3,953	10,926	41,507	△3,500	52,887	△10	△10	52,876

(Millions of yen)

For the year ended assets March 31, 2022	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital Stock	Capital Surplus	Retained Earnings	Treasury stock	Total shareholders' equity	Remeasurements of defined benefit Plans	Total accumulated other comprehensive Income	
Balance at the beginning of the period	3,953	10,926	41,507	△3,500	52,887	△10	△10	52,876
Changes of items during the Period								
Dividends from surplus			△749		△749			△749
Profit attributable to owners of parent			4,458		4,458			4,458
Purchase of treasury stock				△100	△100			△100
Net changes of items other than shareholders' equity						△2	△2	△2
Total changes of items during the period	-	-	3,709	△100	3,608	△2	△2	3,606
Balance at the end of the period	3,953	10,926	45,216	△3,600	56,495	△12	△12	56,483

Consolidated Statement of Cash Flows

Nihon Chouzai Co., Ltd. and subsidiaries
For the years ended March 31, 2022 and 2023

(Millions of yen)

	FY2021	FY 2022
Cash flows from operating activities		
Profit before income taxes	6,217	7,843
Depreciation	6,569	6,740
Amortization of long-term prepaid expenses	157	126
Impairment loss	669	2,574
Loss on disaster	3,910	-
Insurance income	△3,909	-
Compensation income	-	△1,573
Amortization of goodwill	1,814	1,952
Increase (decrease) in allowance for doubtful account	1	△1
Increase (decrease) in provision for bonuses	258	27
Increase (decrease) in provision for bonuses for directors (and other officers)	△1	23
Increase (decrease) in retirement benefit liability	120	185
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△127	△49
Interest and dividend income	△2	△1
Interest expenses	295	266
Loss (gain) on sales of non-current assets	△6	△1,161
Decrease (increase) in notes and accounts receivable/trade	1,185	△701
Decrease (increase) in inventories	△4,147	△5,016
Increase (decrease) in notes and accounts payable/trade	4,363	△2,018
Decrease (increase) in prepaid expenses	△75	△76
Increase (decrease) in accrued expenses	57	109
Decrease (increase) in accounts receivable-other	△224	375
Increase (decrease) in accounts payable-other	378	△1,177
Other, net	481	1,064
Subtotal	17,989	9,511
Interest and dividend income received	2	1
Interest expenses paid	△299	△267
Income taxes paid	△2,189	△3,286
Proceeds from insurance income	3,909	-
Proceeds from compensation income	-	1,573
Net cash provided by (used in) operating activities	19,411	7,532
Cash flows from investing activities		
Purchase of property, plant and equipment	△5,956	△5,761
Proceeds from sales of property, plant and equipment	73	2,183
Purchase of intangible assets	△1,753	△1,994
Increase in long-term prepaid expenses	△133	△59
Payments for acquisition of businesses	△348	△367
Proceeds from sale of businesses	75	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△597	△1,433
Payment of loans receivable	-	△2,096
Collection of loans receivable	84	89
Payments of leasehold and guarantee deposits	△935	△779
Proceeds from refund of leasehold and guarantee deposits	194	219
Other, net	△18	△18
Net cash provided by (used in) investing activities	△9,313	△10,018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,000	1,000
Proceeds from long-term loans payable	10,900	13,500
Repayments of long-term loans payable	△27,966	△12,366
Repayments of lease obligations	△140	△145
Repayments of installment payables	△462	△424
Purchase of treasury shares	△0	△100
Cash dividends paid	△749	△749
Other, net	△28	-
Net cash provided by (used in) financing activities	△17,448	713
Net increase (decrease) in cash and cash equivalents	△7,350	△1,772
Cash and cash equivalents at beginning of period	32,893	25,543
Cash and cash equivalents at end of period	25,543	23,770

Company Profile

As of March 31, 2023

Company Profile

Trade name

NIHON CHOUZAI Co., Ltd.

Established

March 1980

Headquarters

37F GranTokyo North Tower, 1-9-1, Marunouchi, Chiyoda-ku, Tokyo
100-6737
+81-(0)3-6810-0800 (general)

Capital

3,953.02 million yen

Consolidated net sales

313.3 billion yen (FY2022)

Employees

Regular employees: 5,689; part-time employees and others: 790

*Figures for part-time employees and others represent the average annual number of employees based on conversion to an 8-hour workday

Main financing banks

Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, MUFG Bank, Ltd., Resona Bank, Ltd.

Main business area

Management of a dispensing pharmacy chain

Shareholder Information

Authorized shares

88,384,000

Issued shares

32,048,000

Number of shareholders

11,801

Annual General Meeting of Shareholders

June

Administrator of shareholder registry

Mitsubishi UFJ Trust and Banking Corporation
1-1, Nikko-cho, Fuchu City, Tokyo 183-0044
0120-232-711 (toll-free)

Listed stock exchange

Tokyo Stock Exchange Prime Market

Securities code

3341

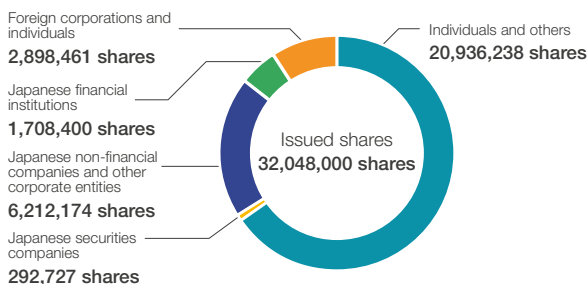
Settlement date

March 31

Stock Information

Distribution by Shareholder Type

(As of March 31, 2022)



Changes in Shareholder Composition

Share (%)	2022/3	2023/3
Individuals and others	62.93	65.33
Japanese securities companies	1.54	0.91
Japanese non-financial companies and other corporate entities	19.36	19.38
Japanese financial institutions	6.16	5.33
Foreign corporations and individuals	10.01	9.04

Notes: 1. The 2,061,495 treasury stock owned by Nihon Chouzai are included in Individuals and others.

2. Ratios are rounded off to two decimal places.

Major Shareholders (Top 10 Shareholders)

Shareholder name	Number of shares held	Investment ratio (%)
Yosuke Mitsuhara	6,640,000	22.14
Hiroshi Mitsuhara	4,800,000	16.01
Mitsuhara Kosan Co., Ltd.	3,600,000	12.01
Max Planning, Inc.	2,240,000	7.47
The Master Trust Bank of Japan, Ltd. (trust account)	1,360,300	4.54
Nihon Chouzai Employee Shareholding Association	967,900	3.23
Yoko Mitsuhara	800,000	2.67
Keiko Yeow	538,600	1.80
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	400,000	1.33
INTERACTIVE BROKERS LLC	150,700	0.50

Notes: 1. Investment ratios are calculated after excluding treasury stock (2,061,175 shares).

2. Ratios are rounded off to two decimal places.

Affiliated companies

Nihon Generic Co., Ltd.

Manufacture and sale of pharmaceuticals
39F GranTokyo North Tower, 1-9-1
Marunouchi, Chiyoda-ku, Tokyo

<https://www.nihon-generic.co.jp/en/>

Choseido Pharmaceutical Co., Ltd.

Manufacture and sale of pharmaceuticals
92, Kokufuchoko, Tokushima, Tokushima

<https://www.choseido.com/>

Medical Resources Co., Ltd.

Staffing and placement of healthcare professionals
40F GranTokyo North Tower, 1-9-1
Marunouchi, Chiyoda-ku, Tokyo

<https://www.medical-res.co.jp/>

Japan Medical Research Institute Co., Ltd.

Research investigation, provision of information and advertising media, and consulting services related to the healthcare industry in general
39F GranTokyo North Tower, 1-9-1
Marunouchi, Chiyoda-ku, Tokyo

<https://www.jpmedri.co.jp/>