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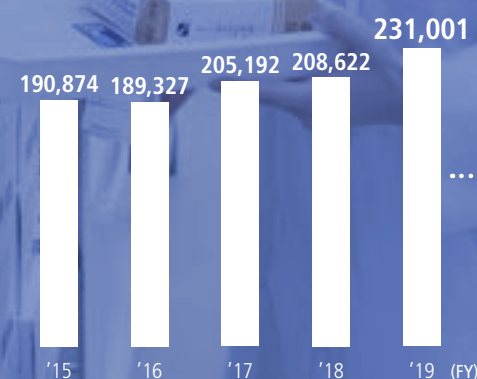
Business Performance

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Dispensing Pharmacy Business

NIHON CHOUZAI Co., Ltd. and
Dispensing Pharmacy Subsidiaries

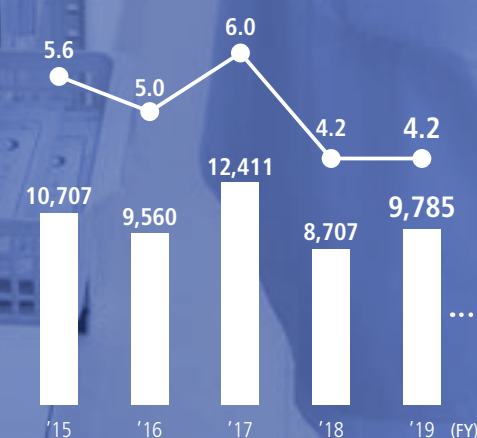
■ Net sales
(millions of yen)



Sales
composition
80.5%

■ Operating profit
(millions of yen)

● Operating profit to net sales (%)



Composition
of Operating profit
75.6%

Long-Term Vision — Rapid Progress toward Industry Restructuring

Nihon Chouzai's Growth Strategy

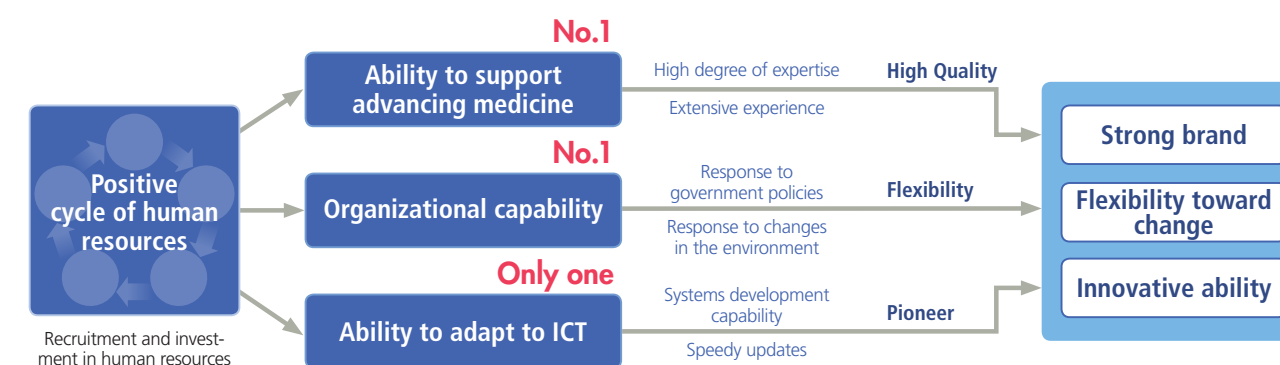
Nihon Chouzai has achieved sustainable growth by utilizing the power generated by three key factors, driven by the positive cycle of human resources, which is the most important.

The first key factor is our ability to support advanced medicine. Since our founding, we have forged a history of opening pharmacies in front of university hospitals and major regional hospitals that provide advanced medicine. We have been able to create high-value-added services thanks to our high degree of expertise and extensive experience accumulated over the years.

The second key factor is our organizational capability. For the past 40 years, we have steadily overcome NHI drug price and prescription dispensing fee revisions with our strong responsiveness to government policies and measures and a changing environment in the medical industry.

The third key factor is our ability to adapt to ICT. Since the 1990s, shortly after our founding, we have led the industry in developing systems and performing speedy updates to build forward-looking, efficient systems that are essential for future pharmacy management.

Growth strategy

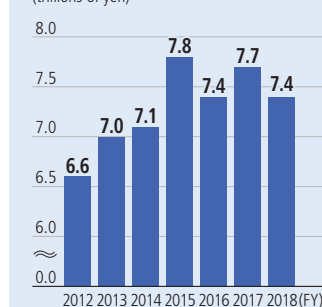


Market environment

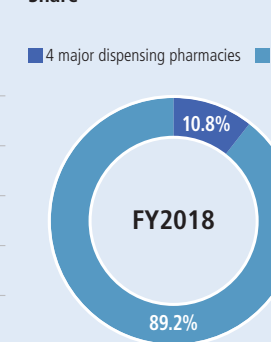
In the Japanese medical industry, the government takes the initiative in setting NHI drug prices and prescription dispensing fees. NHI drug prices are revised every year, while prescription dispensing fees are revised once every two years, and the industry environment is subject to strong governmental regulations. In addition, from 2025 onwards, the Japanese population of seniors aged 75 and over is expected to increase sharply, making increased medical costs unavoidable. The government has been implementing measures in rapid succession to control increasing medical costs. Continued severe NHI drug price and prescription dispensing fee revisions are expected in response to the tight financial conditions. This harsh business environment becomes a factor behind the restructuring of the dispensing pharmacy industry, and there will likely be further consolidation as the number of pharmacies decreases. In order to survive under such an environment, we consider it necessary to increase sales at pharmacies and increase the number of pharmacists per pharmacy.

Market size (dispensing and medical care expenses)

(trillions of yen)

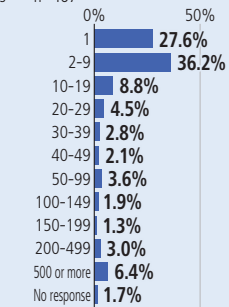


Share



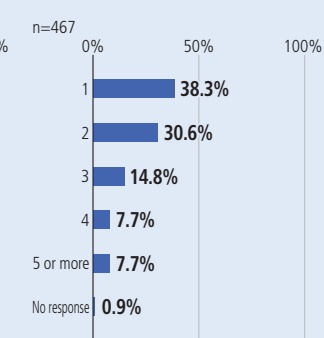
Number of pharmacies under the same management

n=467



Number of full-time pharmacists

n=467



• Market size and share: prepared by Nihon Chouzai based on Trend of Dispensing and Medical Care Expenses, Ministry of Health, Labour and Welfare, and prepared by Nihon Chouzai based on the securities reports of each company
• Number of pharmacies under the same management and number of full-time pharmacists: Fact-Finding Survey Report for Achieving a Vision of Pharmacies for Patients, March 31, 2017, Ministry of Health, Labour and Welfare

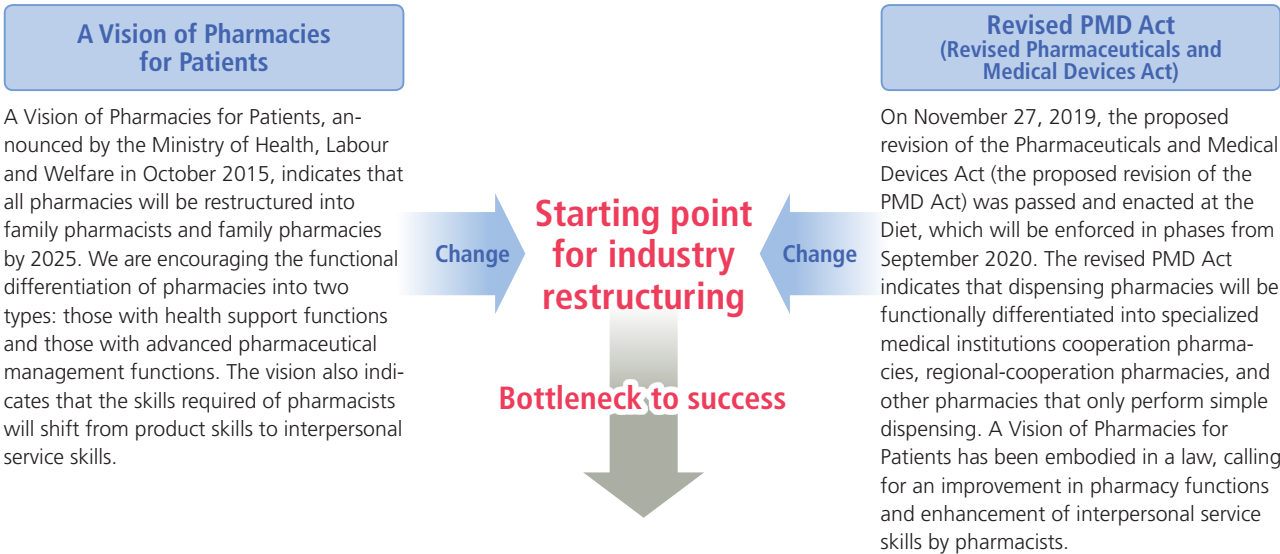
Growth Strategy: Achieve a Positive Cycle

Investment in Human Resources

Nihon Chouzai views people who support the Company as essential management resources and continuously invests in human resources. We are recognized within the industry as a company with topnotch, quality education, as exemplified by our providing diverse career opportunities and training.

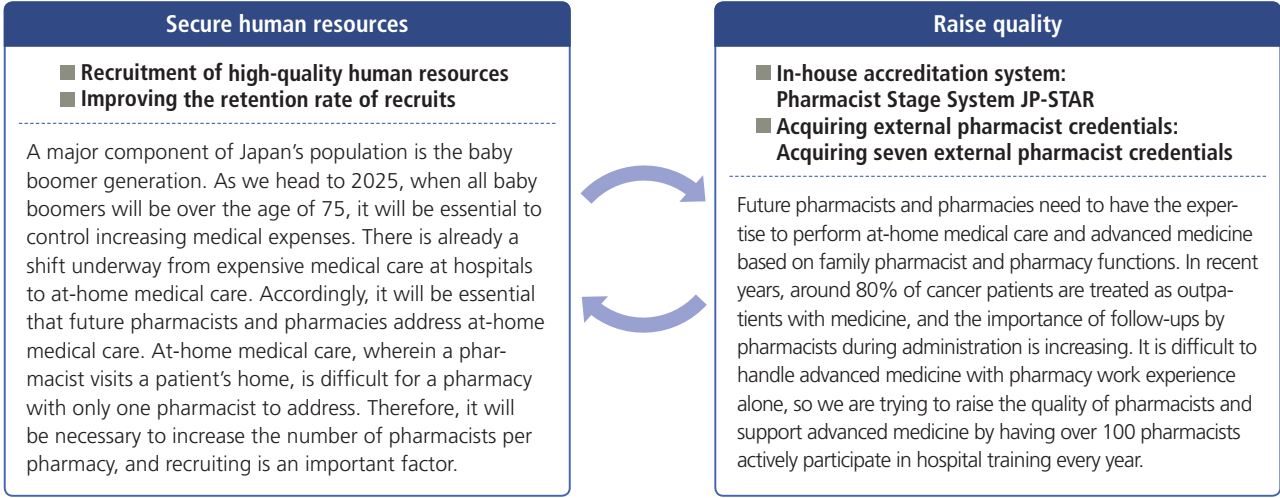
Nihon Chouzai believes that the “strengthening of the interpersonal relations skills of pharmacists,” which is commonly advocated in both “A Vision of Pharmacies for Patients” announced by the Ministry of Health, Labour and Welfare in October 2015 and

the proposed revision of the PMD Act submitted to an ordinary session of the Diet in fiscal 2019, will be the starting point of industry restructuring. It is expected that a higher level of interpersonal skills will be required than before and that the compensation structure will be balanced. Anticipating that major and unprecedented changes will be the starting point of industry restructuring, Nihon Chouzai has made strategic resource investments for several years in people, who are the bottleneck to successful restructuring, and the foundation for growth is now in place.



Investment in human resources

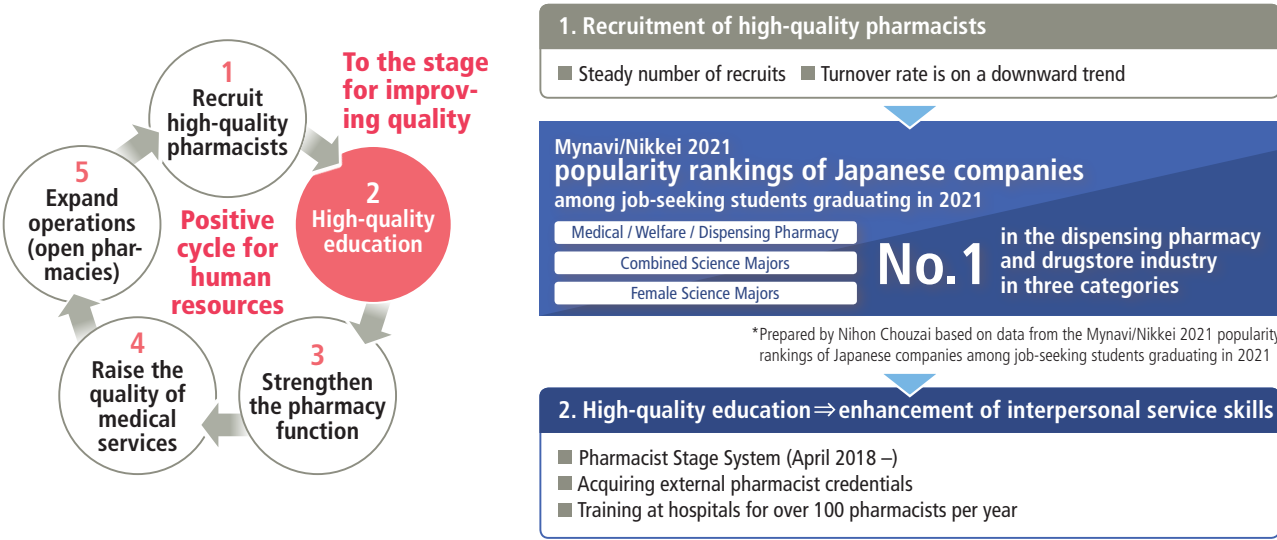
In the future, dispensing pharmacies will be required to improve their pharmacy functions, and pharmacists will be required to enhance their interpersonal service skills. On the other hand, evaluation of product services focused on picking and other dispensing work is now being reviewed, and prescription dispensing fees are being lowered. For these reasons, recruiting and refining the quality of pharmacists, who are the critical resources for engaging in interpersonal services, has become essential. Nihon Chouzai has invested in human resources with a view to medium- to long-term growth, but is now shifting from the phase of securing human resources to the phase of improving the quality of human resources.



Secure Human Resources >>> Recruitment of High-quality Pharmacists

Because of the continuing shortage of pharmacists in the dispensing pharmacy industry, the recruitment of pharmacists, who are essential to the long-term growth of the Company, has become a key management issue. As a result of bolstering recruiting activities for the past several years, Nihon Chouzai has rapidly increased the number of pharmacists employed. In addition, actively promoting advanced medical care and at-home medical care as well

as providing a variety of career plans has enabled the recruitment of diverse, high-quality pharmacists. Pharmacists account for the majority of our employees, and the proportion of female pharmacists is high at around 64%, so we have worked on our efforts to advance women in the workplace. The active role played by pharmacists with diverse backgrounds and a wide range of experience has become the driving force behind Nihon Chouzai's growth.

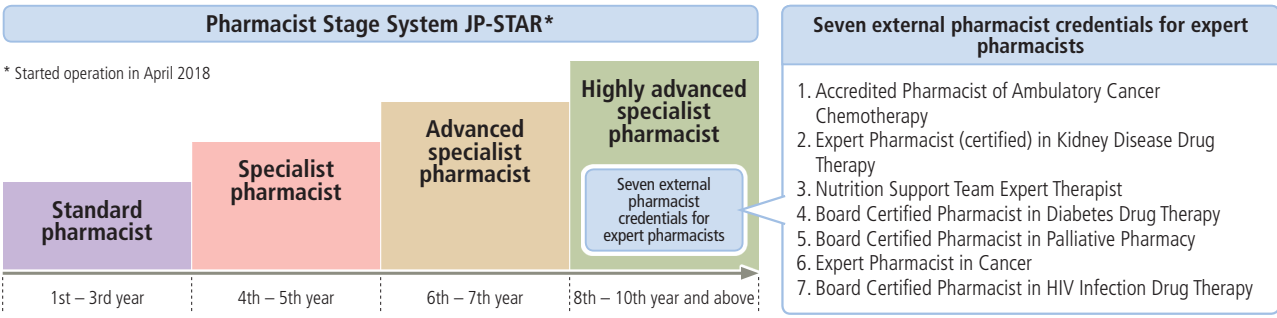


The number of new pharmacist graduates that joined the Company in April 2020 was just short of 400, which is proof that we have developed a system for reliably securing human resources. In the popularity rankings of Japanese companies among job-seeking students graduating in 2021, we ranked number one in the dispensing pharmacy and drugstore industry in three out of four categories. We have already made the shift from the phase of securing human resources to the phase of providing high-quality education. High-quality education is critical to strengthening the interpersonal service skills of our pharmacists. In 2018, we launched a Pharmacist Stage System, in which the Company provides full backup for acquiring external pharmacist credentials, including cost subsidies. We now provide training at hospitals for more than 100 pharmacists every year, which is essential to acquiring external pharmacist credentials.

Raise Quality >>> High-quality Education

Although we have established a quality education system, we launched the Pharmacist Stage System JP-STAR in April 2018, in addition to our existing 15-step-up training. Through training and self-study, pharmacists can advance their stage by obtaining knowledge and skill, and this has helped to improve their exper-

tise and motivation. Also, since it is extremely difficult to acquire the seven external pharmacist credentials for expert pharmacists through pharmacy work experience alone, the Company totally supports pharmacists, even with costs, by providing hospital training at more than 15 locations nationwide.

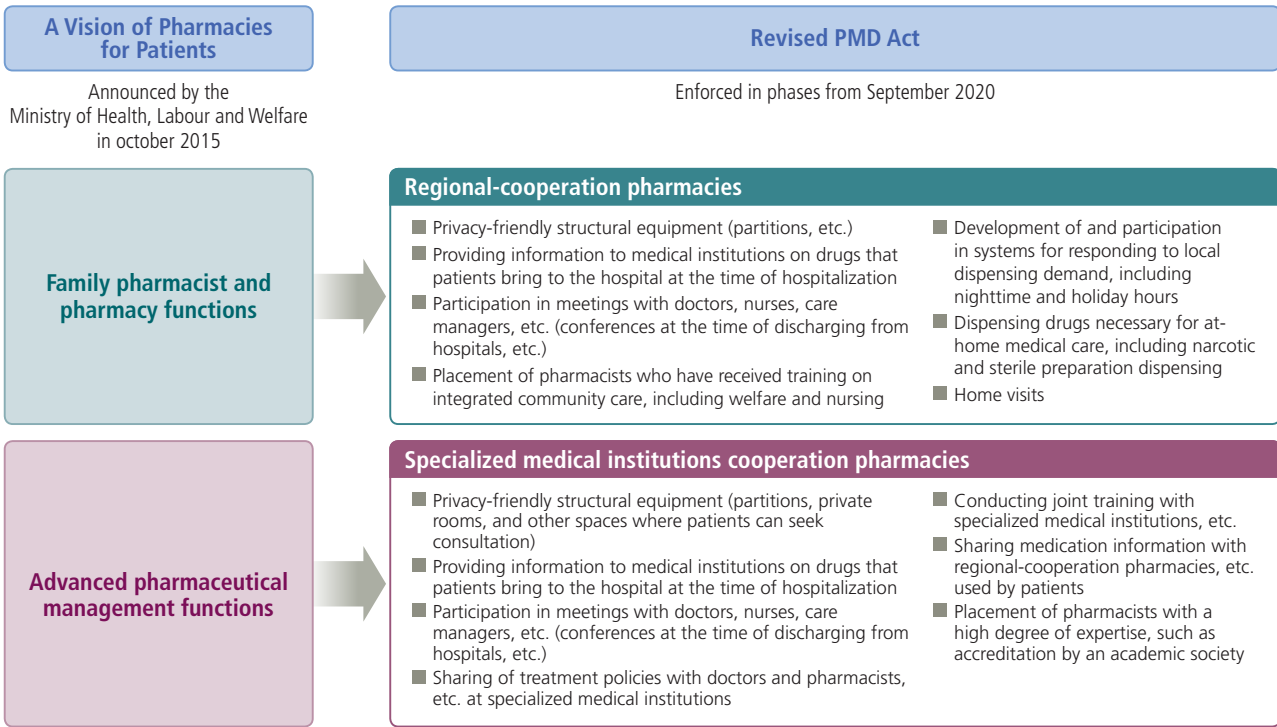


Growth Strategy: Achieve a Positive Cycle

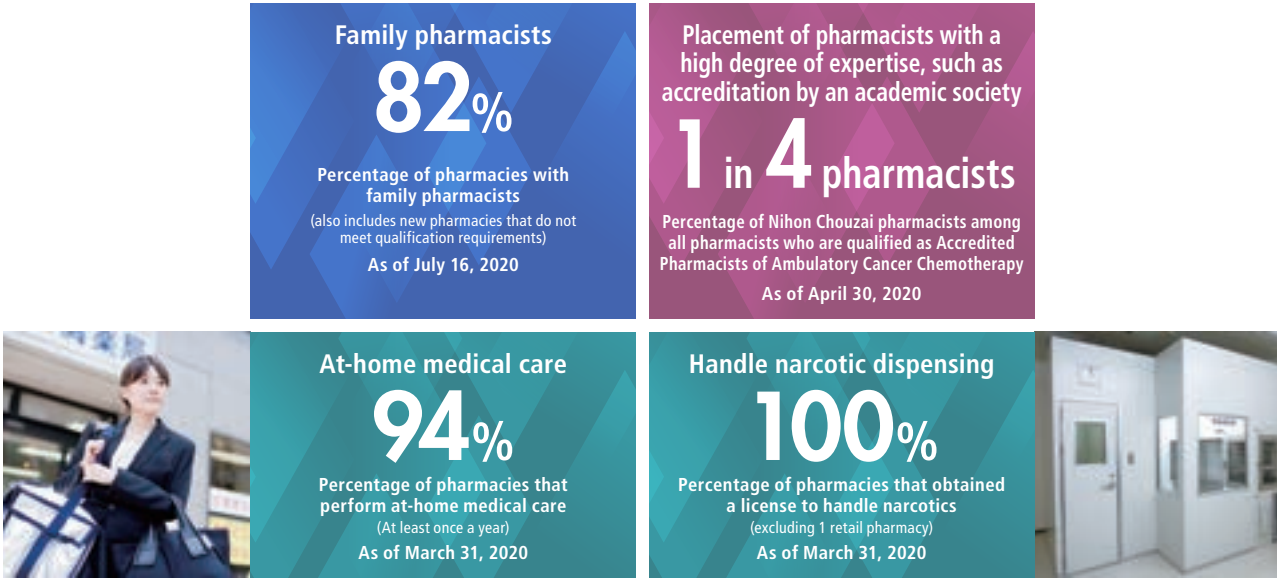
Strengthen Pharmacy Function and Improve Quality of Medical Services

A Vision of Pharmacies for Patients was announced by the Ministry of Health, Labour and Welfare, specifically indicating the functions required of future pharmacists and pharmacies. Under the revised PMD Act, which will be enforced in phases from September 2020, pharmacies with enhanced pharmacy functions will be allowed to display their functions on signboards with a license issued by the governor of the prefecture. Both functions contain the word “collaborate,” strongly necessitating collaboration with medical institutions. Building on a base of family pharmacist and

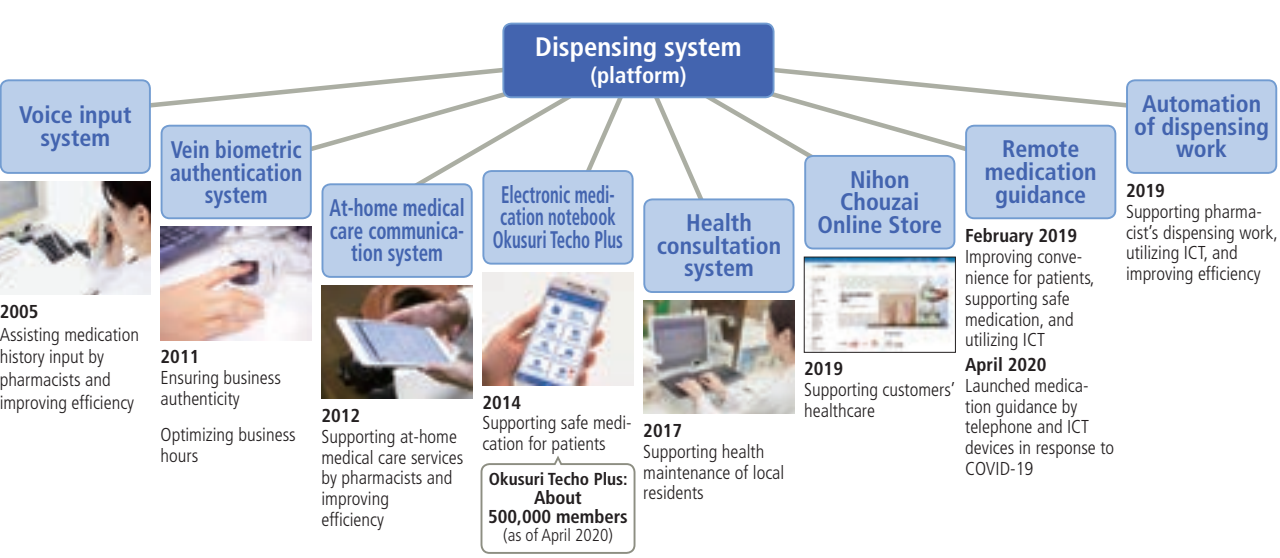
pharmacy functions, which are fundamental functions of pharmacies, specialized medical institutions cooperation pharmacies that have additional advanced pharmaceutical management functions are required to put in place pharmacists with a high degree of expertise, such as accreditation by an academic society. Nihon Chouzai is actively strengthening the interpersonal service skills of its employees, and is steadily preparing for pharmacy functions that will be required in the future.



Source: Prepared by Nihon Chouzai based on documents submitted by the Ministry of Health, Labour and Welfare (May 2019)



Investment in ICT that Supports Growth Systems Development Using Our Dispensing System as a Platform



Dispensing system

Nihon Chouzai is the only company in the dispensing pharmacy industry to develop by itself and operate a dispensing system for use in pharmacy work. The Company began in-house development of a dispensing system in the 1990s, and by updating it every year, we have been able to respond quickly to revisions in prescription dispensing fees and other matters. The system helps streamline work and supports the work of pharmacists as the core system for supporting dispensing work.

Voice input system

We have introduced a voice input system that assists with the input of medication history after the pharmacist has provided the medication guidance. It is equipped with a function to learn the traits and other elements of individual voices. The system's voice recognition function is highly accurate, and it supports technical terminology. At pharmacies that have introduced this system, the time it takes to input medication history can be shortened and the entry can be updated.

Health consultation system

We have developed a system that supports the health of patients by centrally recording information such as health consultations at pharmacies and health consultations conducted by registered dietitians at Health Check Stations. By centrally recording information including over-the-counter drugs as well, we are helping local residents maintain their health.

Vein biometric authentication system

Nihon Chouzai has introduced a vein biometric authentication system utilizing finger veins that is linked to a dispensing system. This system applies a time stamp for work performed and guarantees the work's authenticity. At the same time, work can be managed, and this is utilized for work-style reforms by optimizing working hours.

Nihon Chouzai Online Store

We are operating an online store that provides comprehensive support for healthcare, offering high-performance, high-quality products carefully selected by professionals at dispensing pharmacies, namely pharmacists and registered dietitians. We support healthcare for a wide range of users by offering approximately 2,000 different products specialized in healthcare, including pharmaceuticals, medical equipment, cosmetics, health foods, and hygiene products. The online store also sells original products available exclusively at the store.

At-home medical care communication system

We have devised a system that enables the pharmacist to access the at-home medical care communication system using a tablet PC when performing at-home medical care, and records of past history and at-home medical care can be entered on the spot. The system is used as a tool to streamline the work of pharmacists who conduct at-home medical care and collaborate with local doctors, thus providing high-quality medical care.

Remote medication guidance

Currently, remote medication guidance is only allowed in National Strategic Special Zones in Aichi Prefecture, Fukuoka City, Yabu City, and Chiba City. Nihon Chouzai has conducted remote medication guidance in Aichi Prefecture, Fukuoka City, and Chiba City. In addition, starting in September 2020, online medication guidance will be allowed for prescriptions that have been given online.

Electronic medication notebook Okusuri Techo Plus

The electronic medication notebook Okusuri Techo Plus links with the dispensing system to enable centralized management of medication history. Furthermore, Okusuri Techo Plus is also equipped with a personal health record (PHR) function that offers tremendous convenience by linking data from weight scales and blood glucose measuring devices. It allows for management of the patient's daily habits and supports their health.

Automation of dispensing work

On April 2, 2019, the Ministry of Health, Labour and Welfare issued a notification on how dispensing work is performed, and it is now possible for people other than pharmacists to perform dispensing work called picking, which had been conducted by pharmacists, under the supervision of a pharmacist. We have begun to improve the efficiency of our dispensing work by promoting automation.

Growth Strategy: Achieve a Positive Cycle

Investment in ICT that Supports Growth Remote Medication Guidance

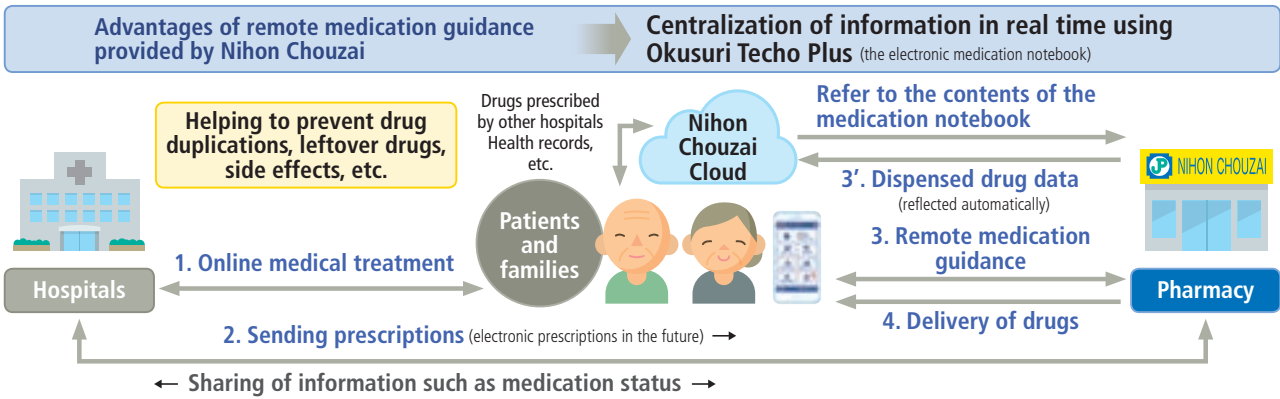
Advantages of remote medication guidance provided by Nihon Chouzai

Using the electronic medication notebook developed by Nihon Chouzai allows for centralized tracking of the medications that patients used at other hospitals, as well as their OTC drugs, health records, etc., and prevents the duplication of medications and side effects of concomitant medications. We collaborate with hospitals as necessary by making inquiries to doctors and using tracing reports on monitoring of patients while they are on medication, enabling effective support for drug therapy.

Areas where remote medication guidance is provided

Remote medication guidance is only permitted in National Strategic Special Zones in Aichi Prefecture, Fukuoka City, Yabu City, and Chiba City. Among these, Nihon Chouzai has conducted remote medication guidance in Aichi Prefecture, Fukuoka City, and Chiba City. Remote medication guidance was launched in September 2016 in three Special Zones of Aichi Prefecture, Fukuoka City, and Yabu City, mainly in remote regions and islands lacking in medical resources. Since then, the Ministry of Health, Labour and Welfare revised its ministerial ordinance in September 2019, so that remote medication guidance can be conducted even in urban areas, as long as certain requirements are met. In response to this, Chiba City submitted a zoning plan that permits remote medication guidance. In December 2019, the registration of participating pharmacies began for all regions of Chiba City.

Remote medication guidance process



Investment in ICT that Supports Growth Online Medication Guidance Started with the Partial Revision of the PMD Act

Although online medical treatment by doctors has already been introduced, pharmacies provide face-to-face medication guidance in principle, with provision of remote medication guidance limited in certain Special Zones. With the partial revision of the PMD Act, online medication guidance will be available across Japan starting September 1, 2020. Only the prescriptions for which online medi-

cal treatment has been provided will be eligible for this new form of service. Treatment of diseases applicable for online medical treatment has expanded to include prevention of severe diabetes and chronic migraines, and it is expected that the scope of online medication guidance will be expanded.

Schedule of the PMD Act revision

March 6, 2020 Cabinet decision on enforcement dates	1. Online medication guidance	Stipulation of medication guidance by videophone, etc. subject to certain rules ⇒ Expand target areas and target patients
September 1, 2020 Enforcement of 1. and 2.	2. Mandatory follow-up during medication period	Obligate pharmacies to keep up with the patient's drug usage status and instruct them on medication as needed, not only when dispensing Obligate pharmacies to make an effort to provide information on patients' drug use to doctors, etc. at other medical facilities
August 1, 2021 Enforcement of 3., 4., and 5.	3. New pharmacy functions certification system	Introduce a system for governors to certify pharmacies by function so that patients can select the pharmacy that best suits their needs Certify pharmacies that regional-cooperation and pharmacies specialized medical cooperation pharmacies, with renewals once a year
December 1, 2022 Enforcement of 6.	4. Strengthening governance	Develop legal compliance and systems with licensed businesses (development of a business supervision system, clarification of responsibilities of management and field managers) Legally put in place officers responsible for pharmaceutical affairs
	5. Digitization of attached documents	Eliminate package inserts of attached documents from the product, providing them by electronic means instead Display information enabling access to the latest attached document information on the outer packaging of products
	6. Bar code display on pharmaceuticals packaging	Promote traceability management, from the procurement of pharmaceuticals to post medication guidance

Source: Prepared by Nihon Chouzai based on the draft of the revised PMD Act, Ministry of Health, Labour and Welfare

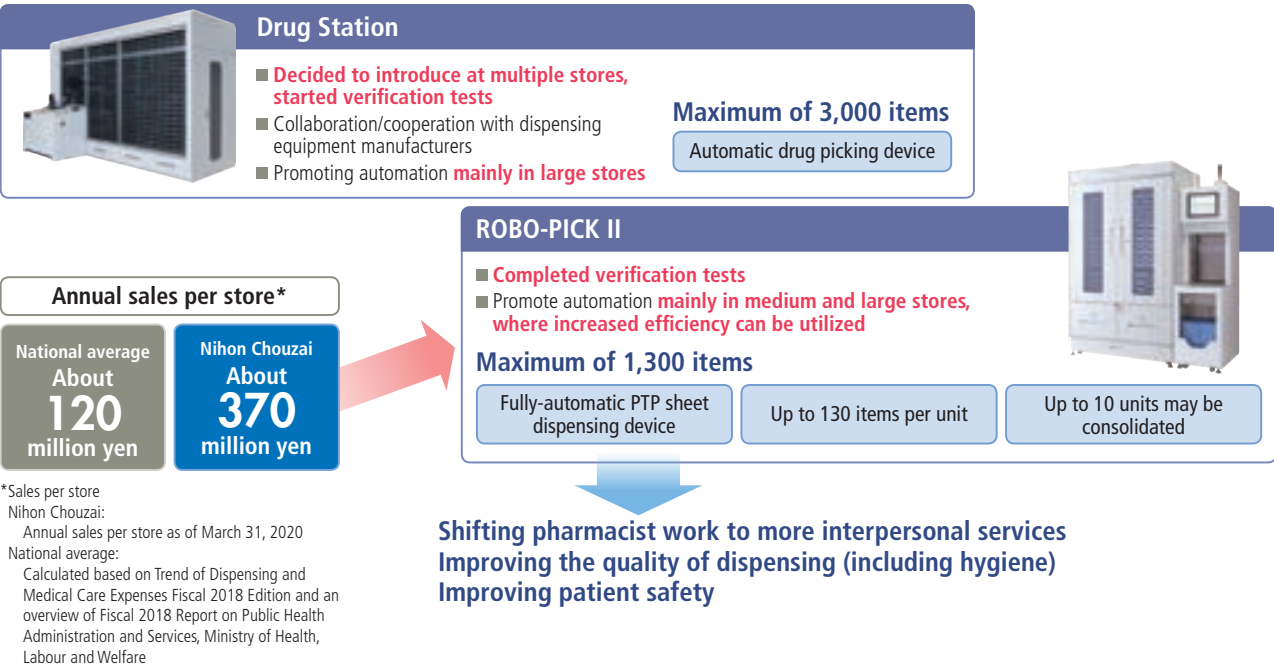
Investment in ICT that Supports Growth Automation of Dispensing Work

System changes to promote automation

On April 2, 2019, the Ministry of Health, Labour and Welfare issued a notification on "How Dispensing Work is Performed" (Notification 0402). From the perspective of enhancing interpersonal service skills, it is necessary to streamline product work. It is now possible for people other than pharmacists to assort medicines that are still packed in PTP sheets, so long as they are being visually monitored by a pharmacist. It also became possible to conduct dispensing work that actively utilizes dispensing equipment.

Efforts at Nihon Chouzai dispensing pharmacies

As a result of extensive studies on human error prevention, hygiene, and other issues, we have settled on a plan to promote automation. Verification tests of fully-automatic PTP sheet dispensing devices, such as ROBO-PICK II, resulted in labor-saving of about one pharmacist. While there are some conditions, such as the need for a certain level of sales, we aim to improve the quality of medical services by creating time for pharmacists to devote to interpersonal services, while promoting efficiency with automation.



Verification tests with new-type dispensing equipment

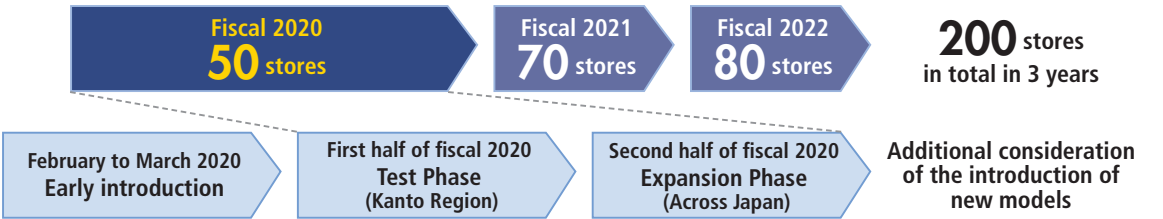
In May 2020, we introduced the newly released Drug Station, which is capable of dispensing 3,000 pharmaceutical products, ahead of other companies, and started a verification test for efficiency improvement. Based on the results of the verification test, we plan to introduce Drug Stations to dispensing pharmacies with sales level that can improve efficiency.

In the future, we will make efficient investments by introducing new models and conducting verification tests as soon as they are released.

Automation introduction schedule

In fiscal 2020, we plan to proceed with automation at 50 stores. In the first half of the year, we will continue verification tests mainly in the Kanto region, and identify the conditions that are highly effective in improving efficiency. Then, in the second half, we will expand to the whole country. We plan to proceed with automation in 200 stores within three years, including 70 stores in fiscal 2021 and 80 stores in fiscal 2022. We believe that automation will not only improve efficiency, but also have side effects such as reducing human errors and contributing to ensuring medical safety.

Schedule

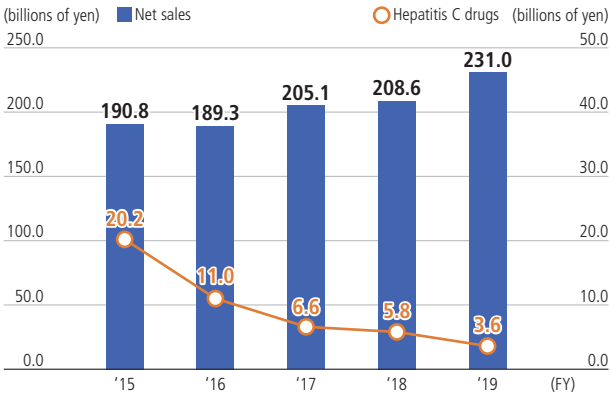


Growth Strategy: Achieve a Positive Cycle

Expand Business Operations

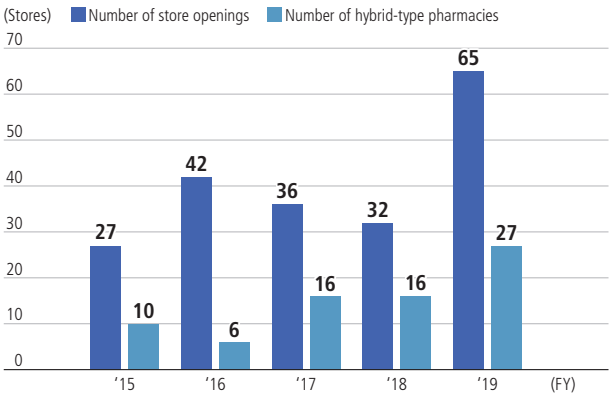
Net sales

Sales have continued to increase every year, despite the effects of drug price and prescription dispensing fee revisions. The sales amount of hepatitis C drugs peaked at 20.2 billion yen in fiscal 2015, falling by half to 11.0 billion yen in fiscal 2016, and it is now 3.6 billion yen. Sales declined temporarily from fiscal 2015 to fiscal 2016, due to this decrease in sales of hepatitis C drugs. Excluding the impact of this trend, sales have continuously increased, and we are achieving continuous growth by the well-balanced opening of pharmacies, mainly Nihon Chouzai pharmacies.



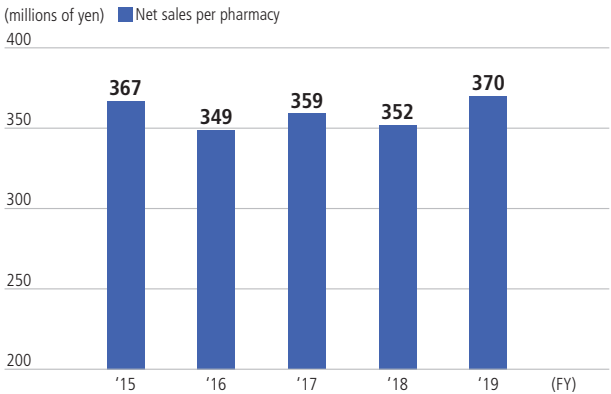
Pharmacy opening strategy

According to the Long-term Vision announced by the Company in May 2018, Nihon Chouzai seeks to change the current pharmacy mix of 70% for hospital-front pharmacies and 30% for hybrid-type pharmacies to 50% for hospital-front pharmacies and 50% for hybrid-type pharmacies, while working to increase its overall number of pharmacies, by fiscal 2030. The ratio of hybrid-type pharmacies in Tokyo, Kanagawa, Saitama, and Chiba prefectures as of March 31, 2020 increased to 54%. In the future, our strategy is to open hospital-front pharmacies and hybrid-type pharmacies in a balanced manner.



Net sales per pharmacy

Nihon Chouzai regards net sales per pharmacy as a key factor to successful industry restructuring going forward. We view collaboration with medical institutions and the performance of at-home medical care as essential to achieving A Vision of Pharmacies for Patients. To carry these out, multiple pharmacists and pharmacies of ample size are both required. Therefore, we are opening Nihon Chouzai pharmacies and pharmacies through mergers and acquisitions, with a focus on pharmacies of ample size or larger, and it is inevitable that our pharmacies will become larger.



Pharmacy openings

Our pharmacy opening strategy places importance on balance between hospital-front pharmacies and hybrid-type pharmacies, as well as Nihon Chouzai pharmacies and M&A pharmacies. The functions required of pharmacies change from year to year, and it is necessary to have a good balance of store openings and scales in order to adapt to these changes. We open stores based on the level of our average annual sales of about 350 million yen per store.

	(FY)	'15	'16	'17	'18	'19
Pharmacy openings		27	42	36	32	65*
Nihon Chouzai pharmacies		22	21	23	26	35
M&A		5	21	13	6	30
Pharmacy closures		11	12	8	19	13
No. of pharmacies at fiscal year-end		527	557	585	598	650

* Includes 1 retail pharmacy

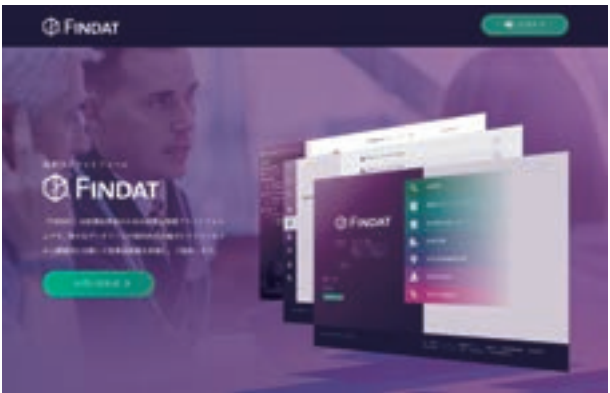
* Includes 1 store format change from a retail pharmacy to a dispensing pharmacy

Growth Strategy: New Businesses, Various Approaches

Launched Service of FINDAT, an Advanced DI Web Platform

Nihon Chouzai has developed FINDAT, the first advanced DI web platform in Japan* (<https://www.findat.jp>), and released this platform on June 1, 2020. FINDAT supports the drug information (DI) work by centrally managing collection and evaluation of DI and providing it to each medical institution in the form of an advanced DI web platform. This will support the standardization and streamlining of drug information at medical institutions, and contribute to appropriate drug treatment for patients.

FINDAT neutrally evaluates and distributes online drug information that has been collected comprehensively from various domestic and foreign guidelines and global, highly reliable, paid secondary information databases. By providing drug information useful for practical cases such as "Standardized Formulary," "Drug Efficacy Group Comparative Review," and "New Drug Evaluation," this service can be used to create materials for formulary management and pharmaceutical affairs committees, for promoting standardized drug treatment at medical institutions. Also, using FINDAT can help reduce the burden of DI work, including peer review of original papers and information gathering on new



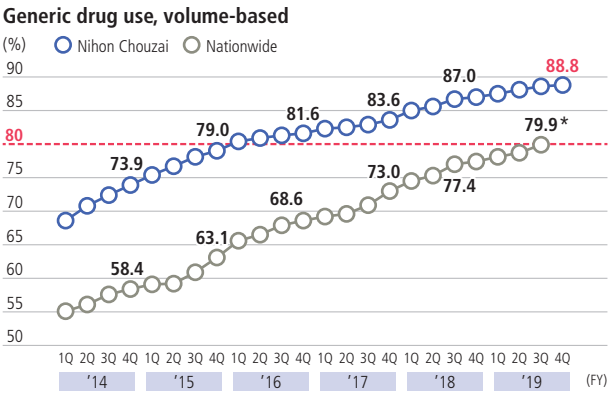
drugs, and lead to enhancing interpersonal service skills and team medical care, as shift from product service to interpersonal service has been required.

*Survey by Nihon Chouzai, as of May 25, 2020

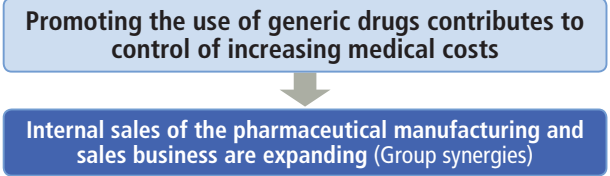
Initiatives to Control the Increasing Costs of Medical Care

Promoting the use of generic drugs

We achieved the government target of increasing the usage of generic drugs to 80% set for September 30, 2020 three years ahead of schedule. As of March 31, 2020, we have achieved the industry's leading share of generic drug use, volume-based at 88.8%.



* Trend of Dispensing and Medical Care Expenses, generics ratio, volume-based (new indicator), Ministry of Health, Labour and Welfare



Initiatives for Health Support Functions

Health Check-up Stations

As a measure for enhancing the health support function of dispensing pharmacies, Nihon Chouzai set up in-pharmacy Health Check-up Stations and is proactively working to maintain the health of local residents and on pre-symptomatic disease prevention. Blood pressure meters and body composition measurement equipment have been installed in the Health Check Stations, and a variety of measurements and nutritional consultations by registered dietitians are conducted there.

Health support function: Number of stores with Health Check-up Stations

	March 2018	March 2019	June 2020
No. of Health Check-up Stations*	37	62	75

*The Health Check-up Station is a registered trademark of NIHON CHOUZAI Co., Ltd.

- (1) Advice on diet and exercise from registered dietitians
- (2) Promoting use by local residents through the holding of health fairs
- (3) Specialist booths on health maintenance and promotion
- (4) Health management using various measurement devices, including blood pressure meters and body composition measurement equipment
- (5) Support for self-medication with a range of more than 500 items, including OTC drugs and health food
- (6) Recommendations to receive a medical examination and referrals to medical institutions depending on symptoms



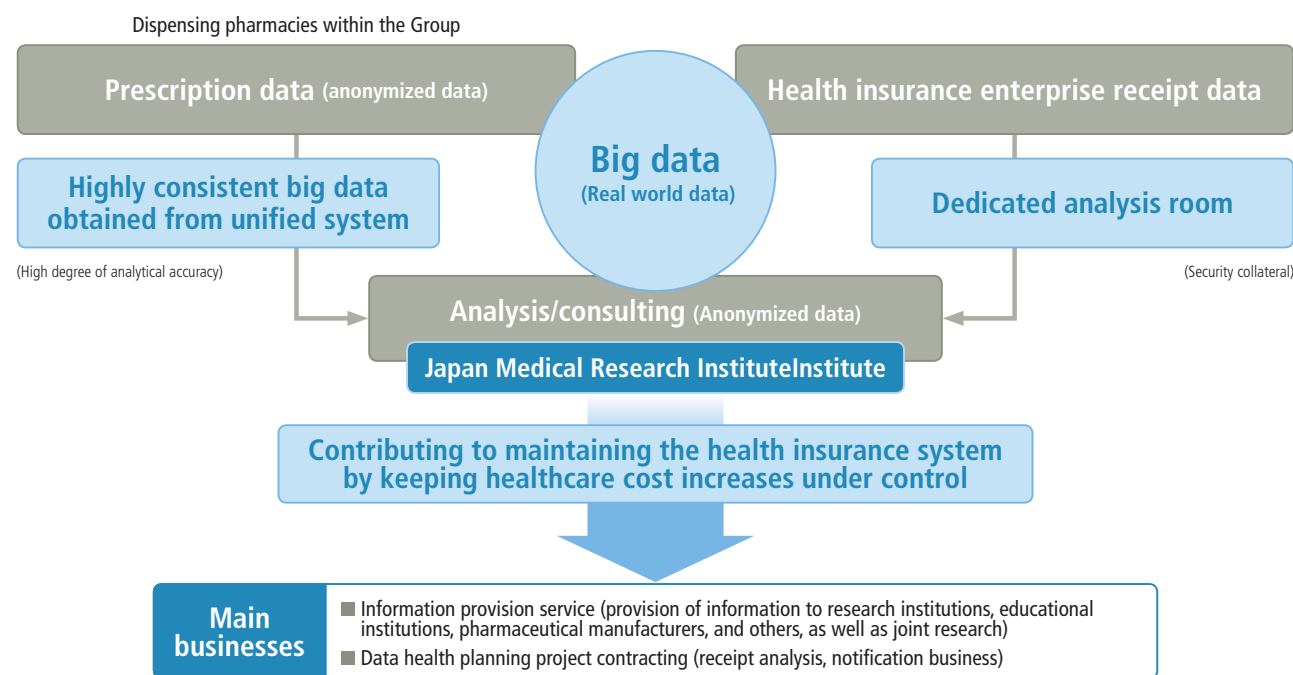
Information Provision and Consulting Business

Japan Medical Research Institute Co., Ltd.

Information Provision and Consulting Business is included in the Dispensing Pharmacy Business segment.

For a Future of Ample Medical Care

Striving to provide its vision of high-quality medical care at low cost



1 High-quality information provision service that utilizes real-world data

Based on the foundation of RI-CORE, which commenced services in fiscal 2017, the information provision service offers development and operation of analytical tools to process an entire five-year period of prescription data gained from Group dispensing pharmacies. This is big data of 250 million prescription cases, which, when integrated with information provided by pharmacists, takes advantage of a maximum degree of synergies with the Dispensing Pharmacy Business to provide high-value-added data that is unrivaled in the industry. Providing this real-world data to research institutions, educational institutions, pharmaceutical manufacturers and others, as well as conducting joint research, contributes to improving patient adherence (medication management) and rationalizing medical expenses.

2 Data health support service that contributes to the optimization of medical costs

The Japan Medical Research Institute conducts various data health-related initiatives that leverage its expertise in data analysis and consulting capabilities that it has cultivated with its information provision service.

As part of these efforts, we conduct analysis necessary for the optimization of medical costs and notification of medication to insured persons (information on price difference between generic drugs and original drugs, duplication, multiple drugs), based on the data entrusted to us by health insurance enterprises. In addition, through pharmacists, we also conduct practical support tasks such as optimizing medication, treatment and support for persons in pre-illness conditions as well as affected persons (un-examined persons), and prevention of serious illnesses. At health events and seminars, we also contribute to the optimization of medical costs through various support services, including support services for setting up drug consultation meetings.

Information Provision Service RI-CORE

In the information provision service, RI-CORE is used as the foundation upon which analytical tools are developed and operated to process the information obtained from prescription data. Surveys, research, information provision and consulting businesses are conducted for research institutions, educational institutions, pharmaceutical manufacturers and others.

By integrating big data, such as the anonymized prescription data from the Group's Dispensing Pharmacy Business, together with questionnaire surveys that pharmacists conducted at pharmacies, the result was high-value-added information unparalleled in the industry. Providing information in this manner enables us to contribute to the rationalization of medical care costs.



In-store Promotion Advertising Media Services

Also contributing to the advance of self-medication

We perform in-store promotion (IP) and advertising media services conducted in stores by positioning a variety of IP in easily seen areas of stores to target a total of over 14 million patients that visit every year.

Examples include videos commissioned by companies and the government airing on in-store monitors, as well as poster displays, merchandise displays, and samplings and booklets distributed directly to patients by pharmacists. From last year, we also have been conveying useful information to promote presymptomatic prevention for patients who visit our pharmacies through sampling at the time of dietary instructions, etc. by national registered dietitians. Moreover, while linking with services to provide information, we are also taking up the challenge of new initiatives that bring data and people together and endeavoring to promote self-medication.



Data Health Support Service by Pharmacists — Opinions from pharmacists and patients

Efforts to optimize medications by analyzing data (eliminating duplication and multiple drugs) Duplication/multiple drugs

Support for behavioral change through data analysis that utilizes IoT for pre-diabetic and diabetic patients Diabetes

Duplication/multiple drugs When I actually talk with patients, I find that some patients feel anxiety about taking medication, or do not feel the need to convey what medication they are taking. Others are using their medication notebook incorrectly (creating a medication notebook for each hospital). These are actually causing them to take duplicate or multiple drugs, and I felt that support from pharmacists would help solve this problem.

Diabetes Few people had a good understanding of diabetes itself. I felt that support from pharmacists would help patients understand diabetes and take better care of their health.

Patients' opinions

My diet was corrected, and I am now able to take my medicine properly.

I was able to continue because they followed up by phone on a regular basis.

My doctor praised me for controlling my diabetes.

Patients' opinions

I was able to speak with a pharmacist about issues that were difficult to discuss with my doctors, because I thought they would be too busy. I am thankful that my pharmacist inquired with doctors on my behalf and offered various solutions.

I never knew how to use a medication notebook before, but my pharmacist taught me how. I am going to compile my notebooks into one.

Now that I can see the condition of my body that I could not see before, I take more care about how I eat and exercise.

I didn't want to go to the hospital because I thought diabetes would limit my life (?), but I understood the need for treatment and was happy to get consultation.

I have been able to properly care for my health in my daily life without any hassles, and I would like to continue this habit in the future.

Duplication/multiple drugs For patients with anxiety about taking medication, I felt that I could take the anxiety away just by giving consultation.

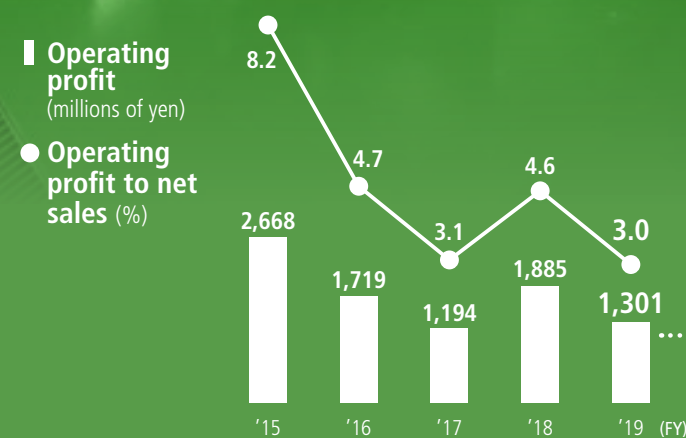
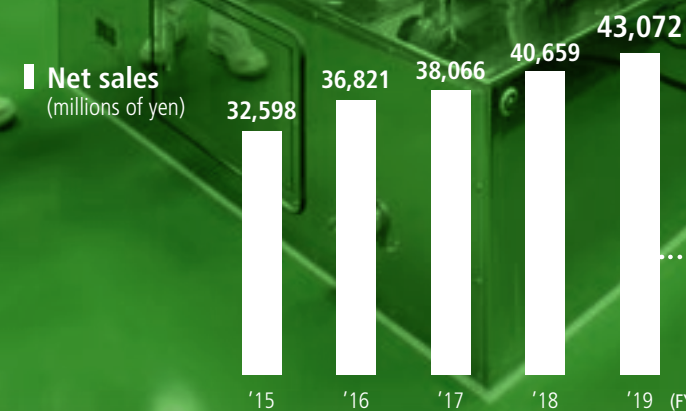
Diabetes Since I need to speak with patients broadly about medicine, eating habits, and their health, I feel that it has become more important to give an explanation that is suitable for each patient, rather than a uniform explanation.

Papers submitted regarding survey and research results

1. *Precision Medicine*, May issue, advertisement paper "Dispensing information and data analysis (data characteristics in the field of diabetes treatment drugs)" (Hokuryukan)
2. *Medical Consultation & New Remedies*, Vol. 56 (2019), January issue, "Survey on Actual Situation of Heparinoid Foam Spray in Medical Treatment by the Outpatient Department" (Iji Publishing Co., Ltd.)
3. *Medical Consultation & New Remedies*, Vol. 56 (2019), July issue, "Consciousness Survey on Feeling and Oral Disintegrating Tablet (OD Tablets) in Patients Who Have Been Prescribed Medication for Heart Failure" (Iji Publishing Co., Ltd.)
4. *Progress In Medicine*, 39 (10): 1031-1039, 2019 "Patient questionnaire survey on usability of old and new bisoprolol patches (Bisono® Tape)" (Life Science)
5. *Medical Consultation & New Remedies*, Vol. 56 (2019), December issue: 893-898 "Investigation about Improvement of Adherence by Moisturizing Guidance in Pharmacy for Families of Children with Skin Symptoms: Aiming to Suppress the Progression of Allergic March" (Iji Publishing Co., Ltd.) ● Other articles have also been in the process of submission

Pharmaceutical Manufacturing and Sales Business

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



Growth Strategy

Fiscal 2018

- Prior investments have peaked out
- Revision of sales strategy
- Strict cost control

Fiscal 2019

- Promote in-house production of generic drugs
- Penetration of sales strategy effects
- Strict cost control

The completion of Tsukuba No. 2 Plant (Nihon Generic Co., Ltd.) in March 2018 and the relocation and consolidation of the Tsukuba Research Institute in June 2018 brought to an end several years of investment.

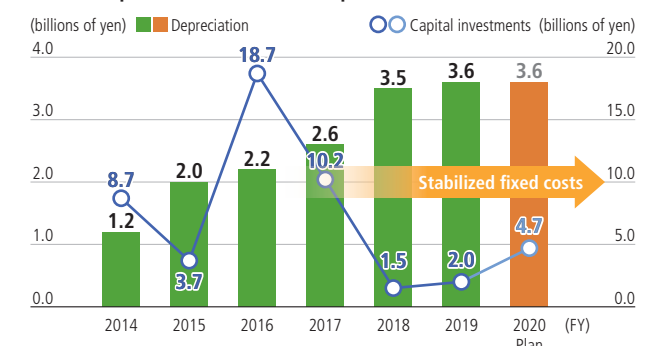
Since March 2019, expenses such as depreciation costs, utilities costs, and personnel costs have increased associated with the start of operations at Tsukuba No. 2 Plant. We have absorbed these increased costs by reviewing our sales strategies and tightening cost controls, securing operating profit that exceeded our initial forecast. In fiscal 2019, operating profit was 1,301 million yen due to increased internal sales and increased



Nihon Generic Tsukuba No. 2 Plant

sales of items on the new NHI drug price listing, despite diminishing factors such as revisions to NHI drug prices.

Cost of capital investments and depreciation costs



Acquisition of License → Sale of In-house Manufactured Products

New NHI drug price listing of generic drugs is done twice a year in June and December, making it possible to release drugs with expired patents. In December 2019, a new NHI drug price listing for BudeForu Dry Powder Inhaler, sold independently, contributed to the increase in net sales and gross profit. In February 2020, we received approval for 9 ingredients and 16 items, including celecoxib tablets (brand name: Celecox Tablets), in preparation for the market launch in June 2020. This includes several products with a large market, so we can expect increased sales in the future.

New Price Listings in June: 3 ingredients and 8 items

Product name	
Silodosin Tablets 2mg JG	Blonanserine Tablets 2mg YD
Silodosin Tablets 4mg JG	Blonanserine Tablets 4mg YD
Silodosin OD Tablets 2mg NISSIN	Blonanserine Tablets 8mg YD
Silodosin OD Tablets 4mg NISSIN	Gefitinib Tablets 250mg JG

New Price Listings in December: 6 ingredients and 14 items

Product name	
Atomoxetine Tablets 5mg JG	BudeForu Dry Powder Inhaler 30 doses JG
Atomoxetine Tablets 10mg JG	BudeForu Dry Powder Inhaler 60 doses JG
Atomoxetine Tablets 25mg JG	Mometasone Nasal 50µg JG 56 sprays
Atomoxetine Tablets 40mg JG	Mometasone Nasal 50µg JG 112 sprays
Atomoxetine Oral Solution 0.4% JG	Capecitabine Tablets 300mg JG
Flecainide Acetate Tablets 50mg TE	Lanthanum Carbonate OD Tablets 250mg JG*
Flecainide Acetate Tablets 100mg TE	Lanthanum Carbonate OD Tablets 500mg JG*

*Lanthanum Carbonate OD Tablets were released in January 2020

Launched OTC drugs (January 2020)

As our second round of OTC drugs, we launched Loxoprofen Tablets JG (antipyretics/analgesics).



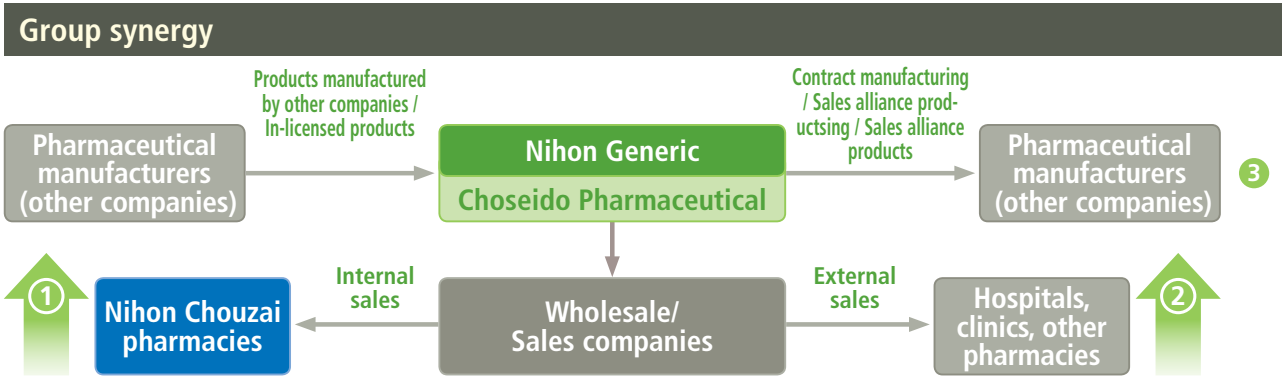
Loxoprofen Tablets JG pack of 12



Growth Strategy

Expanding Operations to Create Group Synergies Unique to Nihon Chouzai Group

- 1 We possess an unrivaled business model by which the Pharmaceutical Manufacturing and Sales Business (Nihon Generic and Choseido Pharmaceutical) will expand along with the expansion of the Dispensing Pharmacy Business of the Nihon Chouzai Group. We have dispensing pharmacies and pharmaceutical manufacturers within the Nihon Chouzai Group, and we are steadily expanding our business by demonstrating the synergy unique to our Group.
- 2 Nihon Generic and Choseido Pharmaceutical's generic drugs are purchased by Nihon Chouzai pharmacies nationwide through wholesale companies. As a result, we have built a unique business model that other companies do not have, by expanding distribution network for our generic drugs to wholesale distribution channels nationwide and expanding external sales.
- 3 We conduct business with several other manufacturers including contracting in and contracting out manufacturing, as well as in-licensing and out-licensing.



Internal sales	Expected synergistic effects with Nihon Chouzai's pharmacy opening strategy Internal sales increased in conjunction with the opening of own pharmacies and M&A in the dispensing pharmacy business.
	Convert generic drugs dispensed at Nihon Chouzai pharmacies into Nihon Generic and Choseido Pharmaceutical products Convert generic drugs by other companies dispensed at Nihon Chouzai pharmacies into in-house products. When converting original drugs or long-listed drugs into generic drugs, we will promote sales by converting them into in-house products in a timely manner.
External sales	Increasing new adoption cases We will strengthen external sales by increasing generic drug adoption at dispensing pharmacy chains other than Nihon Chouzai, major university hospitals, and company clinics, and raising awareness within the industry.
	Formulary Based on the increasing momentum to promote formularies, establishment of formularies has become more active, especially in large hospitals. As such, we expect that the number of generic drugs in use will increase dramatically. We will develop a system to respond to this trend and act accordingly.

Entry into the over-the-counter (OTC) drug business

This is a business that started new initiatives expecting synergistic Group effects. Following the launch of hair growth agent, Minoxidil Lotion 5% JG in December 2018, we launched Loxoprofen Tablets JG, antipyretics/analgesics, in January 2020 as our second OTC drug. In the future, we plan to continue the PDCA cycle, starting with selling at Group dispensing pharmacies.

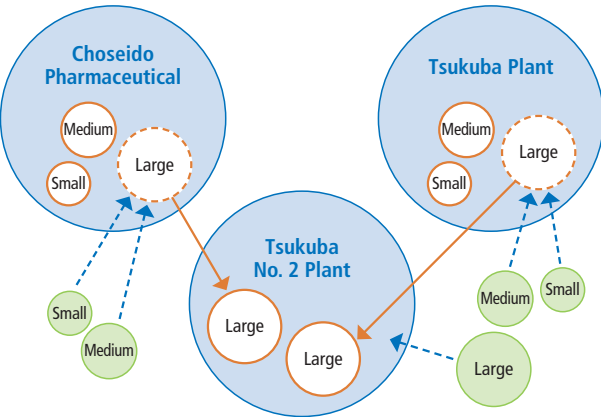
Expanding Operations with Out-licensed Contract Manufacturing Products and Sales Alliance Products

Contract manufacturing	Produce items developed by other companies at Nihon Generic and Choseido Pharmaceutical and sell them.
Contract manufacturing Transferring large-lot products from Tsukuba Plant to Tsukuba No. 2 Plant freed up production lines, enabling us to conduct contract manufacturing of other companies' products. In recent years, while generic drug use has increased, many generic drug manufacturers have been in difficult circumstances in terms of profitability due to price system revisions, a decrease in blockbuster products (popular original drugs whose patents have expired), and stricter quality assurance. There are also cases in which manufacturers are hesitant to make new capital investments. Due to these factors, demand for contract manufacturing is increasing, and the Group is receiving more requests, which it is capable of accommodating. The Group is actively promoting contract manufacturing, and is committed to expanding its efforts. Choseido Pharmaceutical's Kawachi Plant is dedicated to producing cephem antibiotic formulations, which has the largest market share in Japan and it will continue to further expand its market share with unrivaled originality.	
Sales alliance products	Sales of items (Nihon Chouzai licensed products) that the Group holds manufacturing and sales approval for to other companies. Other companies sell these as their own products.
Our Tsukuba No. 2 Plant has started operation and freed up our production lines, making it possible for us to actively incorporate sales alliance products. As of December 31, 2019, we have more than 460 in-house licensed products. As we have achieved an assortment of products that can support inquiries from other pharmaceutical manufacturers, manufacturing of sales alliance products is increasing.	

Optimization of Production Resources

Securing more contract manufacturing/sales alliance business

We are promoting effective use of each plant within the Group in order to secure more contract manufacturing and sales alliance business. By transferring the production of large-lot products to the completed Tsukuba No. 2 Plant, we are now utilizing the free lines available at the Tsukuba Plant and Choseido Pharmaceutical's plants, and have laid a foundation that will allow us to take on new businesses such as the contract manufacturing and sales alliance businesses.



Plant characteristics	
Nihon Generic Tsukuba Plant	● Small to medium scale production ● Tablets
Nihon Generic Tsukuba No. 2 Plant	● Medium to large scale production ● Tablets
Choseido Pharmaceutical Headquarters Plant	● Small to medium scale production ● Tablets, capsules, powders
Choseido Pharmaceutical Headquarters No. 2 Plant	● Small to medium scale production ● Tablets, capsules, powders
Choseido Pharmaceutical Kawachi Plant	● Small to medium scale production (Plant exclusively for manufacturing antibiotics) ● Tablets, capsules, powders

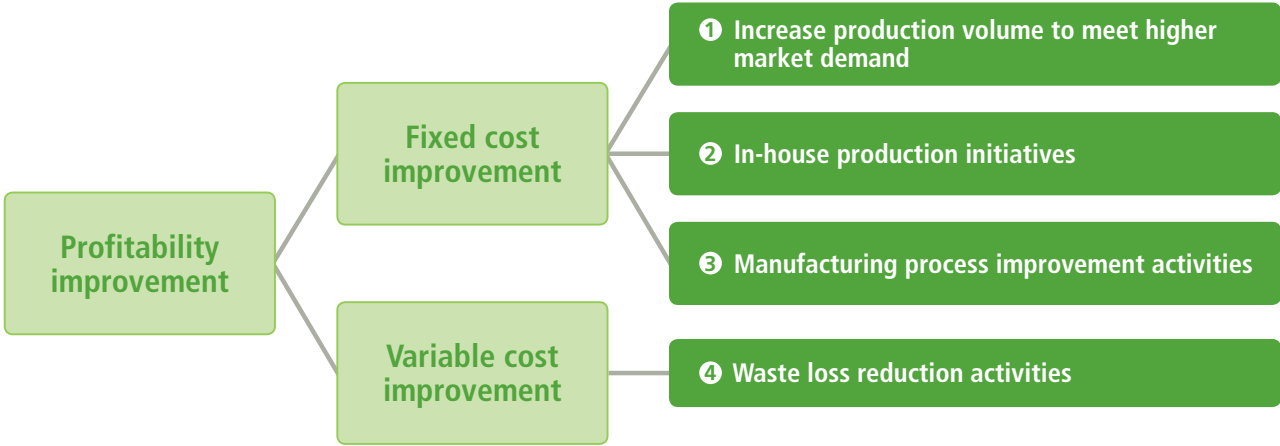
Growth Strategy

Profitability Improvement

Fixed costs peak out, profitability improves further

Anticipating policies to reduce medical costs, such as promotion of generic drug use and annual NHI drug price revisions, as well as changes in the labor environment, such as work-style reforms, we aim to gain greater production volume and improve profitability by making full use of existing resources.

Fixed and variable cost improvements are the pillars of profitability improvement.



1 Increase production volume to meet higher market demand

In the generic drug market, strong promotion policies have been set forth toward reaching the government target of 80% volume-based market share for generic drugs, with the deadline approaching at the end of September 2020. In addition, considering the movement toward formularies already underway primarily at large hospitals will expand to regional formularies in the future, we highly expect the generic drug market to further expand and its production volume to increase, even after the volume-based target is reached.

2 In-house production initiatives

We are working on in-house production at Nihon Chouzai plants, with a focus on items that are contract manufactured at other companies. Although it does not directly contribute to sales growth as these items are already being sold to dispensing pharmacies in and outside of the Group and to other medical institutions, it will lead to improvements in the operating rate and gross margin ratio at our Group plants.

3 Manufacturing process improvement activities

We are taking steps to improve fixed costs with efficient manufacturing by setting specific goals for the detailed review and improvement of the manufacturing process and continuously using the PDCA cycle. As part of our improvement activities, we are also focusing on employee education and creation of a mechanism that is able to maintain improvement activities while sustaining employee motivation, with the goal of creating an overall culture in which improvement activities can be enjoyed.

4 Waste loss reduction activities

Following our efficient production plans in our plants, we are working to reduce wasteful product disposal by producing the necessary products in the right amount when needed. Regarding sales, we have conducted improvement activities while being conscious of the cash conversion cycle (CCC). With a wide gap between production volume and sales volume, we have drawn up a supply chain management (SCM) strategy tailored to the characteristics of each item, leading to waste loss and more efficient operations.

R&D

R&D that maximizes group synergy

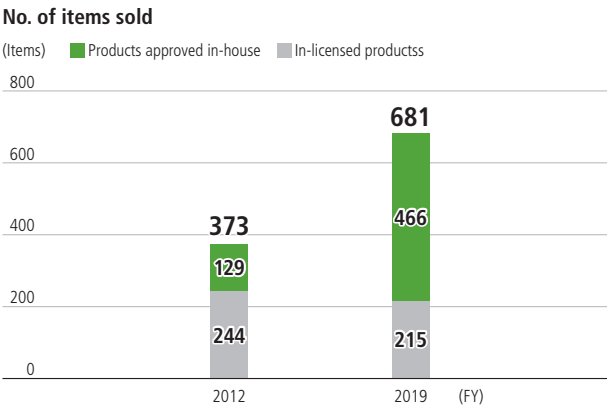
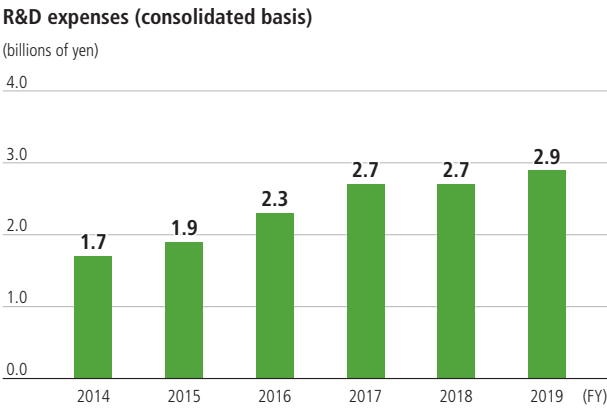
Efficient R&D focused on items that are widely used at Nihon Chouzai pharmacies

- The ability to predict expected sales volumes at Group dispensing pharmacies in advance enables profit and recovery forecasting, achieving efficient development planning.
- Even for items on new NHI drug price listings whose patents have expired, the amount used at Group dispensing pharmacies can be projected with certainty. Therefore, we have established a system in which other pharmaceutical manufacturers can take part in joint development with peace of mind since development is carried out according to a plan.
- Because we must meet the needs of pharmacies, our largest customers, we conduct R&D activities covering a wide range of items not biased towards any particular disease. By dealing with many medicines, in the end, we can accumulate the latest know-how and technology, resulting in a positive cycle.

Research facilities of Nihon Generic and Choseido Pharmaceutical utilize their respective expertise and know-how

Efforts to minimize additional equipment investment by carrying out development appropriate for each plant

- In June 2018, we consolidated the laboratories of Nihon Generic, which were previously dispersed in two locations, into the Tsukuba Research Institute. As a result, our laboratories are at the two bases of Nihon Generic and Choseido Pharmaceutical, establishing a system that allows for efficient product development by using the expertise and know-how that each laboratory specializes in. As the increase in number of items for sale has reached a certain level, we are now increasing the proportion of items approved in-house, and are actively promoting R&D.



Quality Control

Fiscal 2019 quality objectives

- 1) Maintenance of approval documentation that is suited to the manufacturing circumstances
 - Annual inspection of approval documentation, compliance check via GMP inspections, assessment of the appropriateness of the change of management practices
 - Appropriate implementation of the three roles of manufacturers and marketers, appropriate application of revisions to the Japanese Pharmacopoeia
- 2) Practical application of quality risk management
 - Product and manufacturing risk assessment, examination of validation procedures, etc. associated with the change of management, implementation of appropriate risk management practices when selecting new bulk drug and additive manufacturers
- 3) Improvements to the system of providing information regarding quality to medical institutions and patients
 - Improving the clarity of information that needs to be provided as well as the procedures for gathering, transmitting, releasing, and managing such information and entering into contracts related to the provision of information about in-licensed products
- 4) Continuous improvement to realize solid quality system
 - Increasing awareness of compliance, optimizing the quality system, adopting a GMP operations support system, planning and promotion of QA conferences with Nihon Generic and Choseido Pharmaceutical

Market Environment

Fiscal 2018

- Rectify excessive discounts based on Revised Distribution Guidelines
- Distribute pharmaceuticals at reasonable prices
- Optimize (raise) supply prices
- Optimize (compress) NHI drug price gains

Fiscal 2019

- Comply with Revised Distribution Guidelines
- Distribute pharmaceuticals at reasonable prices
- Optimize wholesale prices and supply prices
- Optimize NHI drug price gains

Distribution channels for medicines for medical treatment in Japan

Drug manufacturers → Wholesale price → Wholesalers → Supply price → Hospitals / Pharmacies → Sales price → Patients

NHI drug price (set by country)

Revised Distribution Guidelines
(Started using from April 2018)

1. Establish appropriate market prices in order to eliminate negative primary margin on sales
2. Promote early settlement and unit price-based/individual product transactions
3. Revise discount negotiations

Setting of appropriate wholesale price/rebate, etc.
(Notice as of October 3, 2018, Economic Affairs Division, Health Policy Bureau, Ministry of Health, Labour and Welfare)

1. Set an appropriate rebate that assesses the wholesale function
2. Reflect the wholesale price's corrected rebate item in the wholesale price

Environment (Environmental Initiatives)

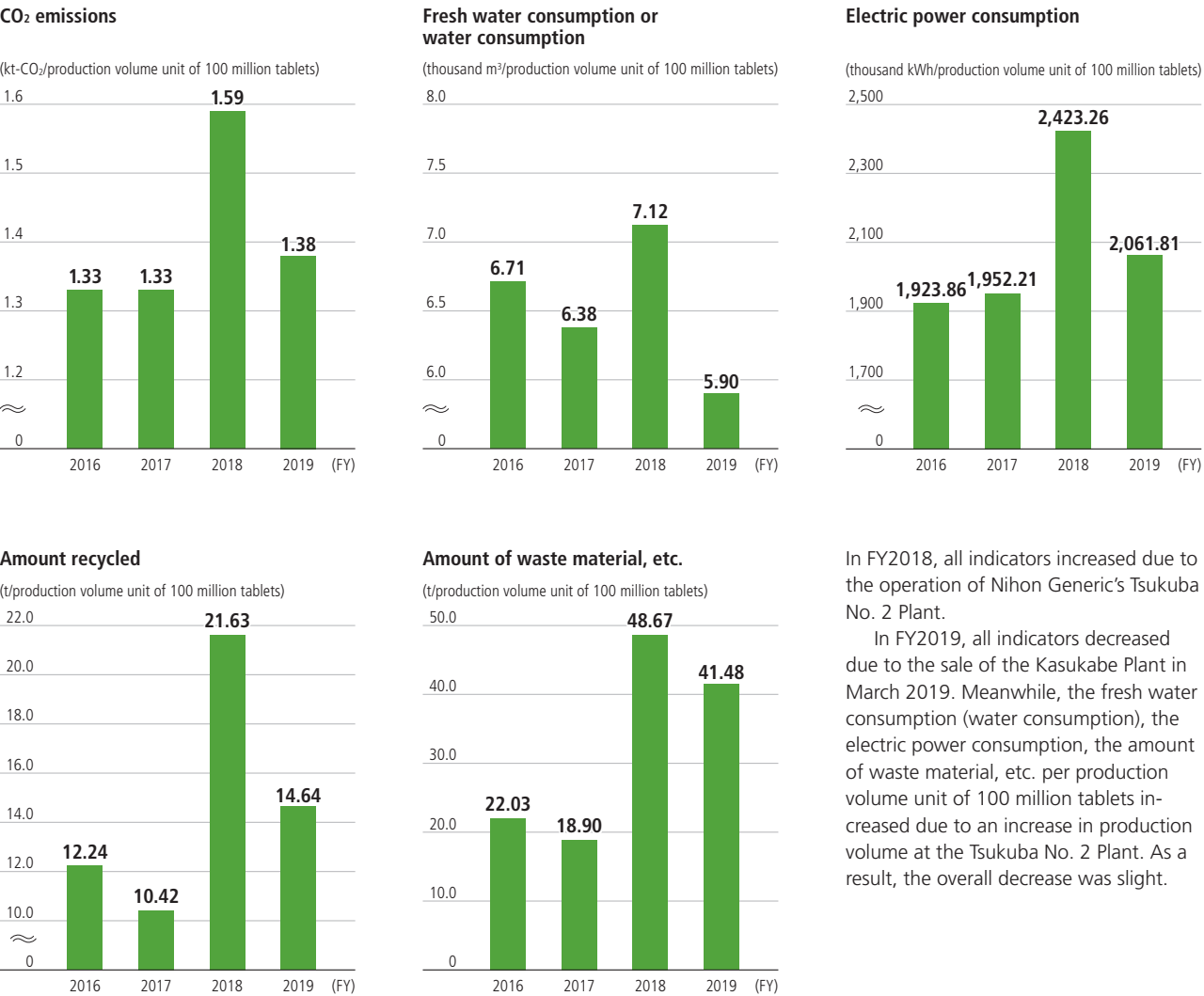
The Pharmaceutical Manufacturing and Sales Business reforms plant buildings it obtains from other companies and installs the latest equipment to ensure that CO₂ emissions, fresh-water usage, and electrical power usage are kept to a minimum. Newly constructed plants are designed from the planning stage to be environmentally friendly. We will continue to make investments and take initiatives to reduce our impact on the environment.

Major investments and effects in or prior to fiscal 2018

- Power consumption reduced at Nihon Generic Tsukuba No. 2 Plant and Choseido Pharmaceutical Headquarters No. 2 Plant by decreasing chiller load with mist spray cooling using plant wastewater
- Change to LED lighting at Nihon Generic Tsukuba Plant and Tsukuba No. 2 Plant and Choseido Pharmaceutical Tokushima Research Institute)
- Decreased air conditioning load by adopting low air flow-type draft chamber at Nihon Generic Tsukuba No. 2 Plant
- Adoption of ultra-high-rate transformer capable of reducing loss by about 35% for top runner transformers at Nihon Generic Tsukuba No. 2 Plant

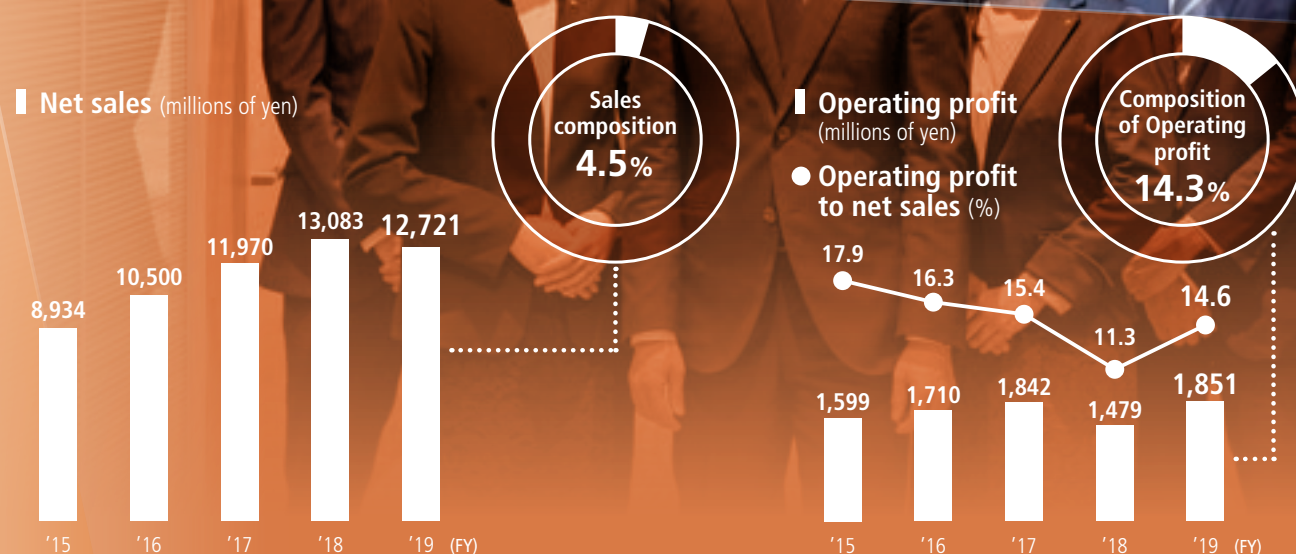
Major investments and effects in fiscal 2019

- Introduced simultaneous cold and heat pump system at Choseido Pharmaceutical Headquarters No. 2 Plant
⇒ Decreased chiller load with mist spray cooling using plant wastewater and reduced liquefied petroleum gas
- Installed solar panels at Choseido Pharmaceutical Headquarters No. 2 Plant
⇒ Reduced the amount of power taken from the grid by using power generated in the building



Medical Professional Staffing and Placement Business

Medical Resources, Co. Ltd.



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 resource business. Medical Resources takes a serious stance toward face-to-face meetings with job seekers and job providers, and having placed facilities nationwide, we have built a system for meeting and consulting with them in person. We have achieved sustainable growth and high profitability by finding nuanced needs that are difficult to communicate only by telephone or in writing, and offering proposals that

meet the demands of both job seekers and job providers in order to earn their trust and satisfaction.



Only 17 companies in Japan have acquired all three types of certification. We provide highly reliable staffing services.

Three reassurances of Pharma Staff

We provide three reassurances to support the successful career moves of all pharmacists.

Acquired Privacy Mark

As a company certified with the Privacy Mark, we recognize the importance of personal information entrusted to us by customers, and thoroughly manage and operate our customers' information in accordance with our privacy policy.



Excellent Job Placement Agency certification

We have been certified as a company that complies with the Conduct Guidelines established by the Excellent Job Placement Agency Recommendation Council, and that meets certain criteria including stability of management, thorough compliance with laws and regulations, and proper operation of business.



Excellent Temporary Staffing Agency certification

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, such as support for temporary staff's career development, ensuring better working environments, and preventing problems at the companies where they work.

Strengths of Medical Resources

Providing high-value-added services to job providers (medical institutions and companies) and job seekers (doctors and pharmacists) as a comprehensive human resources service company for the medical industry

In fiscal 2019, we continued a shift from staffing to placement in our core pharmacist business. This is to gain the initiative in anticipation of demand for placement of high-quality pharmacists increasing to higher levels than ever due to the expansion of the scope of work for pharmacists to include family pharmacists and the like, while demand for dispatching pharmacists is expected to decline relatively. In the dispensing pharmacy industry, the majority of pharmacies are part of small- to medium-sized chains or privately owned, so many pharmacies experience difficulty in recruiting pharmacists, creating a market environment with continuously

high demand for human resource placement. Thanks to our shift from staffing to placement, on a profit basis, operating profit significantly increased to 125.2% year-on-year due to increased referrals of pharmacists, doctors, and other medical professionals, despite net sales decreasing to 97.2% year-on-year.

While we do expect progress in work style reforms and major changes in the social environment surrounding medical professionals in the future, we will respond swiftly to these changes and achieve sustainable growth by utilizing the synergy of having a dispensing pharmacy business among our group companies.

Matching Quality Underpins Customer Satisfaction

We have continuously worked to improve matching quality for many years through detail-oriented counseling. As a company that handles important personal information, we have also acquired Privacy Mark certification, and have realized a high-quality, highly-reliable staffing and placement business. Acquiring these certification marks is proof not only of the quality of our placement and staffing services, but also of the fact that we satisfy

many other evaluation items, including soundness of business and a management system for compliance. Furthermore, 99% of our net sales is earned from staffing and placement for pharmacy chains not owned by Nihon Chouzai and privately owned pharmacies. This business contributes to achieving a true separation of drug prescribing and dispensing services by sending high-quality pharmacists into the world.



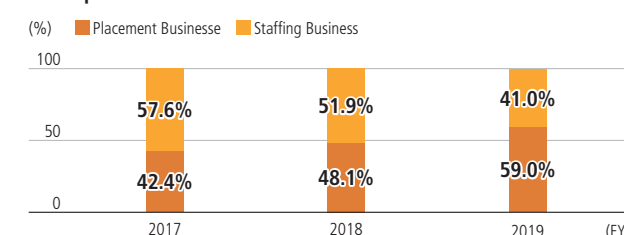
Growth Strategy

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

Our company is the strongest in the industry when it comes to pharmacist staffing. At the same time, we are transitioning toward a more balanced business portfolio, while aiming to achieve high profitability, by expanding our placement business.

Going forward, we will capture the increased demand for family pharmacists, grow our pharmacist placement service, and expand our placement business for doctors, nurses, and registered pharmaceutical medicine sellers, so as to realize even higher growth.

Gross profit ratio



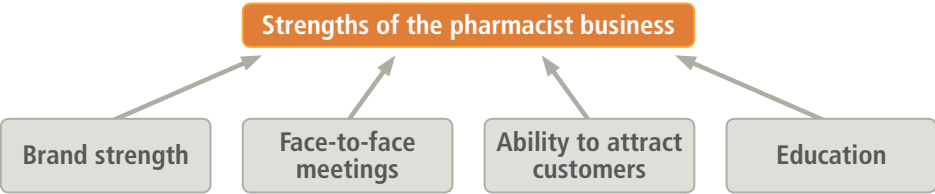
Reference: With family pharmacists, long-term support is required in order to understand the medication status (including all medication, such as prescription drugs, OTC drugs, etc.) of patients, continuously monitor leftover medicine and the appearance of side effects, and provide appropriate guidance. Therefore, family pharmacists must meet the following requirements.

Requirements for family pharmacists

1. Possess at least three-years' experience as an insurance pharmacist
2. Works at least 32 hours per week in said insurance pharmacy
3. Has a tenure of at least one year in said insurance pharmacy
4. Received training certification from a training certification system that is approved by the Council on Pharmacists' Credentials

Business Development

Pharmacist Business



Brand strength

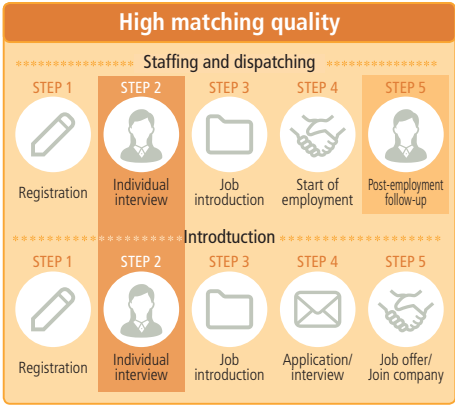
Medical Resources is a human resources business operated by Nihon Chouzai, a company with massive brand power in the medical industry and known for its high education level. It provides high-quality content to temporary staff and pharmacist placements, and it supplies high-value-added human resources. We maintain our brand strength among the pharmacies to which we dispatch or introduce employees, such as by providing business support plans and high-value-added services that leverage the pharmacy management expertise of the Nihon Chouzai Group.

Face-to-face meetings

We have established facilities nationwide, where we meet with medical professionals and offer face-to-face career outplacement counseling, placing great importance on information that we can obtain by speaking with them directly. It is important that we identify not only working conditions, but also working environments and the needs of job seekers, so we can present them with the ideal job offers.

Work style has a great impact on people's lives, so we provide a sense of security to job seekers with our brand strength, and earn their trust by speaking with them directly.

For job providers, we provide detailed information about the latest job change market and high matching quality, always working to ensure a win-win situation for both job seekers and recruiters at job providers.



Ability to attract customers

Regardless of whether they are currently seeking a new job, pharmacists are highly motivated people, and many of them keep their antennas tuned to new information on a daily basis. Furthermore, because pharmacists are required to have a high degree of specialized knowledge as medical professionals, the need for websites that provide useful information on pharmacist work, such as the one shown on the right (Pharma Labo), is increasing year by year. By responding to these circumstances and keeping up with pharmacists' careers, we are working continuously to be an ever more trusted medium.



Education

We provide high-quality content to temporary staff and pharmacist placements, and supply high-value-added human resources. The advanced education system established at pharmacies in the Nihon Chouzai pharmacy business is a strength unmatched by other companies.

Content for pharmacists	JP Learning	JP Learning is an e-learning course that allows one to obtain the credits needed to acquire a certified pharmacist training credential. The course provides more than 1,000 pages of enhanced content.
	Seminars for pharmacists	We hold seminars for pharmacists several times a year to learn the required dispensing and medical knowledge and industry trends.
	Retention program	This program is held as part of the health and welfare benefits for dispatched workers. We also hold money seminars as well as other seminars for working women.
	Yaku-Tore	A dispensing textbook that has been edited by Nihon Chouzai is provided as an app for smartphones. It also deals with prescription dispensing fee revisions.
Content for pharmacies	Management seminars	The pharmacy management seminar teaches Nihon Chouzai's management know-how.
	Business support plan	This program for corporations solves various problems in pharmacy management with seminars and practical training.

Doctor Staffing Business

We began full-scale efforts in our doctor staffing business since fiscal 2017, and started to expand nationwide in April 2018. Developing a dispensing pharmacy business within the Group gives us the advantage of being able to quickly identify the needs of doctors opening new locations. We are also expanding our placement business for doctors by demonstrating the synergy from collaboration with the MC-Mentaio (medical center/near the station and in the shopping district) Sales Division, which develops pharmacies operated by our dispensing pharmacy business.

In fiscal 2018, we made an upfront investment in anticipation of business expansion, by adding four new facilities, doubling the number of sales staff, and conducting advertising campaigns. This caused a temporary increase in SG&A expenses, so our Medical

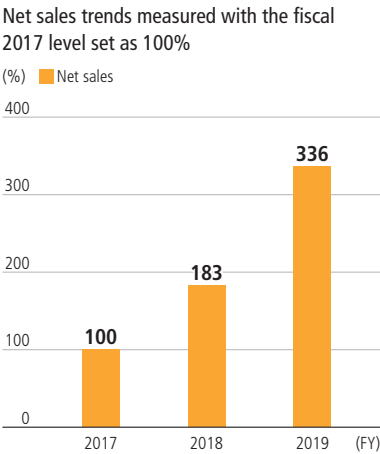
Professional Staffing and Placement Business posted increased revenue but decreased profit. However, looking at net sales in our doctor staffing business alone, net sales increased to a substantial 765% compared with fiscal 2016, when we had yet to launch full-scale efforts.

In fiscal 2019, we began to see the effects of upfront investments made in fiscal 2018, and our doubled sales staff acted as a substantial driving force that contributed to the growth of net sales. As a result, net sales significantly increased to 336% of fiscal 2017. In addition, to secure more job seekers, we bolstered our efforts to secure job offers, resulting in a significant increase to 148% compared with fiscal 2018. We are developing an environment that can meet the needs of job seekers.

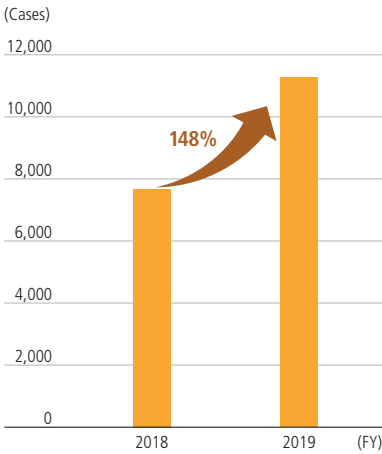
Four additional facilities added in fiscal 2018



Contributing to net sales in fiscal 2019



Increase in the number of job offers in fiscal 2019



Registered Pharmaceutical Medicine Sellers Staffing Business

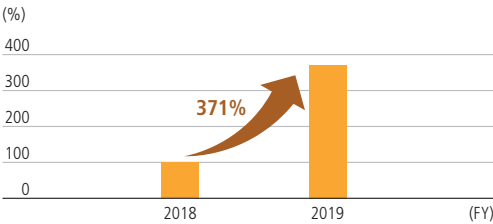
Demand for registered pharmaceutical medicine sellers, who are qualified to sell Type 2 and Type 3 drugs from among over-the-counter (OTC) drugs, has increased, and is growing in many places, including drug stores and convenience stores, which are expanding their handling of OTC drugs. Along with the growing

demand, the market size is continuing to expand. We have newly begun developing this business in fiscal 2018, and in fiscal 2019, our sales growth rate rose significantly to 371%. Since we updated our website in March 2020 and prepared for it to be used by more job seekers, we will aim for further expansion in the future.



Website update

Net sales trends measured with the fiscal 2018 level set as 100%



Business Development

Nurse Staffing Business

In our nurse staffing business, we updated our website in August 2019, making it easier to use for job seekers. This business is shaping up to have a strong start, and we will continue to work toward further expansion.



Market Environment

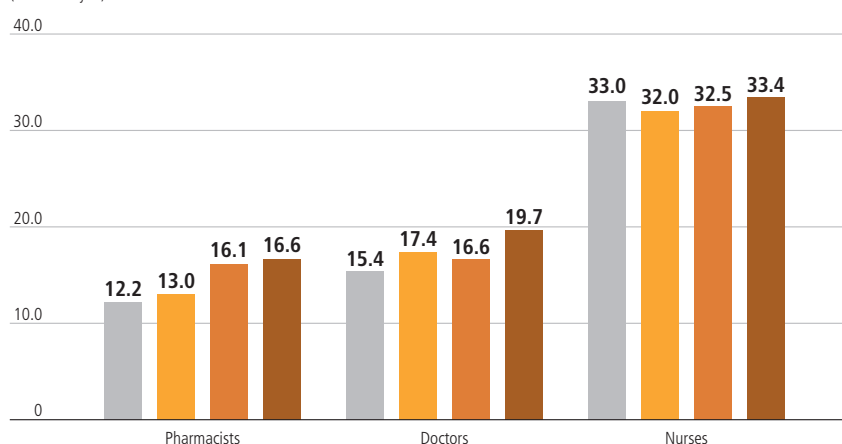
Market Size for Pharmacists, Doctors, and Nurses

The market size of human resource placements in fiscal 2018 was 16.6 billion yen for pharmacists, 19.7 billion yen for doctors, and 33.4 billion yen for nurses. There is still more room for growth in our pharmacist placement business, and the market size for doctors and nurses are much larger than even that for pharmacists, so

we can expect further expansion of our placement business. Going forward, we will continue to take advantage of the strengths we have built over time, including our brand strength, reliability, and ability to meet face-to-face with job seekers and job providers, so that we can further expand our business.

Market size for pharmacists, doctors, and nurses

(billions of yen) ■ FY2015 ■ FY2016 ■ FY2017 ■ FY2018



Source: Ministry of Health, Labour and Welfare, Employment Placement Business Report, Worker Dispatching Undertaking Business Report compiled by Nihon Chouzai based on various figures.

Number of pharmacists (persons):
311,289 (2018)
Number of doctors (persons):
327,210 (2018)
Number of nurses (persons):
1,660,071 (2016)
Number of pharmacies (pharmacies):
59,138 (2018)
Number of Hospitals (institutions):
8,372 (2018)
Number of Clinics (institutions):
102,105 (2018)

Sources:
2018 Overview of Statistics on Doctors, Dentists, and Pharmacists (Number of pharmacists and doctors)
Japanese Nursing Association, Nursing Statistical Data (Number of nurses)
Overview of 2018 Medical Facility (Dynamic) Survey & Hospital Reports (Number of pharmacies, hospitals, and clinics), Handbook of Health and Welfare Statistics