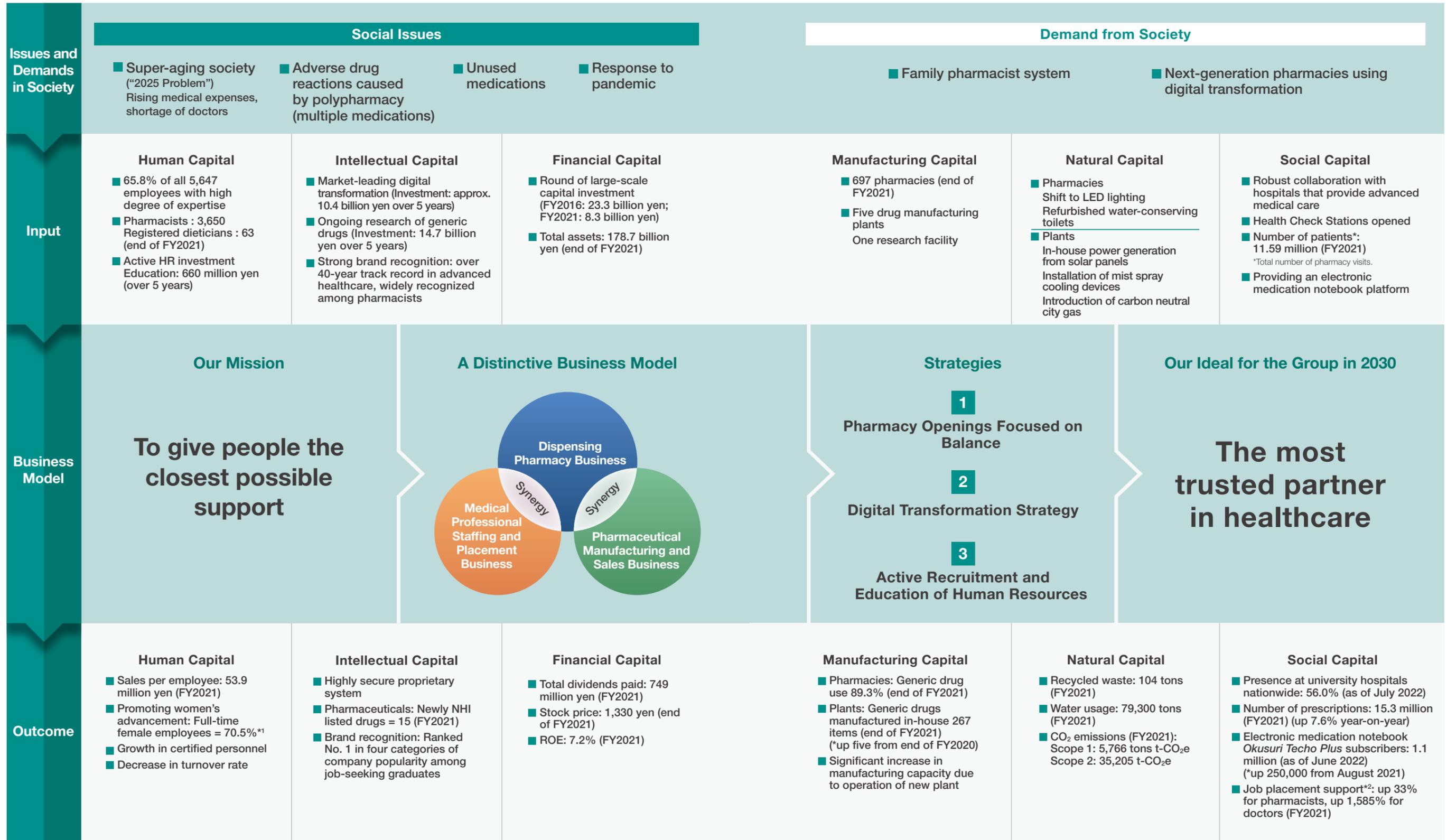


Value Creation Process



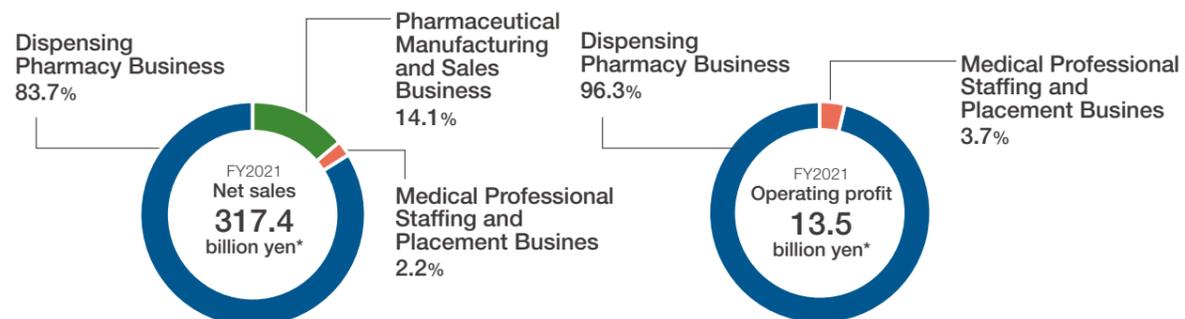
*1 Nihon Chouzai only (end of FY2021) *2 Number of placement contracts (versus FY2017)

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' concerns	How we respond
Patients and customers 	<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. 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 ■ Ability to receive the proper pharmacy services whenever needed nationwide ■ 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 ■ Addition of two-way communication function to the electronic medication notebook <i>Okusuri Techo Plus</i>
Medical institutions (hospitals, pharmacies) and healthcare professionals 	<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
Employees 	<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 ■ Diversity and inclusion initiatives ■ 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 	<p>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.</p>	<ul style="list-style-type: none"> ■ Sustainable growth ■ Longer-term improvement in corporate value ■ Stable shareholder returns ■ Appropriate disclosure 	<ul style="list-style-type: none"> ■ Engagement activities with stakeholders and investors ■ Growth strategies to achieve a sound financial structure and sustainable growth ■ Stable shareholder returns
Government agencies 	<p>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.</p>	<ul style="list-style-type: none"> ■ Provision of healthcare with guaranteed safety and stability ■ Cooperative efforts with government agencies ■ Reduction of medical expenses ■ Understanding of ministry and agency policies 	<ul style="list-style-type: none"> ■ 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 	<p>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.</p>	<ul style="list-style-type: none"> ■ 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 	<ul style="list-style-type: none"> ■ 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 	<p>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. By building a robust supply chain, we will seek to provide stable, quality medical services to patients and customers nationwide.</p>	<ul style="list-style-type: none"> ■ Stability ■ Growth potential ■ Products ■ Services 	<ul style="list-style-type: none"> ■ Sales of healthcare related products ■ Economies of scale ■ Sound financial position ■ Sales of goods and services

Business Portfolio



*Consolidated sales and operating profit are the total of the three main business segments. Adjustment amounts have not been subtracted. Percentages are rounded to the nearest unit.

*Since it posted an operating loss of 53 million yen during the fiscal period, results of the Pharmaceutical Manufacturing and Sales Business are not reflected in the consolidated operating profit graph.

Dispensing Pharmacy Business P33
Nihon Chouzai Co., Ltd., other dispensing subsidiaries

A leading company in the pharmacy sector

Net sales	265.6 billion yen
Operating profit	13.0 billion yen
Pharmacies with family pharmacists	85% (as of July 2022)
Pharmacies conducting at-home healthcare	93% (one or more visit per year, as of the end of June 2022)

Information Provision and Consulting Business P41
Japan Medical Research Institute, Inc.
*Information Provision and Consulting Business results are included in the Dispensing Pharmacy Business segment.

Providing high value-added information and services

Supporting customers through four businesses based on medical big data

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

Pharmaceutical Manufacturing and Sales Business P43
Nihon Generic Co., Ltd., Choseido Pharmaceutical Co., Ltd.

A manufacturer of a full line of generic drugs

Net sales	44.8 billion yen
Operating profit	(0) billion yen
Number of drugs on the market	642 (including two over-the-counter drugs)
Development and manufacturing bases	5 plants 1 laboratory

Medical Professional Staffing and Placement Business P49
Medical Resources Co., Ltd.

An HR services company specializing in professionals in healthcare fields

Net sales	6.9 billion yen
Operating profit	576 million yen



*as of the end of March 2022

Core Competencies of the Nihon Chouzai Group



The Nihon Chouzai Group is drawing on expertise gained through the nationwide growth of the core Dispensing Pharmacy Business to expand into other healthcare-related fields through our Pharmaceutical Manufacturing and Sales Business and our Medical Professional Staffing and Placement Business.

With the Dispensing Pharmacy Business at the core, we are harnessing powerful synergies through organic collaboration between the three main businesses as we pursue growth across the Group.

Core Competencies Centered on the Dispensing Pharmacy Business

- 01 Pharmacy network development capabilities centered on a history of organic growth since the company's founding
- 02 High specialization and ability to support advanced medical care nationwide
- 03 Long-standing ability to incorporate ICT, including in-house developed dispensing systems and processing/analysis of big data
- 04 Organizational ability to respond on a national scale to changes in public policy and the environment
- 05 Being first off the mark in forward-looking risk-taking and investment

Taking the Lead in the Japanese Pharmacy Market



Addressing Healthcare Issues Facing Japanese Society



Support for Advanced Medical Care



Overview of Long-Term Vision and Strategy

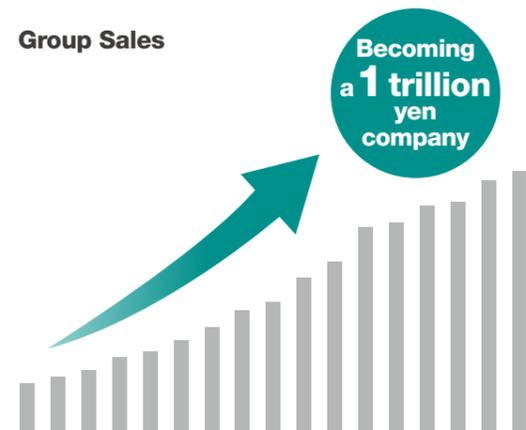
In April 2018, Nihon Chouzai announced a long-term vision describing the kind of company we want to be in 2030. The business environment for the Group is undergoing dramatic changes, including the super-aging society in Japan and the global spread of COVID-19. Embracing these dramatic changes as opportunities, we summarize on this page the strategies and results we are targeting to achieve substantial growth.



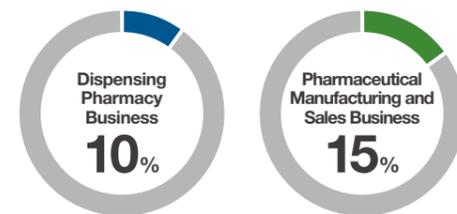
Our Ideal for the Group in 2030
The most trusted partner in healthcare

Long-Term Vision 2030

Group Sales

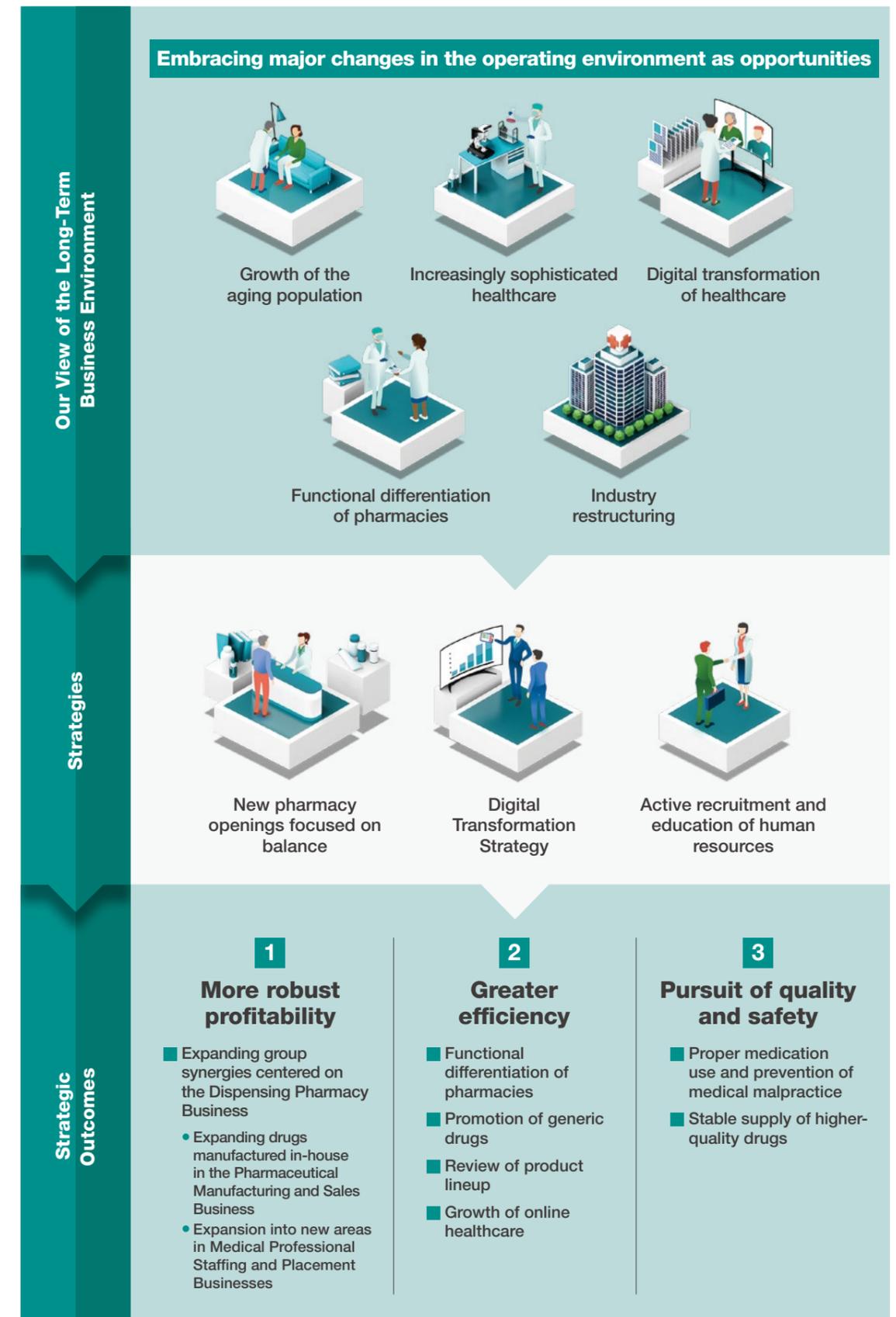


Market Share



We set Group sales of 1 trillion yen as the scale of business we aim for in 2030. To achieve this target, we project capturing a 10% share of the pharmacy market and a 15% share of the generic drug market.

Strategies for Making the Long-Term Vision a Reality



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"> Changes in dispensing fees and reductions in drug prices due to national drug price revisions 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 in line with the Vision of Pharmacies for Patients 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 Increase the customer base through pharmacy openings focused on balance and growth of existing pharmacies based on the pharmacy network strategy Transform core businesses through digital transformation of healthcare, create new services and businesses, and transform business processes 	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"> Disruption in the supply chain and mounting procurement costs in pharmaceutical manufacturing and sales due to global circumstances 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 Secure highly skilled medical personnel through synergies with the Medical Professional Staffing and Placement Business 	
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 and create new services and businesses 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  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

Digital Transformation Strategy

Achieving sustainable growth by incorporating digital transformation and sustainability into the management 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 is targeting dramatic growth as we move forward in achieving our long-term vision for FY2030. To support such growth, we have formulated five Digital Transformation Strategies to meet changes in the environment and provide new services that will bring innovation to the healthcare industry in Japan.

The five Digital Transformation Strategies will significantly

transform our businesses, focusing on the areas of core business reform, new business creation, and work process reform. Through these approaches, we will provide new value to a wide range of stakeholders, not only the patients and consumers who receive our services but also medical facilities, regional society, shareholders, and employees.

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

Shareholders

- Sustainable corporate growth
- Minimizing risk

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

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

Digital Transformation Strategy Shaping New Pharmacy Services

Who benefits from the value P38

Nihon Chouzai's Online Pharmacy Service NiCOMS

NiCOMS, an online pharmacy service developed by Nihon Chouzai, allows users to connect online with Nihon Chouzai pharmacies throughout the country and receive medication guidance from a pharmacist either in-pharmacy or at home. The service also delivers drugs to patients' homes. Customers taking care of small children, busy with work, or who live far away from a pharmacy can easily use of this service on their smartphones or computers.

Strategy in Action **1 Providing smart healthcare**
2 Creating new customer experiences

Who benefits from the value P38

Electronic medication notebook Okusuri Techo Plus

In addition to functions for sending prescriptions, keeping an electronic record of medications, managing health, and keeping a calendar, the notebook has a function that allows users to communicate with pharmacy staff via a chatbot format. The pharmacy can provide even closer support for customers' health by enabling ease of consultation about medication.

Strategy in Action **1 Providing smart healthcare**
2 Creating new customer experiences
3 Improving customer satisfaction and maximizing treatment efficacy

Who benefits from the value P38

Remote Healthcare Search Service NiCO Navi

To give patients access to healthcare anytime, anywhere, we are providing online medical information in collaboration with a telemedicine service emote healthcare service and our online pharmacy service NiCOMS. With NiCO Navi, users can choose the medical institutions and pharmacies from which they want to receive telemedicine serviceonline healthcare and medication guidance, enabling end-to-end online healthcare.



Strategy in Action **1 Providing smart healthcare**
2 Creating new customer experiences
3 Improving customer satisfaction and maximizing treatment efficacy

Who benefits from the value P39

Drug information platform FINDAT

FINDAT is Nihon Chouzai's online drug information platform for healthcare professionals. The platform evaluates drug information gathered from an extensive data sources, including original articles, drug databases, and regulatory guidelines in Japan and overseas, and provides them online. FINDAT helps medical institutions provide patients with quality healthcare services by reducing the drug information gathering workload, facilitating the shift from materials- to patientpeople-centered work, and enhancing team-based medical care.



Strategy in Action **3 Improving customer satisfaction and maximizing treatment efficacy**
4 Using digital technology to provide value-added information
5 Improving work efficiency and shifting to patient-centered work

Who benefits from the value P39

Renewal of the Dispensing System

As part of our digital transformation of healthcare, we are moving forward with a project to renew the dispensing system, the core system used by pharmacies. In addition to better enabling us to provide healthcare best suited to patients, whether through brick-and-mortar pharmacies, online pharmacy services, or at-home healthcare, the system will also support a broad array of digital transformation initiatives, including improving operational efficiency and process management at pharmacies.

Strategy in Action **1 Providing smart healthcare**
2 Creating new customer experiences
3 Improving customer satisfaction and maximizing treatment efficacy

Who benefits from the value P38

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

JP-Dream is a cloud-based operational improvement tool designed for multiple pharmacies. We have rolled out the service to all pharmacies of the Nihon Chouzai Group, achieving greater efficiency of various pharmacy management operations previously carried out by pharmacists. The service frees up more time for the patient-centered work increasingly demanded of pharmacists.



Strategy in Action **5 Improving work efficiency and shifting to patient-centered work**

Who benefits from the value P37

Automation of Dispensing Work

By promoting the operational efficiency of pharmacies through automation, we support pharmacists' shift to more patient-centered work, raise the quality of healthcare services, and improve patient safety.

Strategy in Action **5 Improving work efficiency and shifting to patient-centered work**

Who benefits from the value P37

Online Insurance Eligibility Verification System

Medical institutions and pharmacies must verify the accuracy of patient insurance eligibility information. By using patients' Individual Number Cards (equivalent to tax ID number cards), the system allows this step to be performed quickly. The use of Individual Number Cards avoids the conventional process whereby pharmacy staffs enter and verify information from health insurance cards. Using face recognition in the reception step offers the benefit of being able to easily complete the verification process online easily.



Strategy in Action **1 Providing smart healthcare**
2 Creating new customer experiences
3 Improving customer satisfaction and maximizing treatment efficacy
4 Using digital technology to provide value-added information
5 Improving work efficiency and shifting to patient-centered work

* Drug information operations involve gathering and handling evidence and information needed to optimize the benefit-risk balance of drug treatments.



Dispensing Pharmacy Business

Nihon Chouzai Co., Ltd., other dispensing subsidiaries

Long-Term Vision

Growth Strategy

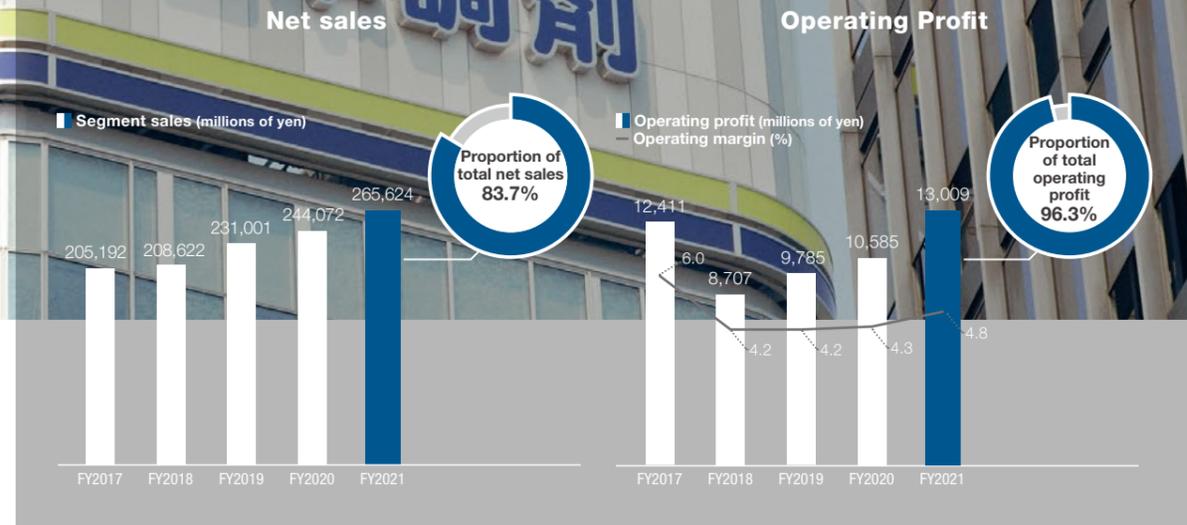
"To give people the closest possible support," Nihon Chouzai has always sought to tackle healthcare issues head-on, even as those issues have shifted drastically with the times. The Group's growth is not tied only to meeting the immediate needs of patients—we take pride in having been able to anticipate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

By further reinforcing the three strengths that have supported our growth to date, we will continue to realize dramatic achievements.

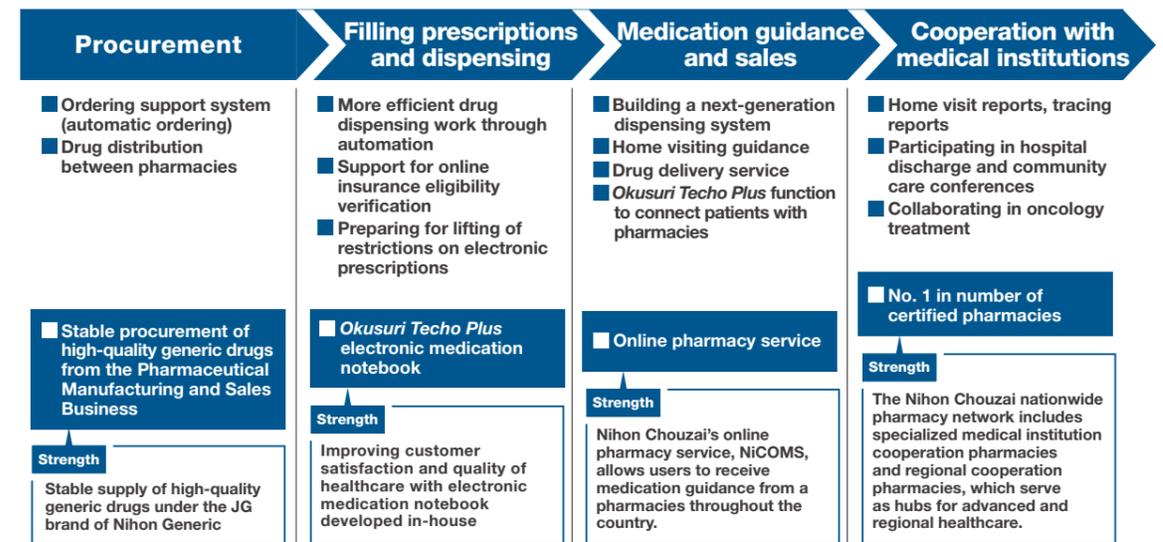
Capacity to respond to diversifying medical needs Approximately 70% of Nihon Chouzai pharmacies are located in front of or on the premises of university hospitals and major regional hospitals that provide advanced healthcare. We are also consistently ahead of the industry in responding to diversifying medical needs. The Nihon Chouzai brand continues 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, such as for pre-symptomatic illness and disease prevention.

Robust organization (group synergies) Nihon Chouzai can harness a range of innovative problem-solving capabilities to respond to changes in the healthcare environment in Japan, which is actively moving forward with reforms to the healthcare system. Maximizing the group synergy created by our healthcare-focused business portfolio, which makes us stand out from our peers, we respond agilely to revisions to dispensing fees and drug prices and calls for digital transformation of healthcare.

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. Since the 1990s, 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.

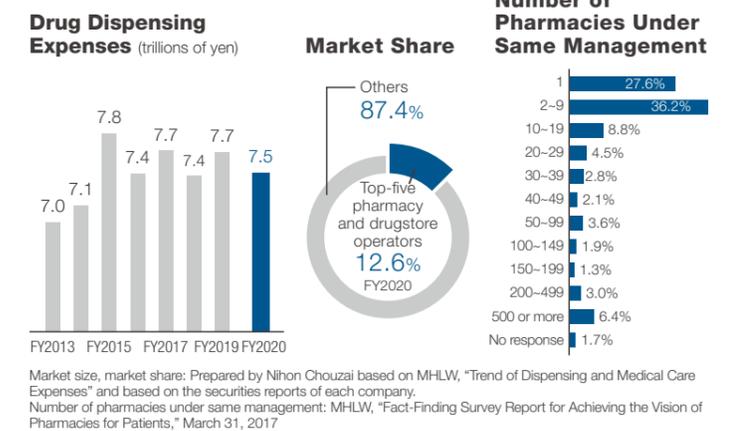


Value Chain and Competitive Advantages of the Dispensing Pharmacy Business



Market Environment

Against the background of the COVID-19 pandemic, the Japanese government is pushing to reform the healthcare system and implement digital transformation of healthcare. April 2022 saw the deregulation of remote medication guidance and the introduction of a refill prescription system. 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.



Growth Strategy

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 pharmaceutical 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.

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.



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 COVID-19 infections, 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.



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 pharmacy functions was launched in August 2021; it is now possible to be certified as a specialized medical institution cooperation pharmacy or as a regional cooperation pharmacy. Nihon Chouzai is developing a network of pharmacies offering a range of other functions as well. These include health support pharmacies, which meet standards for health support functions set by the MHLW, such as the ability to offer consultation on a wide range of health-related issues; certified Nutrition Care Stations, accredited by the Japan Dietetic Association as community hubs 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.

Regional cooperation pharmacies

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).

Specialized medical institution cooperation pharmacies

Pharmacies, authorized by prefectural governors, that cooperate closely with hospitals, pharmacies near a patient's home, and 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 medication management and greater specialization. Currently, pharmacies with a high degree of expertise in oncology treatment can receive this accreditation.

Certified Nutrition Care Stations

A certified Nutrition Care Station is a facility 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 who are specialists in food and nutrition support residents in leading healthy and fulfilling lives.

Number of pharmacies with certified Nutrition Care Stations: **28**

Health Check-Up Stations

As a community-oriented health support function, we have set up Health Check-Up Stations* in selected pharmacies which are actively working to help local residents stay healthy and to deal with pre-symptomatic illness and disease prevention. Health Check-Up Stations offer health consultations at a booth that ensures greater privacy, and are equipped with blood pressure monitors, body composition meters, and other measuring devices that can check patients' health condition.

Community Health Support: Pharmacies with Health Check-Up Stations

	March 2019	June 2020	June 2021	June 2022
Number of Health Check-Up Stations	62	75	76	80

*Health Check-Up Station is a registered trademark of Nihon Chouzai.

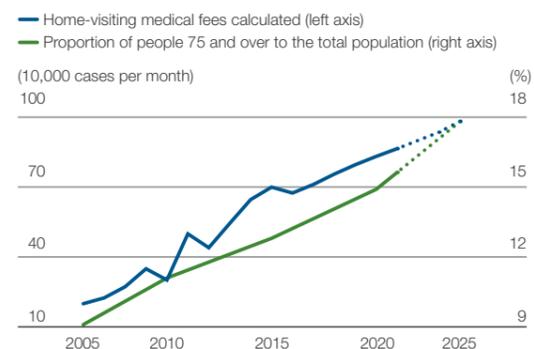
At-Home Healthcare Initiatives

The advent of a super-aging society in Japan 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.

Growth of the At-Home Healthcare Market in Japan



At-Home Medical Care Support Centers

Through 26 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 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 app 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: All Nihon Chouzai pharmacies are working to obtain ISO 9001, the international standard for a quality management system, for the provision of dispensing and medication distribution services by at-home medical care support centers and drug sales operations.



Highly Specialized Medical Personnel Play Increasingly Diverse Roles

Pharmacists	3,560	Specialized at-home healthcare managers	17
Pharmacists with outside certification Board-Certified Pharmacist of Ambulatory Cancer Chemotherapy (BPACC) <small>(as of April 1, 2022)</small>	39*	Registered dietitians	63
<small>*Approximately one in three BPACC certified pharmacists working in pharmacies is from the Nihon Chouzai Group. This is the highest percentage in the pharmacy sector.</small>		Registered pharmaceutical sellers <small>(as of May 1, 2022)</small>	435
Pharmacists with in-house certification (JP-STAR) Cancer guidance pharmacists 52 Other	Total 90	Pharmacists with "Outside Job Challenge" program experience (placement in a hospital) <small>(until March 2022)</small>	262
Percentage of pharmacies with family pharmacists	85%		

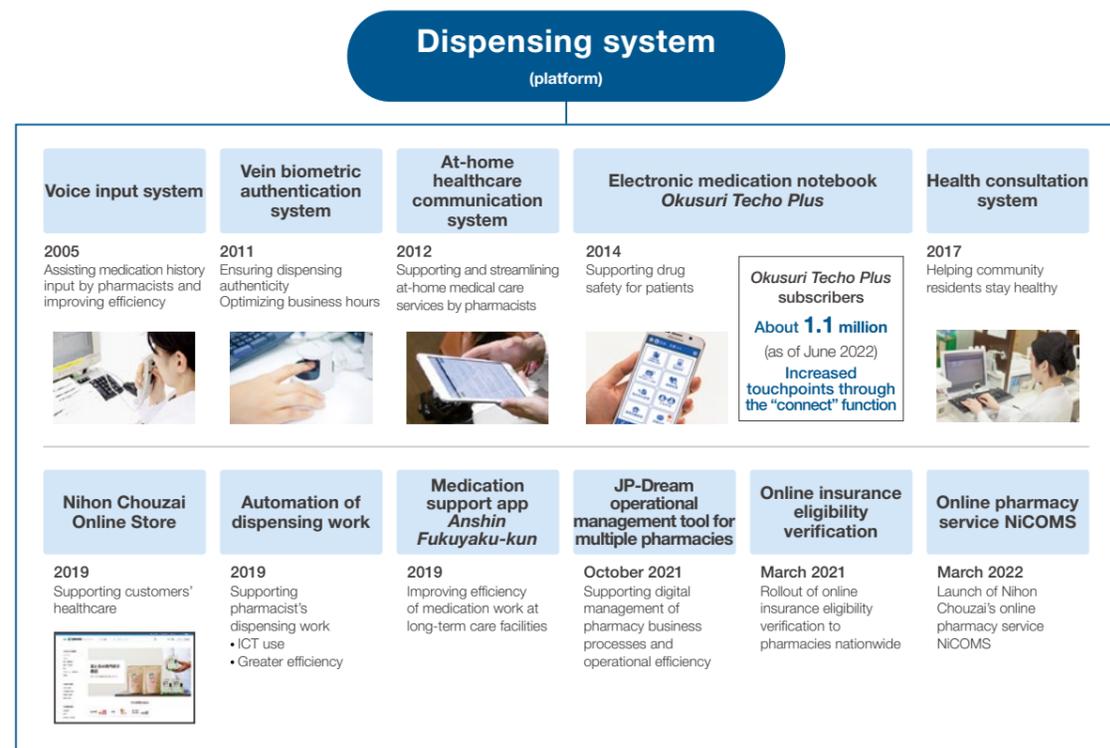
Column Health Support Pharmacies

Health Support Pharmacies actively support residents and patients in local communities so that they can lead healthy, fulfilling lives. Trained staff are prepared to give advice not only for people currently taking medications, but also on nutrition and exercise, to help people concerned

about their health. Naturally, people without prescriptions can also receive advice. Only pharmacies that meet the standards set by the Ministry of Health, Labour and Welfare for health support functions can become Health Support Pharmacies.

Growth Strategy

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 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.

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 medical services.

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

Product Name	Drug Stations	ROBO-PICK II	DimeRoll	miniAQUA-zero
purpose	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

Pick up

Nihon Chouzai Online Pharmacy Service NiCOMS

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.

Collaboration with remote healthcare services

We have begun collaboration between Nihon Chouzai's online pharmacy service and the remote healthcare service curon of MICIN, Inc. Through this collaboration, patients can select any Nihon Chouzai Group pharmacy nationwide when making a reservation for an online healthcare consultation through the curon service. After the

online consultation, users can smoothly transition to our NiCOMS online pharmacy service and make a reservation for online medication guidance. Since information is linked with the patient ID on the curon platform, even first-time pharmacy users can start registration with their basic information already entered.



Remote Healthcare Search Service NiCO Navi

In July 2022, Nihon Chouzai launched NiCO Navi, a website that allows users to search for and choose medical institutions that support remote healthcare and pharmacies that support remote medication guidance.

categories such as the selected medical institution, current location, or date and time of their health consultation.

Users can search for such medical institutions from their current location or under categories as medical specialties, keywords, or their scheduled health consultation date. After selecting the desired medical institution, users can use NiCOMS to choose a pharmacy that supports remote medication guidance, searching under



Electronic Medication Notebook Okusuri Techo Plus

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.

how to use a medication properly, how to administer a drug to a child, when to take it, or their physical condition after taking a medication, they can easily consult with the pharmacy.

*Available with compatible healthcare devices and NFC-enabled Android devices

In August 2021, we added a "connect" function to the app to allow users to communicate directly with pharmacies. This was followed in January 2022 with the addition of a chatbot function for medication consultation. If a patient has any questions, such as



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.

FINDAT business

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

FINDAT is Nihon Chouzai's web-based drug information platform for healthcare 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.

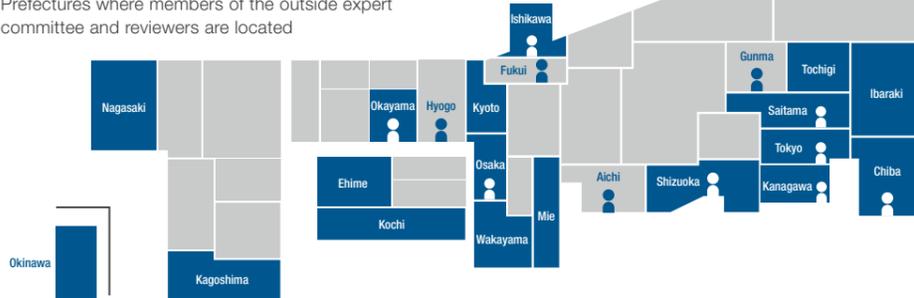
FINDAT can respond to a wide range of social needs, and it is gaining a solid reputation, making inroads among a growing number of pharmacies that carry out advanced healthcare and at-home care as well as pharmacology educational institutions.



Since its launch in 2020, the FINDAT service has spread nationwide

■ Prefectures Where Medical Institutions, Universities, and Pharmacies Using FINDAT Are Located (As of July 1, 2022)

👤 Prefectures where members of the outside expert committee and reviewers are located



Value Provided by FINDAT

1 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.

2 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.

3 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.

4 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.

5 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.

6 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.

Providing Reliable, Advanced Drug Information—the Basis of Safe, Secure Healthcare Services

Masuhara: With Japan's rapidly declining birthrate and aging population, efforts to achieve a more efficient healthcare system have made the digitization of healthcare essential. Meanwhile, the role of pharmacists is shifting from materials-to patient-centered work. This patient-centered work is grounded in the ability to quickly gather and evaluate reliable drug information, and use this to optimize patient care. Up until recently in Japan, there were no secondary information resources in Japanese generated by collecting and evaluating drug information to meet the needs of Japanese healthcare. The FINDAT platform, which systematically brings together reliable information from drug information resources including original articles from Japan and overseas, offers organized content that can be used efficiently in the healthcare field.

Ueda: Reliable drug information is indispensable to enabling pharmacists to propose appropriate prescriptions to patients. The quality of their work depends to a large extent on whether they can adequately confirm the necessary information, including package inserts, interview forms (comprehensive documentation provided by companies to supplement information lacking in package inserts), proper use guidelines, regulatory guidelines, and original articles from Japan and overseas.

To consider a concrete example: FINDAT allows pharmacists at both medical institutions and local pharmacies to keep track of patients from the time of admission until after discharge using the same information sources. This further ensures the safety and effectiveness of the patient's drug treatment. FINDAT also allows pharmacists in the community to play a more sophisticated role by putting higher-quality information at their disposal, empowering them, for instance, to offer evidence and propose cost-effective prescriptions based on tracing reports, propose drug selections and dosages according to the patient's condition when making prescription inquiries, and proposing prescriptions when accompanying doctors on home visits.

Masuhara: By rolling out the platform to the pharmacies of the Nihon Chouzai Group, we will be able to provide safer, more secure healthcare services to patients and customers. We are confident that this will in turn differentiate us from other pharmacies, with a unique strength of Nihon Chouzai pharmacies being the ability to provide services based on our knowledge of objective, reliable drug information.



Keiso Masuhara

Director and General Manager of FINDAT Business Department
Visiting Professor at St. Marianna University School of Medicine Hospital (Pharmacist, PhD (Pharmacology))

As Director of the Pharmaceutical Department of St. Marianna University School of Medicine Hospital, he contributed to promoting the use of generic drugs and creating Japan's first generic name prescription and hospital formulary. Since joining the company in 2019, he has served as General Manager of Formulary Business Promotion Department and is currently Director and General Manager of FINDAT Business Department, where he uses his knowledge and experience to drive the business forward.

Executive Profiles P65

Aya Ueda

General Manager, FINDAT Business Department

Obtained U.K. pharmacist licensing in 2003. After working in the pharmacy of Northwick Park Hospital, the North London Regional Medicine Information Center, and the pharmacy department of St. Marianna University School of Medicine Hospital, since 2019 she has been in charge of planning and promotion of the drug information and formulary business in Nihon Chouzai's FINDAT Business Department.

Topics

Expanded Rollout to Nihon Chouzai Group Pharmacies

Since it began full-scale operations in October 2020, the FINDAT platform's user base has continued to expand, mainly among hospitals around Japan. Starting in April 2022, we rolled out the platform to 111 pharmacies in the Nihon Chouzai Group, centering on those certified as specialized medical institution cooperation pharmacies.

Going forward, we will continue to roll out FINDAT to

our pharmacies to strengthen its function as a drug information platform in each region and further improve the quality of drug treatment.

We are also building a database of FINDAT case studies and developing an educational framework aimed at gaining wider use for FINDAT among pharmacies.

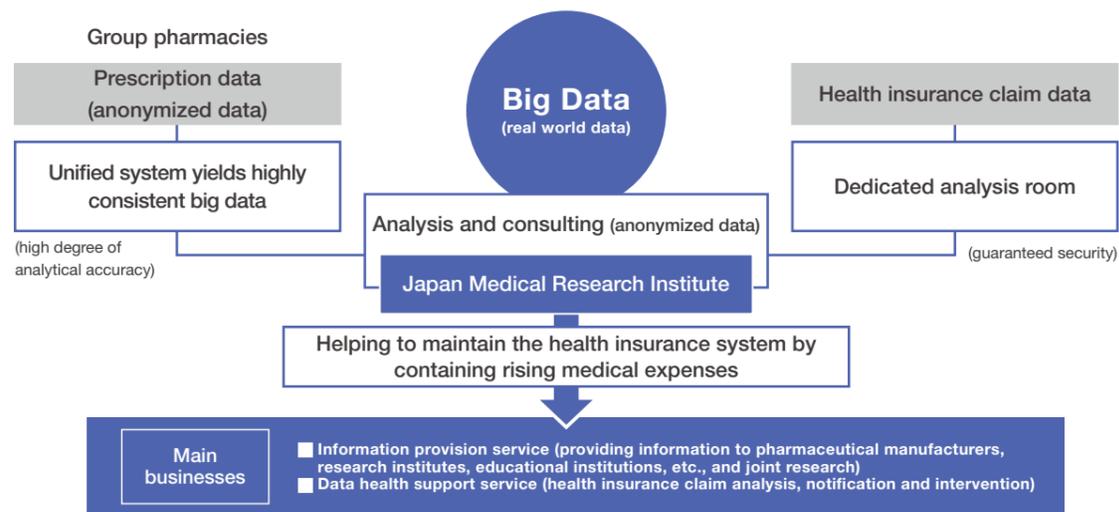


Information Provision and Consulting Business

Japan Medical Research Institute Co., Ltd.

Contributing to Tomorrow's Healthcare Based on Medical Big Data

Japan Medical Research engages in operations in pursuit of "low cost, high quality" medical care



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

Targeting pharmaceutical companies
- 2** Advertising Media Service

Targeting companies in healthcare fields and pharmaceutical companies
- 3** Survey and Research Service

Targeting organizations in medical fields
- 4** Data Health Support Service

Targeting insurers

1 Drug Information Service

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 on 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)

2 Advertising Media Service

Japan Medical Research Institute is engaged in in-pharmacy promotions and pharmacy-based advertising media services, reaching over 14 million patients every year. 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 Services

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."

4 Data Health Support Service

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 Data analysis (insurance claim data, health checkup data)
- 2 Appropriate drug use (duplicate medications, overprescribing, contraindications for concomitant use)
- 3 Promoting generic drug use (attaining, maintaining proportion of 80% or more)
- 4 Recommending medical consultation for diabetes progression prevention (with medical and pharmaceutical knowledge)
- 5 Health implementation and education events

In FY2021, we rebranded all services in the Data Health Support Service under the RI-MAP brand. MAP stands for "medical analysis by pharmacists" and represents our competitive advantage in offering analysis and consulting services based on the knowledge of pharmacists with extensive clinical experience. The word "map" also suggests a view of the big picture as well as the sense of "searching" and "clarifying a position."



Pharmaceutical Manufacturing and Sales Business

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

The generic drug industry has recently experienced several quality issues which have undermined the trust of patients and healthcare professionals. Nihon Chouzai also take very seriously the fact that Group company Choseido Pharmaceutical Co., Ltd. was subjected to administrative disciplinary action in accordance with Japan's Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices.

To rebuild public trust in generic drugs, the generic drug industry as a whole is working to ensure the stable supply of quality-assured generic drugs that patients can use without concern. The Nihon Chouzai Group is also putting radical measures in place to improve operations, including revising our internal framework, and will pursue initiatives to ensure a stable supply of high-quality drugs.

Quality Control Initiatives

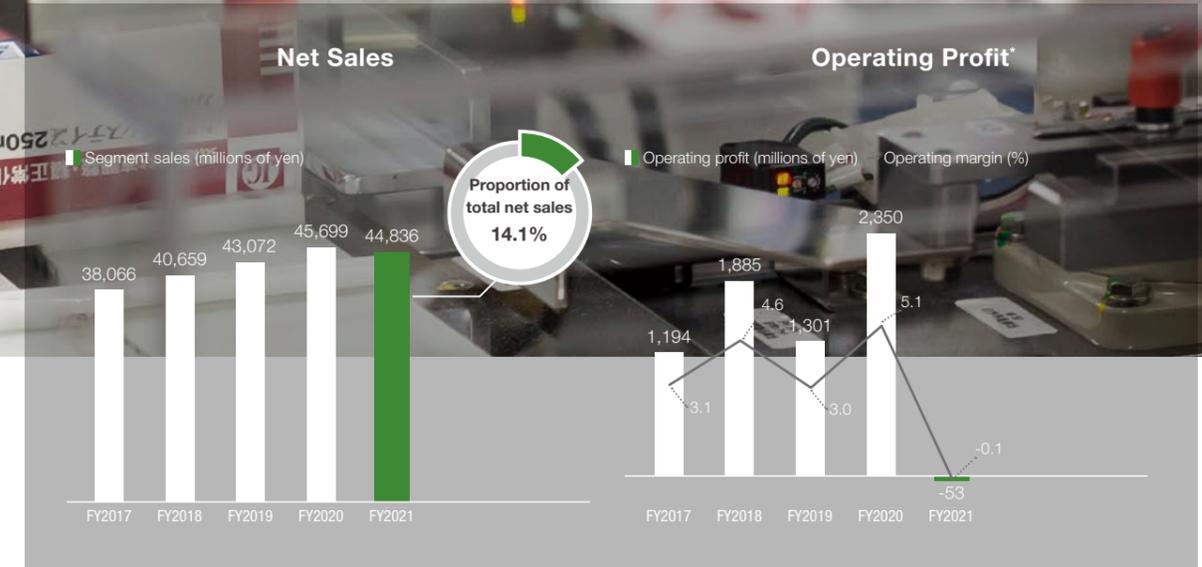
To deliver a stable supply of generic drugs to patients, we are working to produce high-quality drugs under a manufacturing control and quality control framework that complies thoroughly with Good Manufacturing Process (GMP) and Good Quality Practice (GQP) government regulations.

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.

In FY2021, based on guidelines issued by the Japan Generic Medicines Association on measures to ensure the reliability of generic drugs, we are carrying out voluntary inspections to confirm consistency between manufacturing and marketing approval documentation and actual manufacturing conditions, and taking necessary regulatory action appropriately.

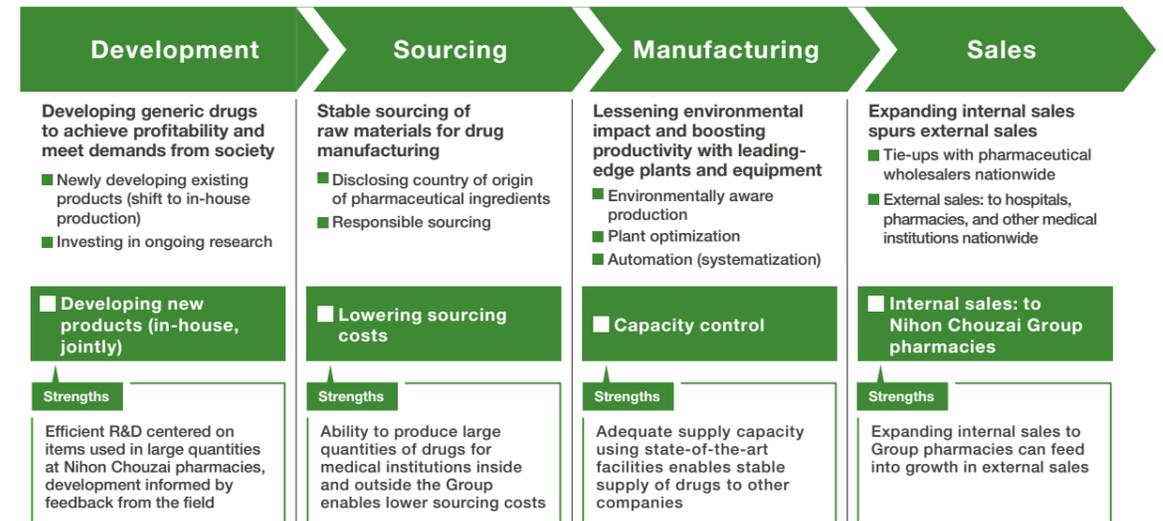
FY2022 Quality Targets

- Fostering a quality culture**
1 Emphasizing quality, raising compliance awareness, enhancing education and training, ongoing communication from management, etc.
- Maintaining, managing approval documentation that matches actual manufacturing conditions**
2 Confirming consistency in GMP audits and request forms, eliminating inconsistencies through proper regulatory procedures, properly evaluating change management, etc.
- Practicing quality risk management**
3 Appropriately managing suppliers of drug substances, raw materials, drugs, etc., complying with elemental impurity guidelines, evaluating and managing mutagenic impurities, etc.
- Strengthening the framework for delivering quality information to medical institutions and patients**
4 Strengthening the ability to respond to inquiries related to manufacturing and quality, etc.
- Ongoing improvements to a robust quality control system**
5 Making GQP arrangements that reflect revised GMP regulations, revising drug quality manuals, exploring introduction of a document management system, etc.



*The Pharmaceutical Manufacturing and Sales Business posted an operating loss in FY2021 due to one-time factors (P19) and was excluded from the calculation of the operating profit composition. The business is expected to return to profitability in FY2022.

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



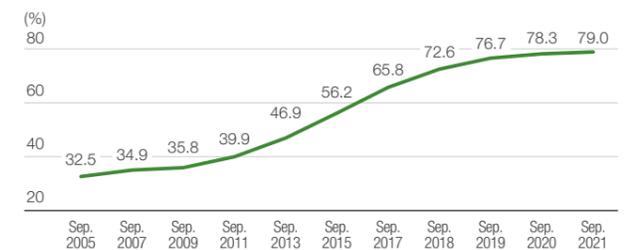
Government Measures to Promote Generic Drugs

The Ministry of Health, Labour and Welfare has actively encouraged the use of generic drugs, setting a target of 80% usage rate of such drugs as early as possible, and by September 2020 at the latest.

In June 2021, the ministry set a new target, aiming for 80% or more generic drug usage in all prefectures by the end of FY2023, while ensuring the reliable quality and stable supply of such drugs.

(The proportion of generic drugs in Japan was 79.0% as of September 2021.)

Usage of Generic Drugs



Continuous Initiatives for 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 while sharing up-to-date information between departments. 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.

■ Shifting outsourced production to in-house

As industry-wide efforts to optimize production facilities continue to move forward, we are also exploring the in-house production at Group factories 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.

Efforts to ensure a sustainable production framework

In the Pharmaceutical Manufacturing and Sales Business, we are designing environmentally-friendly plants from the construction stage. We are also working to put a sustainable production framework in place, carrying out production activities that help protect the environment by using less electricity, gas, water, and other resources, and using them more efficiently.

Introduction of carbon neutral city gas

The Tsukuba Plant, Tsukuba Plant No. 2, and Tsukuba Research Institute of Nihon Generic introduced carbon neutral city gas during the year—a first for the generic drug sector. Carbon neutral city gas is made from liquefied natural gas (carbon neutral LNG), which offsets the greenhouse gases generated in the process from extraction to combustion of the natural gas with CO₂ credits (carbon offset) and so is deemed to not generate CO₂ on a global scale even when combusted. The introduction of this gas is expected to cut CO₂ emissions by a total of roughly 4,000 tons per year at the three sites.



■ Optimizing the production portfolio by revising the drug manufacturing and sales framework

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. Meanwhile, we are moving to adjust production of drugs with low sales and production volumes, putting priority on production of other drugs. In addition to enabling more efficient production planning for the more than 270 products the Group manufactures, we also expect to bring down manufacturing costs.

Improvement of recycling rate at the plant

At each Group plant and research facility, we are working to recycle waste metals and paper generated in manufacturing and other processes, with the aim of realizing a sustainable, circular society. We also stepped up efforts to recycle plastics at the Tsukuba Plant in FY2021, such as blister pack materials (PTP film), which are generated in large quantities. We significantly improved our recycling rate—a year-on-year increase of 2.14 tons of recycled resources per 100 million tablets produced.



Aside from reducing the volume of waste itself, we are actively pursuing 3R (reduce, reuse, recycle) initiatives for waste to effectively use limited resources and mitigate our environmental impact.

Installing solar panels

We installed solar panels on the grounds of Tsukuba Plant No. 2 and began the internal use of solar power in April 2022. Amid worsening conditions for electric power, we expect to generate around 900,000 kWh annually at the plant and reduce CO₂ emissions by 340 tons per year (a 22% reduction versus FY2019).



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 attractive generic drugs in-house that 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 the return on investment from our drug development and realize efficient development planning. We will pursue effective R&D activities as we navigate annual drug price revisions and an increasingly harsh earnings environment.

Pick up

Pregabalin-containing solid pharmaceutical composition and manufacturing method (Patent No. 6946581, September 2021)

The conventional manufacturing method faced the problem that the active ingredient pregabalin changed to a lactam structure, losing its efficacy due to decomposition. Nihon Generic researchers thus adopted a melting granulation approach that does

not use water during manufacturing, while using a specific low-melting-point substance as an additive, which offered a stabilizing effect. This method made it possible to manufacture formulations while suppressing the production of lactam structures.

Continuous in-house development of new products

In the past, the launch of a new generic drug would sometimes draw more than two dozen drug manufacturers to enter the market. Now, however, the challenges of R&D are mounting, reflecting the fact that the government lowers the price of a generic drug when it is first listed, and drug prices are

subsequently revised annually. The number of manufacturers entering the market at the first listing of generic drugs has decreased as a result. In this context, Nihon Chouzai will continue to develop new products in-house, taking advantage of the timing twice-yearly supplementary listings.

Drugs Recently Developed In-House

2021 Newly NHI price listed

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"

2021 Newly NHI price listed

Dasatinib Tablets "JG" / Febuxostat Tablets "JG"



Topics Contributing to Regional Communities

Cooperating with the Filming of Movies and TV Dramas

The city of Tsukuba, which is just a short distance from Tokyo, has many locations that are well suited to filming movies, TV programs, and commercials. The city is actively seeking to attract such activities. At Nihon Generic's Tsukuba Research Institute, we are contributing to the local community by renting out the buildings and grounds of the institute for TV filming locations and other purposes.



© Ishimori Productions, TV Asahi, ADK Emotions, Toei *Face masks were removed only during photo shoots to ensure the infection prevention.

Quality Initiatives at Choseido Pharmaceutical

Overview of Quality Issues

Group subsidiary Choseido Pharmaceutical Co., Ltd. was subjected to administrative disciplinary action in October 2021, which included a directive to temporarily suspend operations. The reasons for the disciplinary action were that Choseido Pharmaceutical manufactured drugs using methods that differed from approval documentation and did not take appropriate measures in its drug stability monitoring procedures.

In light of these circumstances, the Group established a special fact-finding team, comprised of lawyers and Good Manufacturing Process (GMP) experts with no conflicts of interest in the Group, to look into the facts and causes of this issue. At the same time, we formulated a business improvement plan for future operations, working to review the management framework and construct a framework with an even more rigorous focus on quality.

Please see the following discussion for details.

- **Submission of business improvement plan (Japanese only):**

<https://www.choseido.com/news/pdf/211025.pdf>



- **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>



- **Progress of business improvement plan (Choseido Pharmaceutical website [Japanese only]):**

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



Overview of Actions under the Business Improvement Plan

Review of management framework

Choseido Pharmaceutical was reorganized into a wholly owned subsidiary of Nihon Generic to effectively receive support and guidance for business improvement from the Group. Nihon Chouzai will delegate the president of Choseido Pharmaceutical, while Nihon Generic will delegate officers in charge of the production, quality control, and reliability assurance departments. Meanwhile, the operating framework will be changed to ensure the independence of the manufacturing and quality departments. Officers from the Group will be allowed to participate in Board of Directors and management meetings of Choseido Pharmaceutical. These steps have put in place a framework for reporting and addressing problems at an early stage.

Expansion of internal audit and internal reporting systems

We took the opportunity in addressing these quality issues to set up an internal audit office at Nihon Generic and established a framework for periodically conducting audits of Choseido Pharmaceutical in collaboration with other members of the Group. We have also expanded the internal reporting framework, which allows reporting to dedicated offices both at Group companies and outside the Group.

Review of organizational framework

Choseido Pharmaceutical has reinforced the organizational framework with the establishment of three departments: a Production Department responsible for drug manufacturing, a Quality Control Management Department that checks the quality of manufactured drugs, and a Reliability Assurance Department that guarantees the quality and safety of drugs until well after they are manufactured and shipped. We will continue to manufacture high-quality drugs that above all else meet demands for safety, security, and reliability.

Reliability Assurance Department

The Reliability Assurance Department includes a Reliability Promotion Department, a Quality Assurance Department, and a Safety Management Department. Each department is led by three officers as stipulated by law: a general manager of manufacturing and sales, a quality assurance manager, and a safety management manager. These officers work together to comply with laws and regulations.

The Reliability Promotion Department was newly established with the aim of assisting the general manager of manufacturing and sales in the smooth execution of duties.

The Quality Assurance Department acts as an objective third party, rigorously checking whether drug manufacturing management and quality control are consistently and appropriately carried out at all stages, from drug substance manufacturing to product shipment.

The Safety Management Department collects information on the post-launch quality, efficacy, and safety of drugs, examines and evaluates this information appropriately, and provides information needed for the proper use of drugs to medical institutions and pharmacies.

Reliability Promotion Department	Quality Assurance Department	Safety Management Department
General manager of manufacturing and sales	Quality assurance manager	Safety manager

Quality Control Management Department

To properly fulfill the function of an assessment department, Choseido Pharmaceutical made the quality control departments of each plant independent from the production departments, and established a new Quality Control Management Department. The quality control and quality assurance sections are under the quality control department of each plant.

To manufacture high-quality drugs, we carry out inspections appropriately at all stages of the manufacturing process, based on GMP, from the inspection of drug substances, additives, and materials to detailed product inspections.

To properly fulfill the function of an assessment department, Choseido Pharmaceutical pays close attention to the performance of all quality control operations. We will use the duplicate check by the quality control and quality assurance sections to deliver reliable generic drugs to the market.

Headquarters Plant Quality Control Department	Headquarters Plant No. 2 Quality Control Department	Kawauchi Plant Quality Control Department
Quality control section	Quality control section	Quality control section
Quality assurance section	Quality assurance section	Quality assurance section

Quality Improvement Initiatives

Quality Policy revision

Choseido Pharmaceutical recently revised its Quality Policy to realize the highest ideals as a generic drug manufacturer. In addition, to better enable the management team and employees to work together to put the Quality Policy in practice, we have newly established Action Guidelines for Quality to guide the behavior of all officers and employees.

Quality Policy

- 1 We will manufacture safe, trusted generic drugs with high ethical standards and provide products and information promptly and in a consistent manner to patients and everyone involved in healthcare.
- 2 In addition to complying with GMP, GQP, GVP, and all relevant laws and regulations related to pharmaceuticals, we will seek to design and establish a "drug quality system" that encompasses the life cycle of drugs.

Action Guidelines for Quality

- Executives and employees of Choseido Pharmaceutical must recall that their work is connected to people who are struggling with illness, and that safety, security, and trust in the quality of drugs are always demanded of the company.
- Executives and employees of Choseido Pharmaceutical will continuously improve the quality of our drugs and of our quality systems, seeking to provide higher quality drugs to persons struggling with illness.
- Executives and employees of Choseido Pharmaceutical will strive to achieve free and open communication to foster a culture of commitment to quality.
- Employees will make untiring efforts to ensure that they

possess needed work skills, knowledge, and ethical standards.

- Management will take the lead in working to resolve quality issues, spare no effort in supporting resolution, provide employees with opportunities for education and training, and secure sufficient resources to this end.

November 11, 2021
President and CEO
Kazunori Ogi



Expansion of the education framework

Choseido Pharmaceutical is working to instill the recently revised Quality Policy and Action Guidelines for Quality as soon as possible. The company is also implementing training and e-learning for all employees to fully comply with laws and government regulations, and has introduced a skill map that can visualize each employee's proficiency level and skills.

Augmenting staffing of quality control departments

Compared to before the framework was realigned (October 2021), staffing in the Reliability Assurance Department increased by 33.3% and staffing in the Quality Control Management Department increased by 9.1%. We will work to carry out rigorous quality control and assurance by maintaining appropriate staffing levels.

Deploying and fortifying systems, upgrading equipment

We will deploy manufacturing equipment that keeps automatic usage logs and move forward with equipment upgrades so that we can detect at an early stage any discrepancy that arises between approval documentation or procedure manuals and actual manufacturing conditions.

Reliability Assurance Department staff



Quality Control Management Department staff





Medical Professional Staffing and Placement Business

Medical Resources Co., Ltd.

Long-Term Vision

Growth Strategy

- 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.
- High-quality HR services that have earned multiple certifications**
We have obtained four certifications
- Harnessing synergies with the strong brand recognition of the Nihon Chouzai Group**
Strong brand recognition of the Nihon Chouzai Group
Leveraging the educational expertise of the Nihon Chouzai Group

Medical Resources by the Numbers

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.

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)

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)

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



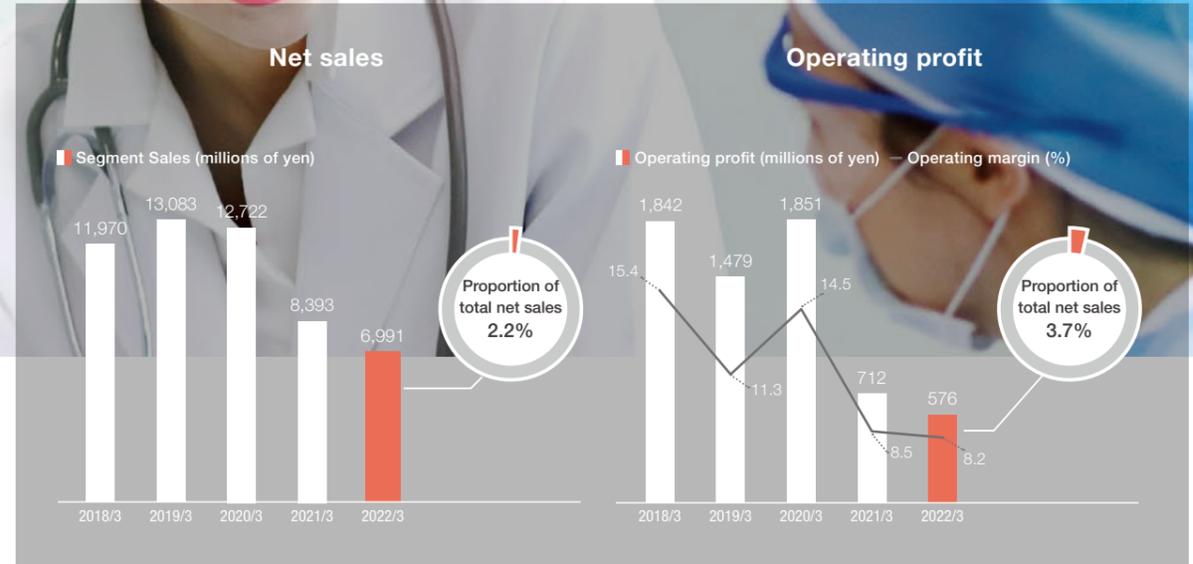
Survey by Japan Marketing Research Organization (conducted in April 2021)

Registered Pharmaceutical Sellers

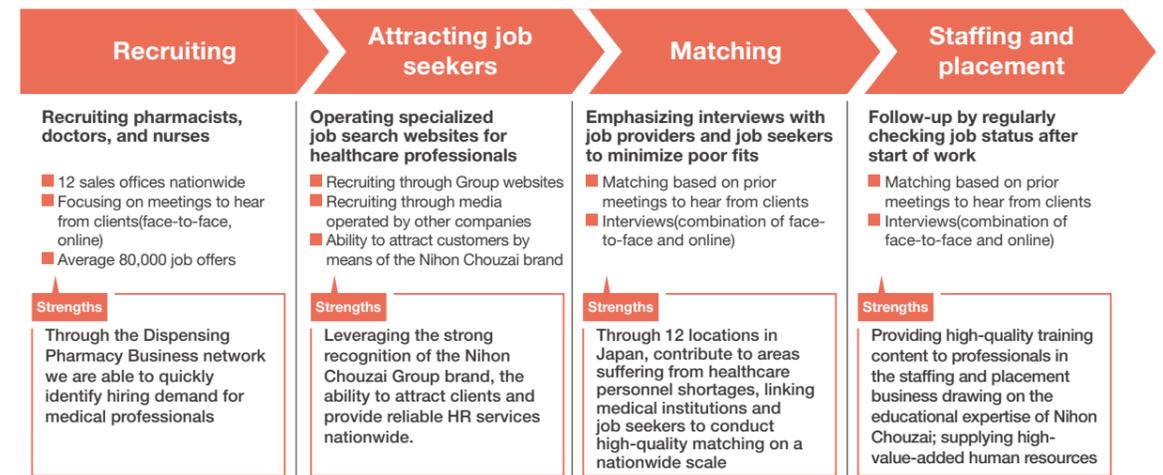
- No.1 career change site for registered pharmaceutical sellers who are experienced pharmacy managers and assistant managers
- No. 1 company for registered pharmaceutical sellers changing careers
- No.1 career change site for registered pharmaceutical sellers in their 20s and 30s



Survey by Japan Marketing Research Organization (conducted in December 2020)



Value Chain and Competitive Advantages of the Medical Professional Staffing and Placement Business



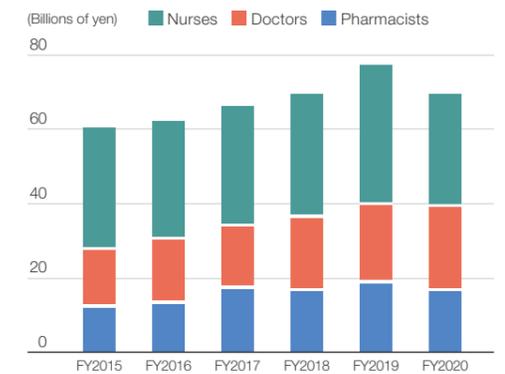
Market Environment

The scale of the healthcare personnel placement market in FY2020 was 16.6 billion yen for pharmacists, 22.6 billion yen for doctors, and 30.3 billion yen for nurses. As the COVID-19 pandemic brought about a decline in patient visits, the pharmacist placement business continued to face difficulties.

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



Growth Strategy

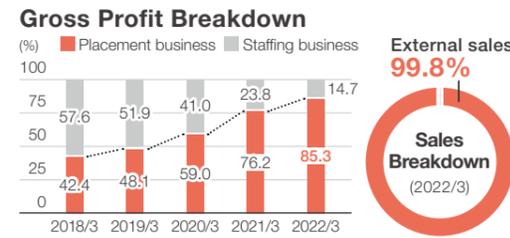
Ensuring high profitability and creating a balanced business portfolio by expanding the placement business

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.



*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 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

We offer highly reliable HR services. Only two companies* in Japan have acquired all four kinds of certification

Four things that bring peace of mind to pharmacy staff

Privacy Mark

As a company that has acquired Privacy Mark business certification, we recognize the value of personal information entrusted to us by customers. We rigorously manage customer information in accordance with our privacy policy.



Certified as an Excellent Employment Placement Business

We are certified as a company that complies with the "Action Guidelines" set by the Excellent Employment Placement Business Encouragement Council and meets certain standards such as management stability, thorough legal compliance, and proper business operations.



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

Certified as an Excellent Temporary Staffing Agency

We are certified as a company that not only complies with laws and regulations, but also provides reassuring services to both temporary staff and the companies where they work. We support career development for temporary staff, help ensure better working environments, and work to prevent problems at the companies where they work.



Appropriate Fee-Charging Job Placement Agency in the Healthcare Field

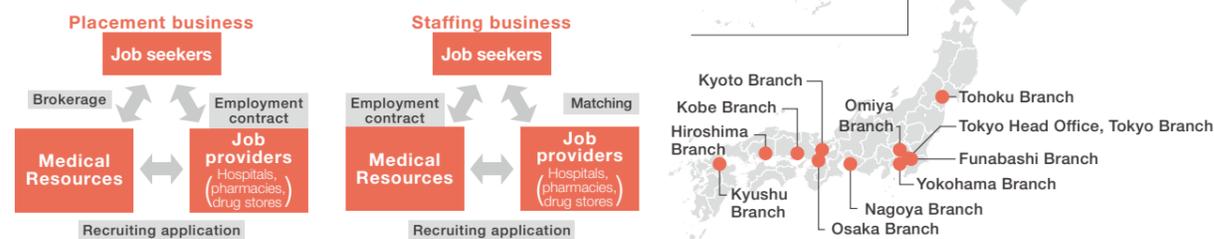
Certification of job placement agencies as "appropriate business operators" based on standards compiled by industry groups and experts. This certification allows job providers to get an overview in advance of agencies, including the content, quality, and cost of services, which informs their selection of the appropriate agency.



*Number of certified companies: Excellent Job Placement Agency certification: 35; Excellent Temporary Staffing Agency certification: 144; Privacy Mark: 16,994; Appropriate Fee-Charging Job Placement Agency in the Healthcare Field: 28
*Companies with all of the first 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 June 20, 2022)

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. Furthermore, as 99.8% of our sales derive from staffing and placement services to privately owned 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. Furthermore, as 99.8% of our sales derive from staffing and placement services to privately owned pharmacies and pharmacy chains other than Nihon Chouzai, we are well-positioned to "give people the closest possible support" by sending high-quality pharmacists into the field throughout Japan.



Business Development

Pharmacist businesses



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.



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 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

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 provides 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
Retention program	This program forms part of the health and welfare benefits for temporarily staffed pharmacists. We also hold money management seminars as well as other seminars for working women.
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

High matching quality



Business Development

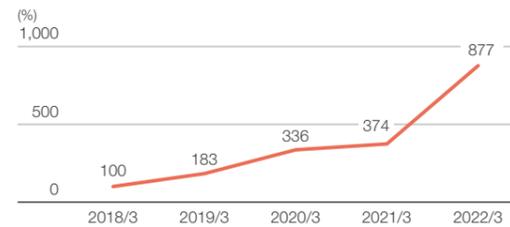
Doctor business

We began our full-scale involvement in the doctor staffing and placement business in FY2017, and began expanding nationwide from 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. We are also expanding our placement business for doctors by demonstrating the mutual benefits of collaboration with the MC-Mentaio Sales Division, which operates pharmacies in medical centers, near train stations, and in shopping districts for Nihon Chouzai's Dispensing Pharmacy Business.

In FY2021, with the burgeoning fruit of upfront investments made up until two years earlier, coupled with demand for COVID-19 vaccine-related work, we saw a significant jump in net sales—by about nine times compared to FY2017, before we launched full-scale efforts in the doctor staffing business. Moreover, to attract more job candidates, we bolstered our efforts to secure job offers, resulting in a significant 182% increase in sales compared to FY2018. We will continue to improve the appeal of our HR businesses for doctors by fostering an environment that can meet the needs of job seekers.

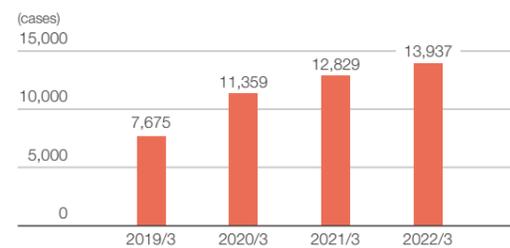
Further, from April 2021, we were able to make social contributions by referring doctors for the workplace vaccination programs of companies and municipalities throughout Japan in response to heightened demand for COVID-19 vaccination.

Contributing to sales in FY2021
Growth in Sales of Doctor Business



*Compared to sales in FY2017 set at 100%
*Results of Workers Doctors have been included in the doctor business due to that company's integration

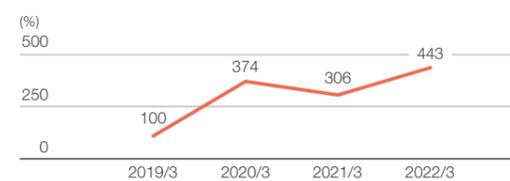
Increase in the number of job offers in FY2021
Growth in Doctor Job Offers



Registered pharmaceutical seller business

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. Medical Resources entered the registered pharmaceutical seller staffing and placement field in FY2018. Although sales in FY2020 decreased amid the COVID-19 pandemic, with the growing number of job providers since April 2022, we are expecting a recovery in performance going forward. 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%

Nurse business

We overhauled the recruitment website for nurses in August 2019 to make it easier to use for job seekers. In the previous fiscal year, we augmented the number of staff in this business and have been carrying out nurse-centered sales activities. One outcome has been that we were voted the No. 1 recruitment site with trustworthy consultant support. Though fairly new, the business is off to a solid start, and we will continue to take actions to grow the business going forward.



Occupational doctor business

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 Resource's 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.



Placing medical staff for mass vaccination efforts

Increasingly in Japan, local governments and companies have turned to outsourcing doctor and nurse placement to carry out mass vaccination efforts to combat COVID-19. Securing adequate medical staff is a major issue constraining these efforts, but through its comprehensive medical HR services,

Medical Resources is positioned to provide the needed pharmacists, doctors, and nurses, and boasts expertise in gathering medical staff with a short turnaround time. To date, we have placed medical professionals with more than 50 local governments, companies, and corporate groups.