

Toward Becoming an Innovative Corporate Group That Provides the Best Possible Healthcare Services

With pharmacies in all of Japan's 47 prefectures, Nihon Chouzai is one of Japan's largest pharmacy business operators. In addition to our core Dispensing Pharmacy Business, we also operate Pharmaceutical Manufacturing and Sales, Medical Professional Staffing and Placement, and Information Provision and Consulting Businesses.



About COVID-19 measures and the content of this Integrated Report:

Nihon Chouzai puts top priority on the safety of patients and employees at its sites and pharmacies nationwide. We have put in place various measures related to preventing the infection and spread of COVID-19. Please note, however, that this Report may contain some discussions and photographs from before the COVID-19 outbreak.



Our Vision

Toward Becoming a Comprehensive Healthcare Company

 P26

The Nihon Chouzai Group is seeking to grow as a comprehensive healthcare company rooted in the pharmacy business. We are pursuing dramatic growth in the Dispensing Pharmacy Business through the combined strategies of developing a distinctively balanced pharmacy network portfolio and implementing DX to achieve digital transformation in the healthcare field. From this starting point, we are also expanding our Pharmaceutical Manufacturing and Sales and Medical Professional Staffing and Placement Businesses to achieve sustainable growth as a comprehensive healthcare company.

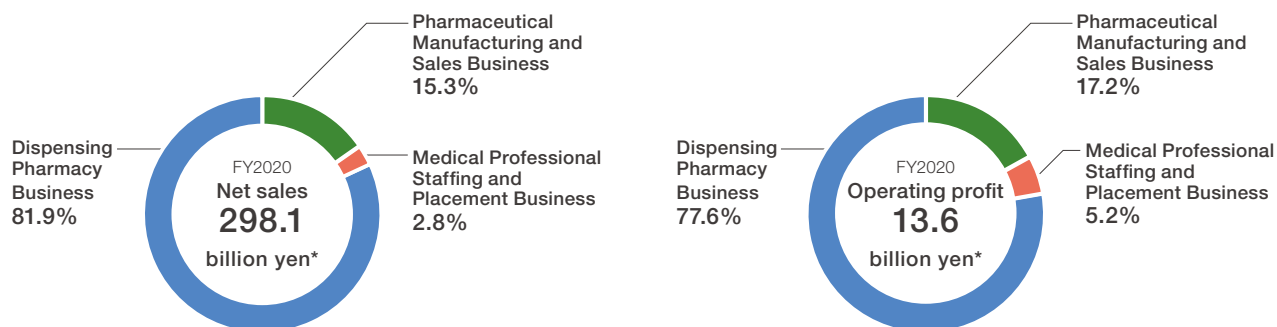


Our Purpose

Achieving the True Separation of Drug Prescribing and Dispensing Services

The “true separation of drug prescribing and dispensing services” means that doctors and pharmacists assume a clear division of roles based on their particular area of expertise and work together closely as a team to support patient care. Under this framework, we are working to ensure medical safety and provide high-quality healthcare services to patients, while helping to curb rising medical costs.

Business Portfolio



* 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.



A leading company in the pharmacy sector

Net sales **244.0** billion yen

Operating profit **10.5** billion yen

Pharmacies with family pharmacists **86%**
(as of July 29, 2021)

Pharmacies conducting at-home healthcare **94%**
(one or more visit per year, as of June 2021)



A manufacturer of a full line of generic drugs

Net sales **45.6** billion yen

Operating profit **2.3** billion yen

Number of drugs on the market **677**
(including two over-the-counter drugs)

Development, manufacturing bases **5** plants, **2** laboratories



Providing high value-added information and services

Supporting customers through six business lines

- Drug Information Service
- Advertising Media Service
- Survey and Research Services
- Data Health Support Service
- Consulting Services
- Drug formulary implementation and education



An HR services company specializing in professionals in healthcare fields

Net sales **8.3** billion yen

Operating profit **0.7** billion

Reliability

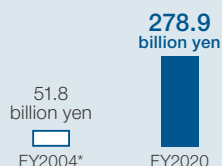


Taking the Lead in the Japanese Pharmacy Market



Consolidated net sales

Sales growth for
16 in a row



Sales growth for 16 years in a row since TSE listing

* Listed on Tokyo Stock Exchange (TSE), Second Section



Number of pharmacies

685

(as of September 1, 2021)

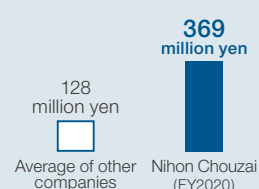


Pharmacies serving all prefectures in Japan, mainly three major metropolitan areas



Per pharmacy sales

No.1*



Result of a pharmacy network strategy focused on per pharmacy sales

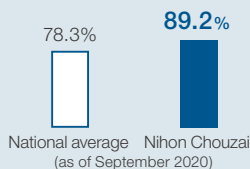
*Nihon Chouzai estimate based on materials disclosed by listed pharmacy chain operators.

Addressing Healthcare Issues Facing Japanese Society



Proportion of generic drugs

No.1



Promoting generic drug use by harnessing strong synergies with the Pharmaceutical Manufacturing and Sales Business



Staffing, placement job offers

Average job offers for healthcare professionals

Over 80,000 cases

Providing high-value-added services with superlative matching quality



Electronic medication notebook subscribers

No.1*

850,000
(as of August 2021)

Enhancing convenience and supporting patient health

*Nihon Chouzai estimate based on materials disclosed by listed pharmacy chain operators.

Support for Advanced Medical Care



Proportion of hospital-front pharmacies (university hospitals, general hospitals, etc.)

62.8%

(as of September 1, 2021)

Ongoing strategy of opening pharmacies with an emphasis on balance between hospital-front/on-site pharmacies and hybrid pharmacies



Pharmacy presence in major university hospitals nationwide

50.3%

(as of September 1, 2021)

Supporting advanced medical care and gaining expertise



Proportion of Nihon Chouzai pharmacists certified in outpatient oncology by JASPO*

1 in 4 pharmacists

(as of April 2021)

Placement of highly specialized pharmacists such as those accredited by an academic society

*Japanese Society of Pharmaceutical Oncology (JASPO)



Prescription unit price

16,869 yen

(FY2020 average)

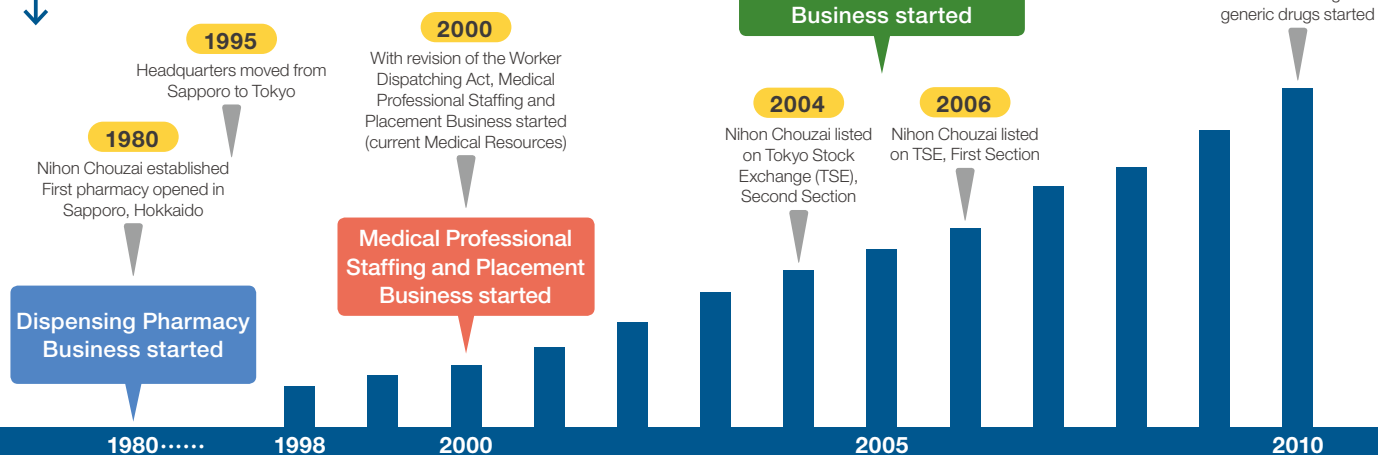
Track record of handling highly specialized drugs

Evolving the business portfolio by being first to grasp changing social needs. Growing into a comprehensive healthcare company making widespread contributions to healthcare in Japan

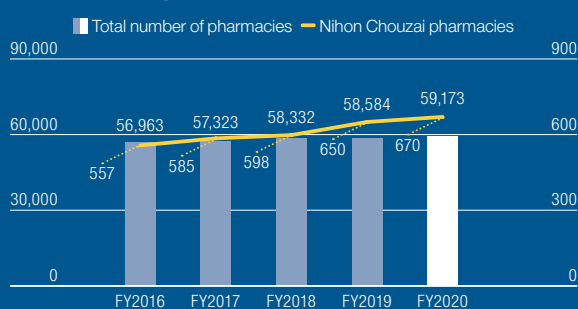
Evolution of the Nihon Chouzai Group

Evolution of the Business Portfolio	Social Issues Addressed
Dispensing Pharmacy Business 1980 Nihon Chouzai established First pharmacy opened	Building sustainable community healthcare frameworks Supporting advanced medical care
Medical Professional Staffing and Placement Business 2000 Medical Resources (current name) established Pharmaceutical Manufacturing and Sales Business 2005 Nihon Generic established	Shortage of medical personnel Spread of generic drugs
Information Provision and Consulting Business 2012 Japan Medical Research Institute established 2021	Using big data to lower medical costs

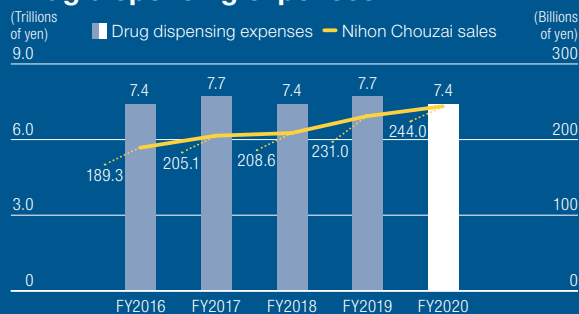
Consolidated Sales

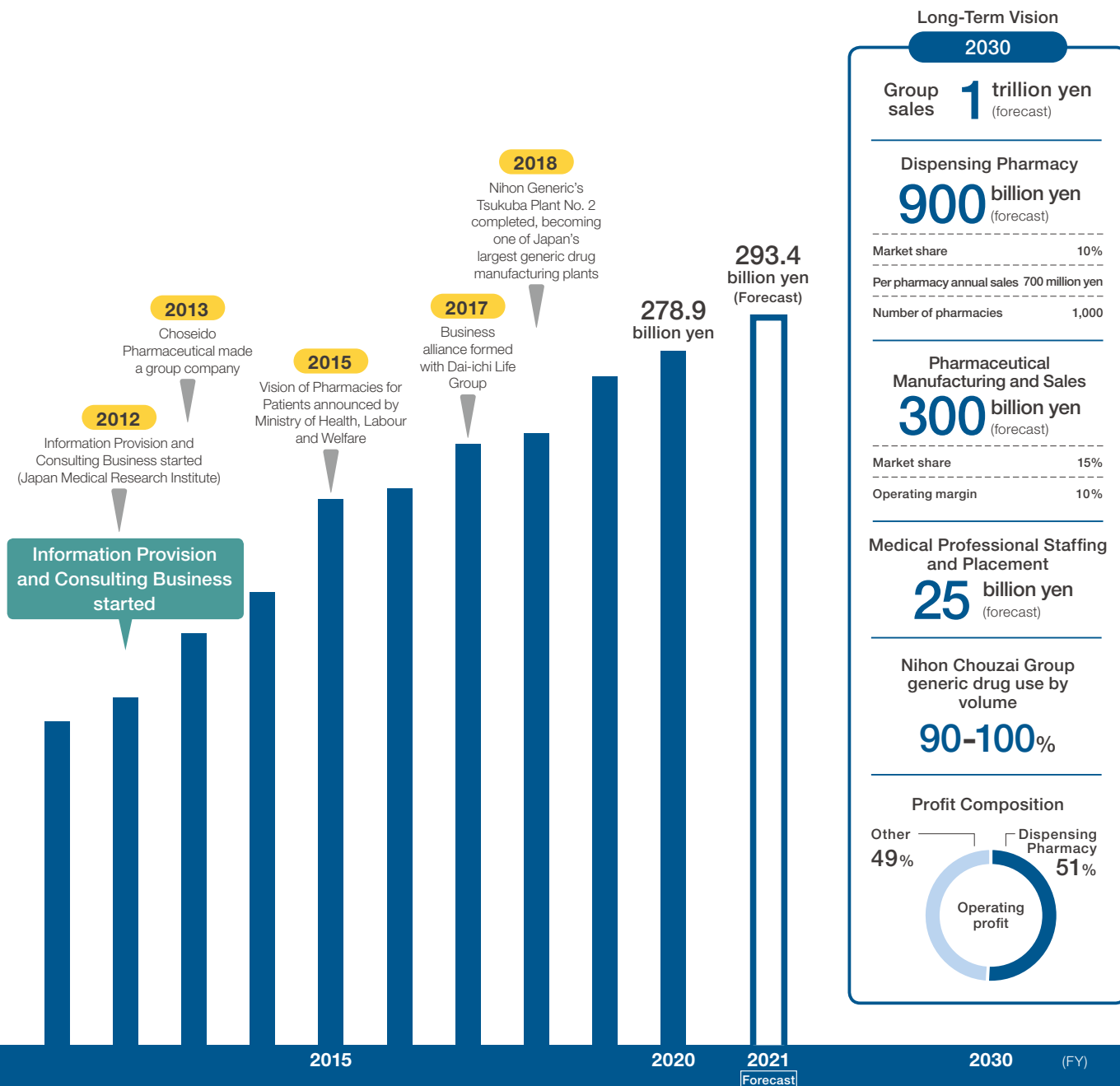


Number of pharmacies

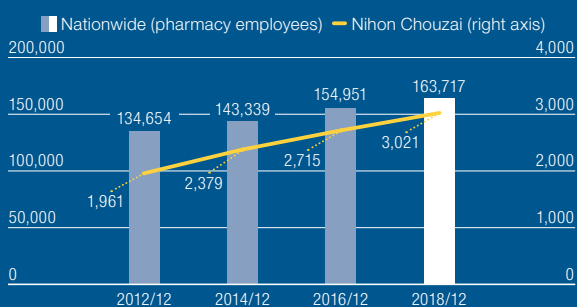


Drug dispensing expenses

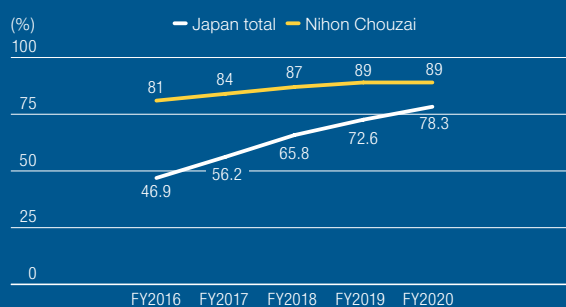




Number of full-time pharmacists

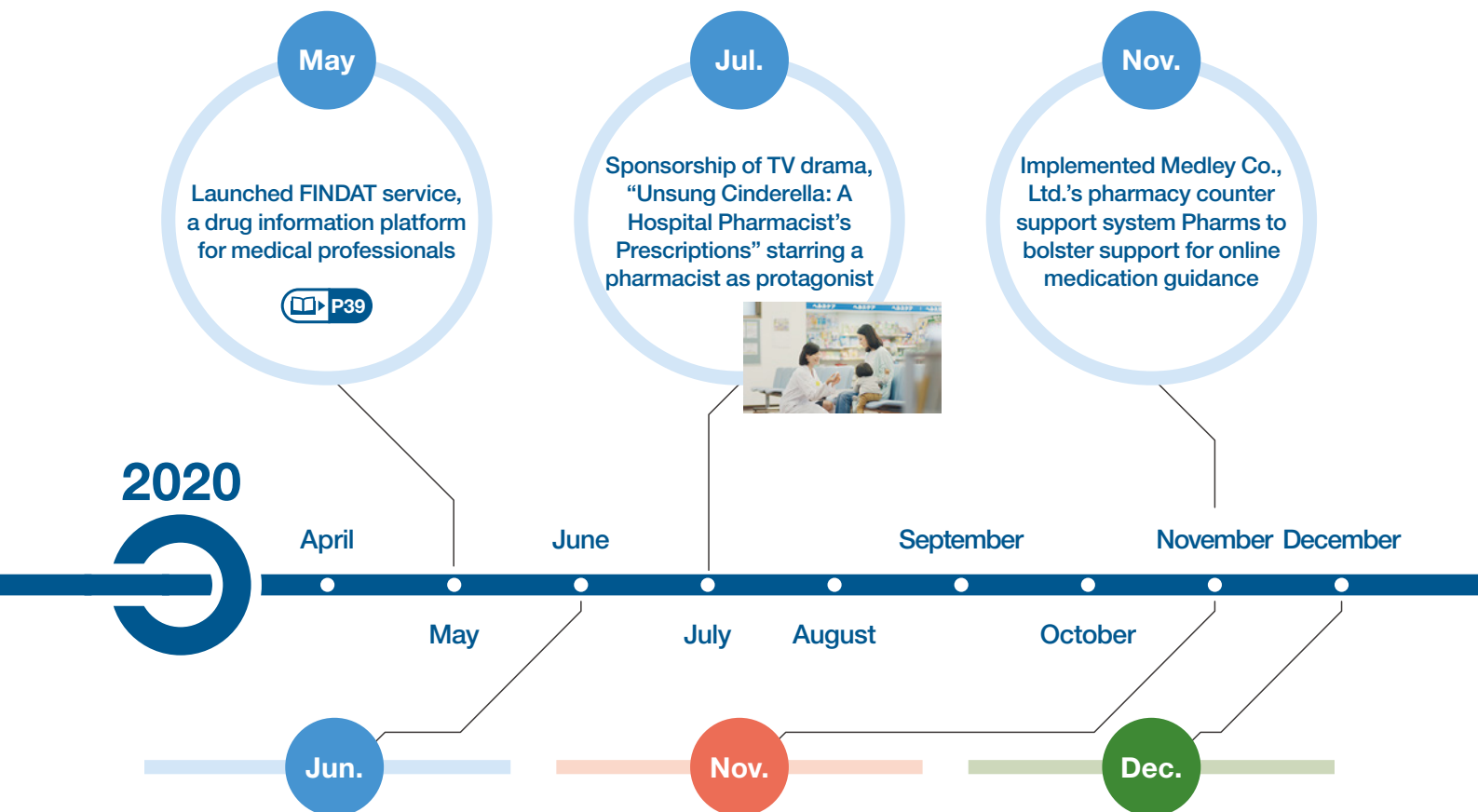


Generic drug use (by volume)



Nihon Chouzai Group News

(April 2020 - August 2021)



Joint Research with University of Tokyo Hospital Published in International Medical Journal

Results of a joint research project with the University of Tokyo Hospital regarding the willingness of patients with lifestyle-related diseases to use personal health records (PHRs) were published in the Journal of Medical Internet Research (JMIR), an international medical journal. The study investigated the willingness to use PHRs among patrons of 84 Nihon Chouzai pharmacies in Kanagawa Prefecture and identified the characteristics of patients most likely to use PHRs. Findings showed that patients' desire to incorporate exercise into their routines to improve lifestyle habits and the active gathering of information concerning their own illness were correlated with the willingness to use PHRs.

WORKERS DOCTORS Made a Group Company

Group company Medical Resources acquired all shares of WORKERS DOCTORS Inc. on November 1, 2020.

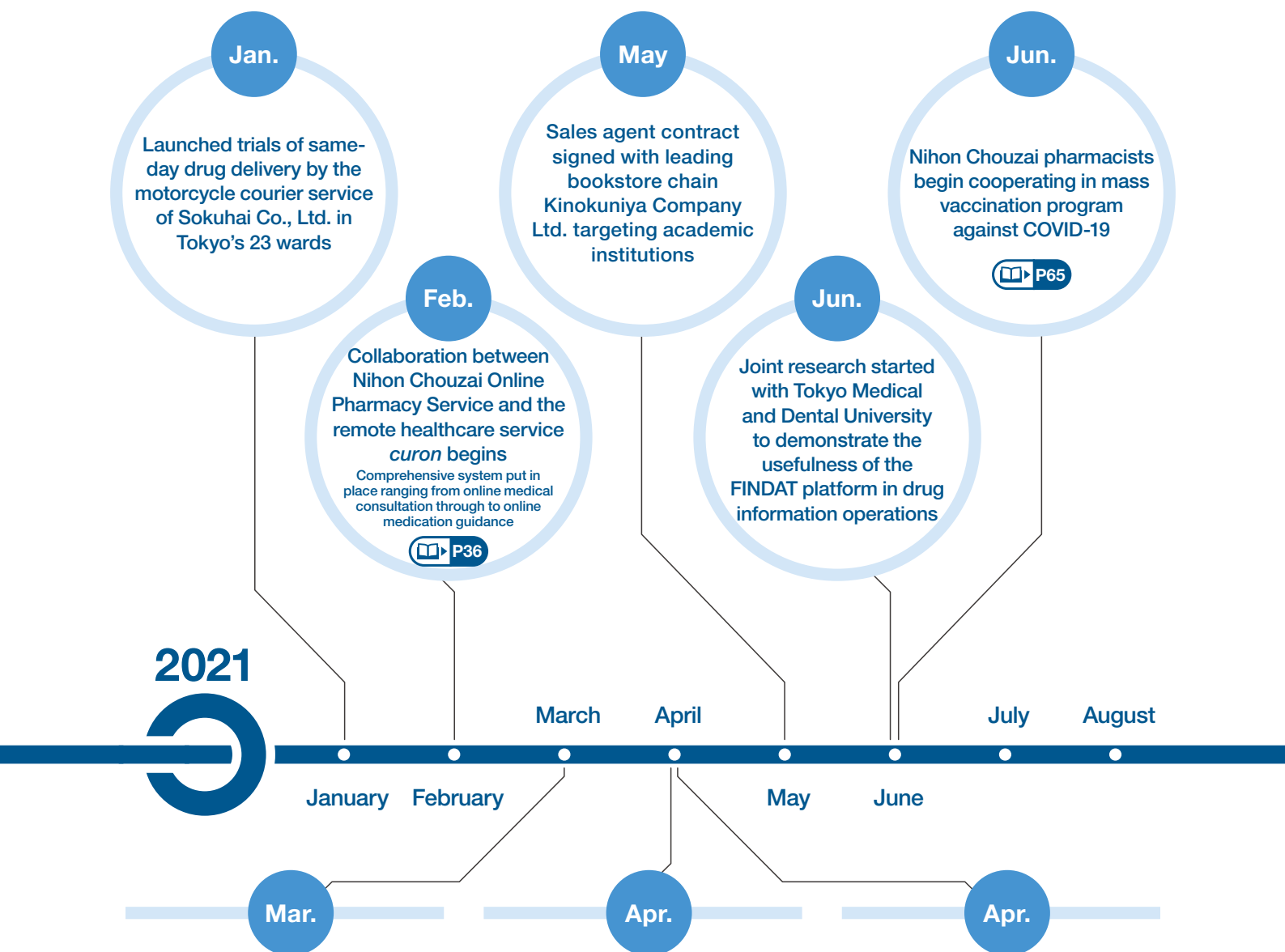
WORKERS DOCTORS is a company that has earned strong trust from leading companies and local governments by developing an industrial doctor HR business, mainly in the Tokyo metropolitan area, and by supporting companies' occupational health management efforts. With this share acquisition, the Group is confident that it can draw on Medical Resource's track record in doctor placements and nationwide sales framework and on the expertise and network WORKERS DOCTORS has built up in the industrial doctor field to meet a wider range of needs for occupational health management, including mental health, which has become indispensable for companies' health management initiatives.

21 Generic Drugs (11 Ingredients) Newly Listed in 2020

In June 2020, Group companies Nihon Generic and Choseido Pharmaceutical newly NHI listed 16 generic drugs with 9 ingredients, followed by 5 new drugs with 2 ingredients in December, for a total of 21 new product launches for the year. Aggressive R&D investment targeting further growth has yielded an increase in the number of approvals for in-house manufacturing of drugs. The Group will continue to steadily expand the lineup of drugs, particularly new drugs with significant market potential.



Generic drugs launched in 2020



Two At-Home Medical Care Support Centers Obtain ISO9001 Certification

Two of Nihon Chouzai's 22 At-Home Medical Care Support Centers nationwide, Minami Karasuyama Pharmacy (Tokyo) and Nishinomiya Higashi Pharmacy (Hyogo Prefecture), acquired ISO9001 certification for their quality management systems. At-Home Medical Care Support Centers provide a broad range of at-home healthcare services to address the needs of residents in the community. This ISO9001 certification testifies to the Centers' ability to ensure high levels of safety and accuracy. Going forward, the Group will pursue successive certification for other Centers.



Collaborating with other professionals in patient care

Joint Research with Keio University School of Medicine on Building a PCR Testing Framework

Spurred by the global outbreak of COVID-19 pandemic, the aim of this research was to help revitalize economic activities and prevent a breakdown of medical infrastructure in Japan by establishing a simple, highly safe method of testing for COVID-19 infection that can be carried out outside medical institutions.

Nihon Chouzai concurred with the purpose of this research. As a dispensing pharmacy that supports regional healthcare, the Group cooperated with trials carried out by Keio University School of Medicine to build a PCR testing framework for at-risk people, which can prevent infection while contributing to the normalization of economic activities. Based on the infrastructure built by this research, the Group began offering the "SocRTes" (from "social testing") testing service at four of its pharmacies in Tokyo.

No. 1 in chemistry/pharmacology category in the popularity ranking of hiring companies

In the company popularity ranking among job-seeking graduates carried out by leading recruiting firm Mynavi and newspaper publisher Nikkei Inc., which targeted undergraduate and graduate students due to complete their studies in March 2022, Nihon Chouzai ranked No. 1 in the chemistry/pharmacology category (previous year: 6th place). In two other categories as well, the Group received the most votes for the pharmacy/drugstore sector, as well as ranking second in the healthcare/welfare/pharmacy category.

The chemistry/pharmacology category in which Nihon Chouzai ranked first represents the votes of students in pharmacology or related fields. The recent results show that the Group is particularly popular among this group of people.



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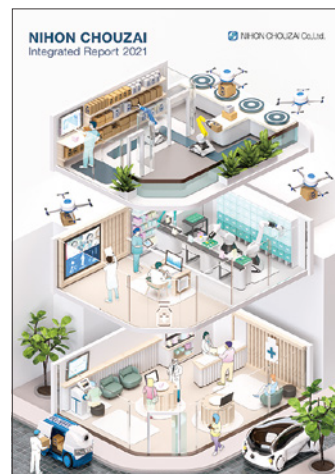
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Nihon Generic's Tsukuba Plant No. 2



COVER STORY

Integrated Report 2021 envisions the “pharmacy of the future” that Nihon Chouzai Group is striving to become, a company that extensively supports the health of every member of our communities. We aim to create a base that supports the health of the community, where pharmacists can broaden their points of contact with patients through effective use of digital and automation technologies.

Note on Forward-Looking Statements

Integrated Report 2021 contains forward-looking statements about the plans, strategies, and performance of the Nihon Chouzai Group. These statements are based on management’s judgments derived from currently available information. Please note that actual business performance is subject to various risks and uncertainties and results may differ significantly from the

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

Editorial Policy

In addition to discussing the management policies and business strategies of the Nihon Chouzai Group, Integrated Report 2021 provides comprehensive financial and non-financial information, with the goal of gaining a clearer understanding among our shareholders, investors, and other stakeholders about our medium- and long-term corporate value creation. The reporting period is FY2020 (April 2020–March 2021). However, the Report also refers as necessary to FY2021 (April 2021–March 2022).



We will promote the true separation of drug prescribing and dispensing services and create value while addressing the changing needs of society.

It has been two short years since I became president. As of September 1, 2021, we have 685 pharmacies stretching from Hokkaido to Okinawa. Even in the midst of a harsh operating environment brought about by the spreading impact of the COVID-19 pandemic, we remain firmly committed to our mission as a medical institution. Thus, while implementing rigorous infection prevention measures, we continue to provide quality medical care. Medical professionals in Japan are currently making a concerted effort to promote the country's mass vaccination program. Our Group is cooperating in this

program as well, responding to requests from local governments, pharmacist associations, and other related organizations nationwide. Specifically, as of June 11, 2021, Nihon Chouzai had dispatched 604 pharmacists to vaccination centers in 23 prefectures. I believe the steady growth of the Group even in such adverse business conditions is the result of the ability of the medical care we provide to respond adequately to the needs of society.

Nihon Chouzai is a company that has worked to bring about the true separation of drug prescribing and dispensing services for 41 years since its founding. The environment for pharmacies has changed dramatically over that time. When the company was founded, the rate of separation of prescribing and dispensing in Japan was less than 5%. So, for the first 20 years, for the sake of patients, we devoted ourselves to clearly delineating doctor and pharmacist roles.



We will enhance our corporate value as a comprehensive healthcare company with a growth strategy that brings about innovation in the healthcare industry.

Yosuke Mitsuvara President and CEO

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

Since then, Japan's population has continued to age, and our focus turned to promoting the use of generic drugs to contain rising medical costs. In recent years, we have seen a growing shift toward family pharmacists and pharmacies as well as mounting demands for at-home care and online medication guidance. Today, although the rate of separation of prescribing and dispensing has risen to nearly 80%, I think a lot remains for us to do.

The strength of our Group is our ability to respond swiftly and flexibly to changes in the times. The medical version of digital transformation, which has started to gain tremendous momentum amid the COVID-19 pandemic, is a recent example. As a manager, I am committed to always being a step ahead of the times, boldly taking on new challenges, and increasing customer value and, by extension, corporate value.

We now face an era where the role of pharmacies and pharmacists in providing the medical care patients truly need is being revisited.

With the accelerating growth of its super-aging population, Japan will likely find it difficult to maintain the prosperity it has known for many years. Even as the working population is shrinking, the rise in medical costs is inevitable. In the healthcare sector, including pharmacies, my sense is that we are approaching the time when only medical institutions that can provide the care patients truly need will survive.

In 2015, the Ministry of Health, Labour and Welfare (MHLW) formulated the Vision of Pharmacies for Patients, which laid out the ideal form of pharmacies in the future. In



line with this Vision, the Nihon Chouzai Group is combining its efforts to further promote the patient-centered separation of drug prescribing and dispensing services, which is the primary duty of pharmacists.

In August 2021, the revised Pharmaceuticals and Medical Devices Act introduced a certification system for insurance pharmacies with specific functions. Under this system it is now possible to obtain certification as a regional cooperation pharmacy or as a specialized medical institution cooperation pharmacy. Pharmacies with their respective functions are required to collaborate with various facilities involved in regional medical care and to support advanced medical care. Here, the Group is already out ahead of our competitors, having cultivated pharmacists who are equipped to respond to these social needs. Consequently, among the pharmacists certified in outpatient oncology by the Japanese Society of Pharmaceutical Oncology (JASPO), who are required to be assigned to specialized medical institution cooperation pharmacies, about one in four active pharmacists nationwide is from the Nihon Chouzai Group. This is the highest number of people in the pharmacy industry. I feel strongly that the Group has a framework in place that allows us to dig deeper into healthcare, make further inroads into medical settings, and take more initiative in working to solve medical issues.

Since becoming president, another goal for me has been to position Nihon Chouzai as the pharmacy brand of choice. We have seen success here in terms of our recruiting activities. In the Mynavi/Nikkei College Student Company Popularity Ranking of companies graduates want to work for, we have been number one in the pharmaceuticals industry in three categories for three years in a row. For patients and the general public, however, my sense is that we have not yet become the medical institution people feel the most affinity for. As the role of pharmacies in Japan shifts from an emphasis on location to an emphasis on function, we will continue striving to enhance the Nihon Chouzai brand while increasing the perceived value of each and every pharmacy.

We will bring innovation to the healthcare industry and evolve our business model by incorporating digital transformation and sustainability into our business strategy.

The COVID-19 pandemic has brought healthcare in Japan to the threshold of a major transformation. One change is the call to construct frameworks for delivering more medical care online. Since our founding, the Nihon Chouzai Group has been a pioneer in the industry in terms of innovation, drawing on ICT to develop dispensing systems in-house, digitalizing medication notebooks, and automating dispensing operations, among other efforts. Amid the pandemic, we enabled reduced waiting times at pharmacies and helped prevent infection as patients took advantage of the advance prescription sending function of our electronic medication notebook, *Okusuri Techo Plus*. This application is supporting the health management and effective use of time for a growing number of patients: The number of subscribers for the app was around 500,000 in April 2020 but had surpassed 850,000 as of August 2021.

Going forward, pharmacies and pharmacists will have to take actions to support the provision of smart healthcare, under which anyone can receive health consultation, medication guidance, and drug delivery seamlessly online. Online drug orders are skyrocketing in the U.S., with major e-commerce companies launching services to take orders for prescription drugs, and their share of the drug dispensing market is growing rapidly. Leading e-commerce companies in Japan are also hungrily eyeing this market, paying close attention to possible deregulation.

Nihon Chouzai's competitive advantages are the track record we have built up over many years of providing advanced healthcare at brick-and-mortar pharmacies, and our relationships of trust with medical institutions throughout Japan. If we can add to these strengths by using digital technologies to transform our business processes and build an online presence as well, we can generate a competitive edge that e-commerce

sites cannot emulate. Drawing on the expertise in ICT we have accumulated since our founding, and taking these technologies to the next level, we will bring about innovation in the healthcare industry.

As an upfront investment for this purpose, the Group announced we would invest approximately 5 billion yen over three years in the development of a next-generation dispensing system. We developed the dispensing system currently in operation in-house in the latter half of the 1990s, and it remains the backbone of the Group's digital transformation effort. We decided to develop a next-generation system to seize the initiative in responding to rapidly accelerating digital transformation in healthcare. The lifting of restrictions on electronic prescriptions in 2022 is expected to give further impetus to online healthcare. Leveraging our industry-leading expertise in ICT, we will target further growth through the fusion of the Group's highly skilled medical personnel with healthcare-related digital transformation.

One new business linked to our digital transformation strategy is FINDAT, an advanced online drug information platform launched in June 2020. This business has grown significantly, driven by the expanding role of pharmacists in society. The platform has been rated highly not only by regional general hospitals, our target client base so far, but also by pharmacies inside and outside the Group that are tasked with supporting increasingly sophisticated healthcare, and by educational institutions aiming to train highly qualified doctors and pharmacists. We have already started rolling out FINDAT to Group pharmacies—this is a prime example of our ability to deliver advanced healthcare through the fusion of our pharmacists with healthcare-related digital transformation.

The Information Provision and Consulting Business involves the work of data analysts, mainly from subsidiary Japan Medical Research Institute, who analyze anonymized healthcare-related big data gathered from within the Group. This data is useful in numerous applications, including treating patients, preventing disease progression, and optimizing medical costs for insurers. Many companies in Europe and the U.S. are already pursuing innovation in a wide range of healthcare fields, such as building off a base in the pharmacy business to enter the insurance field. With the aim of becoming a comprehensive healthcare company, Nihon Chouzai has also developed four businesses centered on the Dispensing Pharmacy Business. But our sights are by no means limited to existing pharmacy services and generic drug provision: We are also looking at other innovation that capitalizes on digital transformation in healthcare fields. I invite you to keep an eye out for the evolution of our business portfolio in line with the changing times.

By keeping our businesses one step ahead of the times, we will be perfectly positioned to be indispensable to society.

In the Dispensing Pharmacy Business, we are implementing a unique pharmacy network strategy that emphasizes a balance between both hospital-front/on-site pharmacies and hybrid pharmacies, and between organic pharmacy openings and acquisitions. In addition to being next-generation pharmacies offering the functions patients will need in the future, we are focusing on opening pharmacies that demonstrate the potential for high net sales per pharmacy and superior operating efficiency. The Group's pharmacies throughout Japan are vigorously pushing forward to attain regional cooperation pharmacy and specialized medical institution cooperation certification under the revised Pharmaceuticals and Medical Devices Act, and preparations are coming along well.

In the Pharmaceutical Manufacturing and Sales Business, despite an operating environment made difficult by downward revisions to NHI drug prices almost every year, we were able to significantly improve business performance while placing top priority on quality and stable supply. We newly listed 21 generic drugs in June and December 2020. Leveraging development capabilities that are on a par with those of major generic manufacturers, we have expanded the lineup of MHLW-certified drugs developed and manufactured in-house in recent years. The generic drug industry has come under severe scrutiny due to repeated issues with instability in the supply chain. As a comprehensive healthcare



company that helps care for patient lives, the Group will always keep a patient-centered focus in addressing the needs of society.

Regarding the Medical Professional Staffing and Placement Business, the pandemic brought about a shift in the demand structure for the pharmacist temporary staffing business. Accordingly, we are stepping up our transition to the pharmacist and doctor placement business. In addition, dramatic changes in the social fabric are giving rise to calls for more effective corporate health management. To support companies in addressing calls for better mental health and other health care for their employees, we made WORKERS DOCTORS, which operates an industrial doctor HR business mainly in the Tokyo metropolitan area, a group company in November 2020. Going forward, we will capitalize on the Group's network to expand our business nationwide in support of better health management in Japan.

Graduated from the School of Public Health at Johns Hopkins, a global authority in the public health field.

I graduated from Johns Hopkins Bloomberg School of Public Health in the U.S. in May 2021. Public health is an academic discipline that seeks to cooperate with an array of organizations and people in the community to prevent illness and injury, maintain and improve health, identify the causes of illness and disability, and address health threats. It deals with community health issues from a broad perspective, including healthy life expectancy, disease prevention, and even economic conditions. The focus of my studies was healthcare management, and I did research on the utilization of health data. Except for me, all of my Japanese classmates were doctors, but through my interactions with them and by listening to their concerns, I felt a

greater sense of crisis about the future of healthcare in Japan. At the same time, I came away convinced once more about the importance of the role that the Nihon Chouzai Group should play.

I did not want to waste any time in using the fruits of my research to inform my management of the Group, and immediately put a number of measures in place. Going forward, I will continue to reflect my research in Group actions that lead to sustainable growth and enhanced corporate value.

Managing with an emphasis on employee engagement, taking the Nihon Chouzai brand to the next level.

In the June 17, 2021 electronic version of The Nikkei newspaper, a leading popular review website released an announcement about firms whose review among female employees had improved. Out of a survey of about 10,000 companies, Nihon Chouzai ranked number one in terms of the degree of improvement in both 2020 and 2017.

I take personal pride in this. Since my time as a recruiting officer and even now as president, I have continued to take the lead in introducing recruitment initiatives for new graduates and pursuing engagement with new employees, and have used feedback from that engagement in making working style reforms. At the time, I was also the Group's public relations officer, so I thought I had no choice but to come to the forefront myself in making the Nihon Chouzai brand more well known, and I recall giving many energetic lectures. Compared to five years ago, I am struck by how much the Nihon Chouzai brand has grown.

More than 500 pharmacists joined the Group this year. New graduates hired within the past five years now account for half of our total pharmacist workforce. With many of them dispersed to various regions around





the country, I feel that it is physically difficult to instill in them our corporate culture and mindset. To take employee engagement to the next level, therefore, I plan to conduct a survey of all employees this year. I also started an in-house blog to convey my message directly. In addition, we are actively taking steps to communicate with the roughly 6,000 employees and part-time staff working for us nationwide, such as holding our first online meeting bringing together pharmacy managers from all of our pharmacies.

It will become increasingly vital to foster an environment in which every employee can fulfill their potential and play an active role in the business. Our goal is to be an organization with high employee engagement, one that embraces diverse human resources and working styles. We are achieving this through working style reforms and health management and diversity and inclusion initiatives—we obtained Kurumin certification from the Ministry of Health, Labour and Welfare recognizing our support for parenting.

We will create a robust management foundation by cultivating management personnel and grow into a sustainable company.

Nihon Chouzai has long focused on cultivating highly talented human resources, primarily pharmacists. In recent years, however, as the scale of the company has grown, we have put greater priority on the development

of top management, middle management, and managers in the field. Our training initiatives involve management seminars where participants compile proposals for resolving selected management issues. In addition, in June 2021, we appointed Mikiharu Noma as an Outside Director for the Group. Professor Noma teaches in the Graduate School of Business Administration of Hitotsubashi University and was a member of the “Competitiveness and Incentives for Sustainable Growth: Building Favorable Relationships between Companies and Investors” Project (Ito Review) set up by the Ministry of Economy, Trade and Industry. I look forward to his involvement in Group management.

Inculcating a corporate culture is no easy task. In the conservative healthcare industry, we are an advanced company which puts emphasis on speed. We have a culture of taking risks and making investments when none of our competitors have even started to take action. It feels like we have always been running a few years ahead of the pack, so we have had our fair share of friction. But, having weathered this, I think Nihon Chouzai has become a stronger organization. Going forward, by reinforcing our cultivation of management personnel, I am confident we will be able to demonstrate growth with the kind of corporate governance that is fitting for the prime market.

The Nihon Chouzai Group will constantly take action looking one step ahead of the times, seeking to achieve further growth as a comprehensive healthcare company. I look forward to your continued support.

Financial Impact of COVID-19 Pandemic

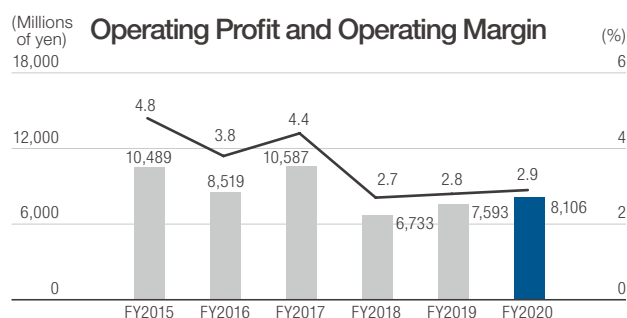
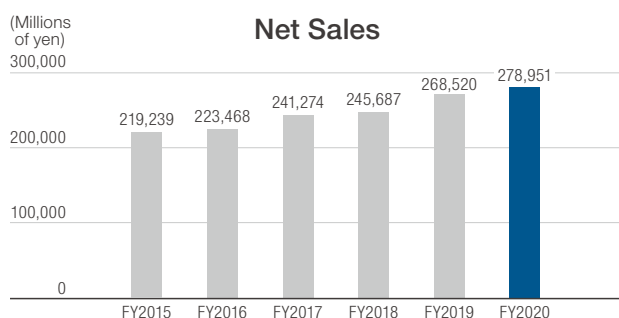
In FY2020, the impact of the COVID-19 pandemic notwithstanding, full-year consolidated sales and profits were both up year on year, with net sales rising 3.9% and operating profit rising 6.8%.

In the Dispensing Pharmacy Business, although numerous medical institutions nationwide put restrictions on health consultations and patients tended to refrain from visiting hospitals or clinics, the situation gradually turned around in the second half. As a result, although the number of prescriptions decreased 3.2% year on year, the prescription unit price rose 9.0%. In addition, the 65 pharmacies that opened during the previous fiscal year made full-year contributions to results. This, coupled with the fruits of cost reduction efforts the Group has been making since FY2018 and success in curbing travel costs and other expenses during the pandemic, led to a recovery of business performance. Consequently, net sales were 244 billion yen (up 5.7% year on year) and operating profit was 10.5 billion yen (up 8.2% year on year).

In the Pharmaceutical Manufacturing and Sales Business, while the selling prices of existing drugs declined following the April 2020 NHI drug price revision, sales of drugs newly NHI listed in December 2019, June 2020, and December 2020 were brisk, fueling a 6.1% year-on-year increase in sales to 45.6 billion yen and an 80.6% year-on-year increase in operating profit to 2.3 billion yen.

In the Medical Professional Staffing and Placement Business, demand for temporary staffing of pharmacists saw a significant downturn amid the pandemic, primarily in urban areas, although placements of pharmacists and doctors remained firm. These and other factors resulted in sales of 8.3 billion yen (down 34.0% year on year) and operating profit of 700 million yen (down 61.5% year on year).

Cash provided by operating activities was 11.2 billion yen, cash used in investing activities was 7.7 billion yen, and cash used in financing activities was 2.8 billion yen. The balance of cash and cash equivalents as of March 2021 was up 600 million yen year on year to 32.8 billion yen.



Financial Policy

To achieve the Long-Term Vision — On the Road to 2030, the Group is seizing upon changes in the operating environment as opportunities and pursuing a financial strategy that emphasizes a balance between growth investment, shareholder returns, and fortifying of the financial foundation.

1. Growth Investment

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

The Group plans to step up the pace of our growth strategy in the Dispensing Pharmacy Business by continuing to reinforce a pharmacy network strategy that emphasizes a balance between organic new pharmacy openings and acquisitions. We are also ahead of the industry in developing next-generation dispensing systems to support healthcare digital transformation. Furthermore, we are channeling efforts into cultivating highly specialized human resources, such as professionals to support the advanced online drug information platform FINDAT, pharmacists certified in outpatient oncology, and pharmacists to engage in at-home healthcare.

The Pharmaceutical Manufacturing and Sales

Business saw the completion in 2018 of Tsukuba Plant No. 2, equipped with state-of-the-art manufacturing equipment and quality control systems. The relocation and consolidation of research functions at the Tsukuba Research Institute in June of that year marked the completion of a multiyear, large-scale capital investment strategy. Going forward, we will work to stabilize fixed costs under rigorous cost control measures while pursuing a growth strategy centered on boosting sales and improving profitability through the expansion of drugs both approved and manufactured in-house.

In the Medical Professional Staffing and Placement Business, pharmacist staffing and placement businesses continue to draw on the competitive strengths of the Group. In addition, the doctor HR business is now fully up and running. In FY2020, the Group made WORKERS

DOCTORS, which operates an industrial doctor HR business mainly in the Tokyo metropolitan area, a group company. As the demand for more effective corporate health management continues to heighten the importance of the role industrial doctors play, the Group will seek to generate new synergies by capitalizing on the expertise WORKERS DOCTORS has built up in the industrial doctor HR field together with the Group's nationwide sales framework and track record in doctor placements.

2. Shareholder Returns

Nihon Chouzai regards returning profits to shareholders as a key management issue. Our basic policy is to return profits to shareholders through stable dividends twice a year (interim and year-end) while considering the internal reserves needed to ensure future growth potential.

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

3. Fortifying the Financial Foundation

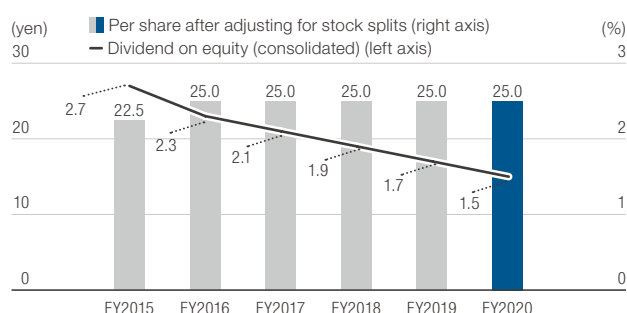
For a company to continue to grow, it is essential to build a stable financial foundation. In FY2020, the Group worked to draw down interest-bearing debt while ensuring sufficient liquidity on hand to meet changes in the business environment brought about by COVID-19.

Although consolidated net sales rose by 3.9% year on year, net assets only increased by 0.4%, indicating greater asset efficiency. Assets increased by roughly 700 million yen while accounts payable increased by roughly 1.4 billion yen, owing to an increase in raw materials and supplies to ensure stable supply capacity in the

Amount of Investment

(Millions of yen)	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Pharmacy business	4,046	4,238	4,679	3,215	8,997	6,289
Manufacturing business	3,663	18,742	10,245	1,582	2,069	2,701
HR business	30	45	89	291	84	98
Consolidated	8,073	23,344	15,316	5,254	12,025	9,492

Dividends Paid



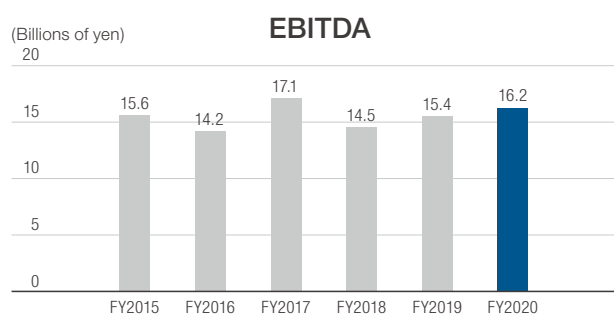
Pharmaceutical Manufacturing and Sales Business. On the other hand, income taxes payable were down by approximately 3.2 billion yen, resulting in approximately a 2 billion yen decrease in liabilities, while net assets were up by 2.7 billion yen due to an increase in retained earnings. Consequently, the equity ratio rose 1.4 points year on year to 26.8%, reflecting the Group's success in further enhancing the capital base.

Going forward, the Group will continue striving to improve its financial position and strengthen the financial foundation for further growth.

Profitability Indicators

In FY2020, the Group achieved higher sales and profits in each category from sales to ordinary profit. Although total asset turnover and financial leverage have remained at high levels, ROE was down year on year, from 15.2% to 7.3%, reflecting a decline in the net profit margin attributable to owners of parent due in part to impairment losses on equipment in the Pharmaceutical Manufacturing and Sales Business. On the other hand, EBITDA, a profitability indicator, has been steadily rising in recent years, and the Group will continue working to sustain this momentum.

	ROE	=	Net profit margin	×	total asset turnover	×	financial leverage
FY2019	15.2%	=	2.5%	×	147.4%	×	413.2%
FY2020	7.3%	=	1.3%	×	150.0%	×	383.5%



Value Creation Process

Issues and Demands in Society



- Super-aging society ("2025 Problem")
Rising medical expenses, shortage of doctors
- Polypharmacy (multiple medications)
- Unused medications
- Response to pandemic



- Family pharmacist system
- Next-generation pharmacies using digital transformation

Input



Human Capital

- 68% out of 5,200 employees with high degree of expertise
- Pharmacists: 3,500
Registered dietitians: 60
- Active HR investment
Education: 590 million yen (over 5 years)



Intellectual Capital

- Market-leading digital transformation
(Investment: 7 billion yen over 5 years)
- Ongoing research of generic drugs
(Investment: 13.7 billion yen over 5 years)
- Strong brand recognition: 40-year track record in advanced healthcare, widely recognized among pharmacists



Financial Capital

- Round of large-scale capital investment
(FY2016: 167 billion yen; FY2017: 102 billion yen)
- Total assets: 186.2 billion yen (end of FY2020)



Manufacturing Capital

- 685 pharmacies
- Five drug manufacturing plants
- Two research facilities



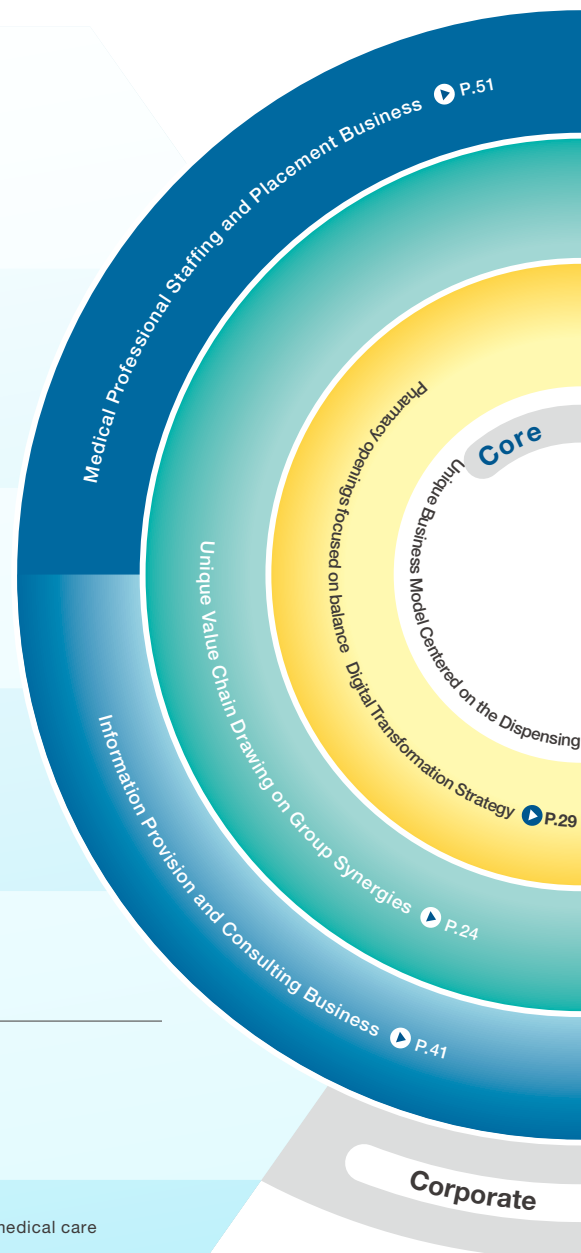
Natural Capital

- Pharmacies
Shift to LED lighting
Refurbished water-conserving toilets
- Plants
In-house power generation from solar panels
Installation of mist spray cooling devices



Social Capital

- Robust collaboration with hospitals that provide advanced medical care
- Health Check Stations opened
- Number of patients: 10.62 million (FY2020)
- Providing an electronic medication notebook platform
- Placement Business: Over 80,000 cases

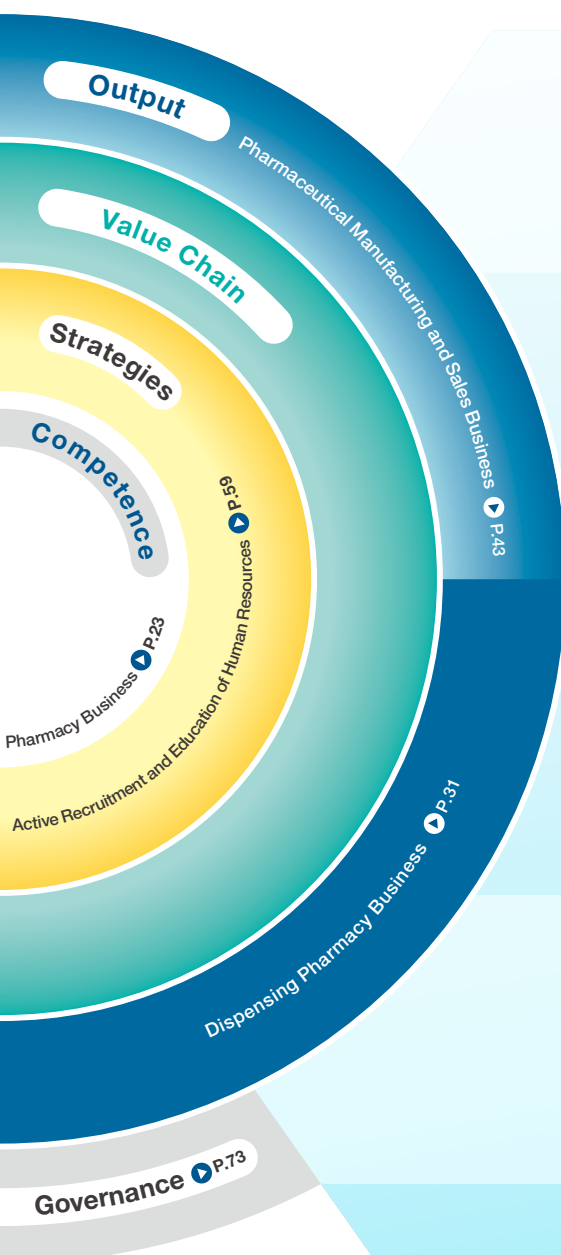


Corporate

Relevant SDGs



Outcome



Human Capital

- Sales per employee: 53.4 million yen (FY2020)
- Promoting women's advancement: Full-time female employees = 70.3%^{*1}
- Growth in certified personnel: Decrease in turnover rate
- Reduction in the number of employees working long overtime hour: 37.6% versus five-year average (FY2020)

Intellectual Capital

- Highly secure proprietary system
- Pharmaceuticals: Newly NHI listed drugs = 21 (FY2020)
- Brand recognition: Ranked No. 1 in three categories of company popularity among job-seeking graduates

Financial Capital

- Total dividends paid: 749 million yen (FY2020)
- Stock Price: 1,785 yen (end of FY 2020) (*up 130 yen from end of FY2019: 1,655 yen)
- ROE: 7.3% (FY2020)

Manufacturing Capital

- Pharmacies: generic drug use 89.3% (end of FY2020)
- Plants: Generic drugs manufactured in-house: 262 (end of FY2020) (*up 17 from end of FY2019)
- Significant increase in manufacturing capacity due to operation of new plant

Natural Capital

- Pharmacies 1.9% reduction in utility costs per pharmacy (FY2019–FY2020)
- Plants
 - Recycled waste: 55 tons (FY2020)
 - Water usage: 834,000 tons (FY2020)
 - CO₂ emissions: 163,000 tons (FY2020)

Social Capital

- Presence at university hospitals nationwide: 50.3%
- Number of prescriptions: 14.2 million (FY2020)
- Electronic medication notebook *Okusuri Techo Plus* subscribers: 850,000 (as of August 2021) (*up 350,000 from April 2020 (500,000))
- Job placement support^{*2}: up 34% for pharmacists, up 247% for doctors (FY2020)

^{*1} Nihon Chouzai only (end of March 2021)

^{*2} Number of placement contracts (versus FY2017)

Stakeholder Engagement

Why we engage



Patients and customers

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 regardless of where they are in Japan.



Medical institutions (hospitals, pharmacies) and medical professionals

As a medical institution and as medical professionals responsible for regional healthcare, the Group collaborates as appropriate with other institutions and professionals to deliver healthcare to patients and members of the local community, and in this way are helping to uphold 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.



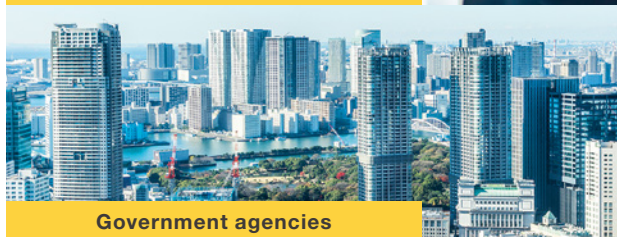
Employees

To achieve sustainable growth, it is vital to create workplaces where employees can take pride in their work as medical professionals who are supporting healthcare in Japan. The Nihon Chouzai Group is working not only to foster supportive, fulfilling workplaces, but also carries out employee engagement surveys to enhance employee satisfaction.



Shareholders, investors

As a company listed on the First Section of the Tokyo Stock Exchange, the Group places importance on appropriate disclosure and on constructive dialogue with shareholders and investors for the sake of achieving sustainable growth and building 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.



Government agencies

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



Society

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



Business partners

As a Group that is involved in a broad range of business areas, it is critical that we maintain solid relationships with all of our business partners. By building a robust supply chain, we will seek to provide stable, quality medical services to patients and customers nationwide.

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 with them to help resolve the issues facing society as a whole. Going forward, we will continue to work to deepen relationships of trust with stakeholders, build relationships that enable mutual flourishing, and increase corporate value.

Stakeholders' concerns	How we respond
<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 ■ 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
<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 medical professionals while avoiding poor fits ■ Stable supply <ul style="list-style-type: none"> • Safe, high-quality drugs • Interviews to provide personnel while avoiding poor fits
<ul style="list-style-type: none"> ■ Workplaces where employees can continue to work with a sense of security ■ 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 medical professional ■ Stable employment in the Nihon Chouzai Group (salary, benefits) ■ One of industry's best training programs ■ Providing flexible career plans that empower women in the workplace
<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 shareholders and investors ■ Growth strategies to achieve a sound financial structure and sustainable growth ■ Stable shareholder returns
<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, agency policies 	<ul style="list-style-type: none"> ■ Developing high-quality generic drugs ■ Stable drug supply ■ Contributing to regional healthcare in Japan ■ Demonstrating the Group's value to society
<ul style="list-style-type: none"> ■ Regional healthcare stations ■ Family pharmacies, pharmacists ■ Actions to contribute to society 	<ul style="list-style-type: none"> ■ Functions to support community residents in staying healthy ■ Pharmacy-based community healthcare frameworks to enable people to lead their daily lives with a sense of security
<ul style="list-style-type: none"> ■ Stability ■ Growth potential ■ Products ■ Services 	<ul style="list-style-type: none"> ■ Over-the-counter (OTC) drug sales ■ Scale merits ■ Sound financial structure ■ Sales of goods and services

A distinctive business model and value

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.

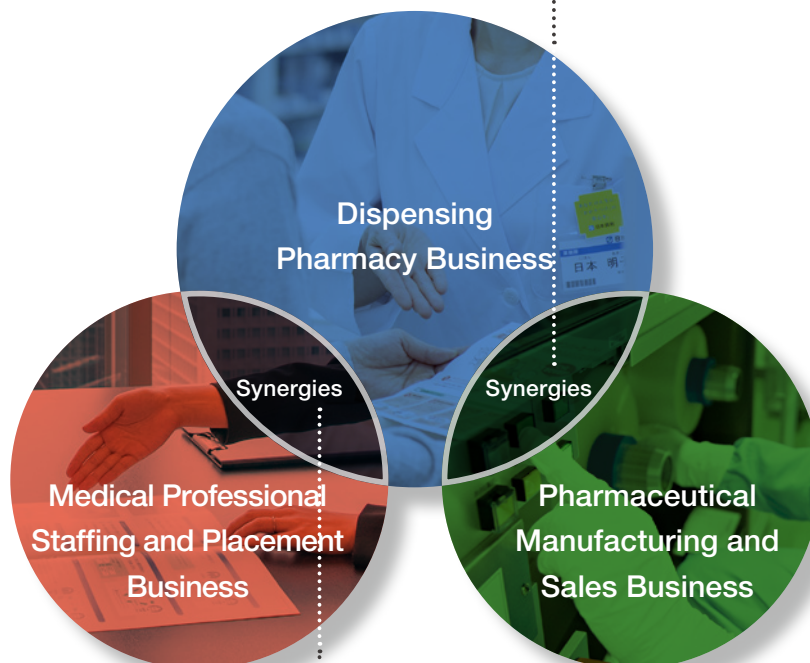
Core Competencies Centered on the Dispensing Pharmacy Business

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

Synergies

Dispensing Pharmacy Business ↔ Pharmaceutical Manufacturing and Sales Business

The Group boasts a business model unrivaled by other companies, in which growth in the Dispensing Pharmacy Business is tied in with growth in the Pharmaceutical Manufacturing and Sales Business.



Synergies

Dispensing Pharmacy Business ↔ Medical Professional Staffing and Placement Business

Through the Dispensing Pharmacy Business network we are able to quickly identify hiring demand for medical professionals. Our business model enables us to quickly expand into new HR fields.

chain leveraging Group synergies

Value Chain

Dispensing Pharmacy Business

A leading company in the pharmacy sector

 P31

Procurement

Aiming for systematized inventory control and waste reduction

- Ordering support system (automatic ordering)
- Drug distribution between pharmacies in the same area
- Stable procurement of high-quality generic drugs from the Pharmaceutical Manufacturing and Sales Business

Receiving prescriptions

Supporting a range of prescriptions, gearing up to handle electronic prescriptions

- In-pharmacy, fax, electronic medication notebook *Okusuri Techo Plus*
- Online insurance eligibility verification
- Preparing for lifting of restrictions on electronic prescriptions

Medication guidance, sales

Supporting the family pharmacists who are closest to patients

- Building a next-generation dispensing system
- Online Pharmacy Service
- Home visiting guidance
- Drug delivery service
- *Okusuri Techo Plus* function to connect patients with pharmacies

Collaborating with medical institutions

Supporting at-home healthcare, achieving true separation of drug prescribing and dispensing services

- Home visit reports, tracing reports
- Participating in hospital discharge and community care conferences
- Collaborating in oncology treatment

Pharmaceutical Manufacturing and Sales Business

A manufacturer of a full line of generic drugs

 P43

Development

Developing generic drugs to achieve profitability and meet demands from society

- Developing new products (in-house, jointly)
- Newly developing existing products (shift to in-house production)
- Investing in ongoing research

Sourcing

Stable sourcing of raw materials for drug manufacturing

- Disclosing country of origin of pharmaceutical ingredients
- Responsible sourcing
- Lowering sourcing costs

Manufacturing

Lessening environmental impact, boosting productivity with leading-edge plants and equipment

- Environmentally aware production
- Plant optimization
- Automation (systematization)
- Capacity control

Sales

Expanding internal sales spurs external sales

- Internal sales: to Nihon Chouzai Group pharmacies
- External sales: to hospitals, pharmacies, other medical institutions nationwide
- Tie-ups with pharmaceutical wholesalers nationwide

Medical Professional Staffing and Placement Business

An HR services company specializing in professionals in healthcare fields

 P51

Recruiting

Recruiting pharmacists, doctors, nurses

- 12 sales offices nationwide
- Focusing on meetings to hear from customers (face-to-face, online)
- Average 80,000 job offers

Attracting job seekers

Operating specialized job search websites for medical professionals

- Recruiting through Group websites
- Recruiting through media operated by other companies
- Online, face-to-face consultation and interviews

Matching

Emphasizing interviews with job providers and job seekers to minimize poor fits

- Matching based on prior meetings to hear from customers
- Interviews (combination of face-to-face, online)

Staffing and placement

Follow-up by regularly checking job status after start of work

- Matching based on prior meetings to hear from customers
- Interviews (combination of face-to-face, online)

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.

Strategies for Making the Long-Term Vision a Reality

Our View of the Long-Term Business Environment

Growth of the aging population

Increasingly sophisticated healthcare

Embracing major changes in the operating environment as opportunities

Healthcare-related digital transformation

Functional differentiation of pharmacies

Industry restructuring

Strategies

New pharmacy openings with an emphasis on balance

Digital Transformation Strategy

P29

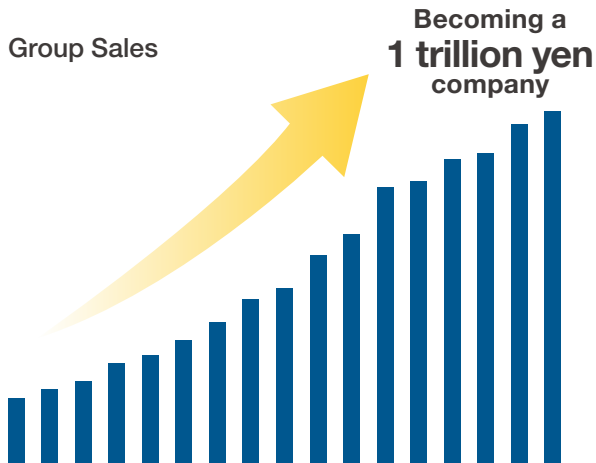
Active recruitment and education of human resources

P59

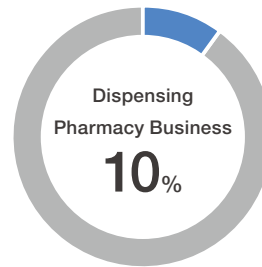
Long-Term Vision

The company we want
to be in 2030

A comprehensive healthcare company



Market Share




We set Group sales of 1 trillion yen as the scale of business we are aiming 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.

Strategic Outcomes


1

More robust profitability

- Synergies from substantial expansion in the Dispensing Pharmacy Business
- Growth of the pharmaceutical manufacturing business (expansion of internal sales)  P45
- Expansion into new areas in staffing and placement businesses (stronger tie-ups with medical institutions)


2

Greater efficiency

- Larger, more centralized pharmacies
- Containing rising healthcare costs
- Greater productivity
- Growth of online healthcare  P36

3

Pursuit of quality and safety

- Ensuring safe healthcare
- Stable supply and quality improvement  P49

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 control risks, embrace opportunities as a force driving future growth, and harness strong synergies between our businesses to realize dramatic growth.

Area	Risks	Opportunities
Dispensing fee revisions	Changes in dispensing fees due to national dispensing fee revisions	Accelerating restructuring in the pharmacy industry due to the impact of dispensing fee revisions
Drug price revisions	Reduction in drug prices due to national drug price revisions	Accelerating restructuring in the pharmacy and generic drug industries due to the impact of drug price reductions
Entry of outside players into the pharmacy industry	Entry of players from other industries following deregulation in the pharmacy sector	Spread of remote healthcare and online medication guidance following deregulation in the pharmacy sector
COVID-19 Pandemic	Long-term prolongation of the pandemic	Growing demand to provide healthcare online and other means that do not involve interpersonal contact
Cyber Security	Leaks of vital information due to cyber attack	Reinforcing security by continuously upgrading risk response
Medical and pharmaceutical safety and quality	Side effects or harmful interactions caused by drugs; quality defects of pharmaceutical products	Ensuring and improving safety by promoting the proper use of pharmaceuticals; maintaining and improving quality through proper drug manufacturing
Stable Supply of Pharmaceuticals	Instability in domestic pharmaceutical supply	Increased demand for in-house products

Impact

Failure to adapt to dispensing fee revisions may affect performance in the Dispensing Pharmacy Business.

Drug price revisions may affect Group performance, such as causing lower profits in the Dispensing Pharmacy Business and Pharmaceutical Manufacturing and Sales Business.

If deregulation in the pharmacy sector draws in new players from other industries, this may affect Group performance.

Business continuity may be partially disrupted due to employee infections.

Patients refraining from visiting medical institutions may cause lower profitability.

If a risk is exposed, privacy breaches, leaks of confidential company information, and other information protection issues may affect Group performance through the loss of social credibility or of access to information critical to management.

Dispensing Pharmacy Business

If drugs are not used properly, this may affect Group performance through the loss of social credibility and patient trust due to the occurrence of side effects or harmful interactions.


Pharmaceutical Manufacturing and Sales Business

If a quality defect occurs in a generic drug, this may affect Group performance through the loss of social credibility and patient trust, and through measures required to improve quality.

If the stable supply of pharmaceuticals is affected, such as when supply cannot keep up with market demand for pharmaceuticals, this may affect Group performance, such as through the loss of trust from patients and healthcare professionals.

Action


Dispensing pharmacy business

- Foster specialized professionals to handle advanced healthcare  P33
- Expand business areas by strengthening pharmacy functions to support a care cycle ranging from disease prevention and pre-symptomatic illness to treatment, prevention of progression, and at-home healthcare

Dispensing Pharmacy Business

- Expand the customer base through new pharmacy openings and growth of existing pharmacies
- Expand the customer base through construction of online healthcare systems

Pharmaceutical Manufacturing and Sales Business


- Develop highly profitable drugs  P44
- Boost profit margins by reviewing portfolio to increase ratio of products manufactured in-house
- Lower costs through more efficient production

Dispensing Pharmacy Business


- Achieve dramatic growth by transforming our businesses through the fusion of highly skilled medical personnel with healthcare-related digital transformation, bringing about business reform, new business creation, and work process reform

Digital Transformation Strategy  P29

Dispensing Pharmacy Business


- Amid advancing digital transformation in healthcare fields, provide smart healthcare that enables medical consultation, medication guidance, and drug receipt to be carried out entirely online  P36

Medical Professional Staffing and Placement Business

- Meet demand for medical personnel to man vaccination venues and serve in areas where medical resources are scarce  P56

Conduct cyber security assessments through an external auditing agency.
Minimize risks by continuously upgrading cyber security measures.

Dispensing Pharmacy Business

- Continue to reinforce education to ensure the proper use of drugs, using e-learning, the FINDAT platform, and other formats
- Design programs to support the proper use of drugs and implement dispensing equipment to ensure safety  P37

Pharmaceutical Manufacturing and Sales Business

- Carry out ongoing education to maintain and enhance quality standards
- Operate an ongoing framework to regularly monitor proper quality levels (practice quality risk management)

- Augment production capacity to meet surges in demand for pharmaceuticals

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. Going forward, we will continue to pursue business transformation through the use of digital technology (digital transformation) to create value and achieve further growth.

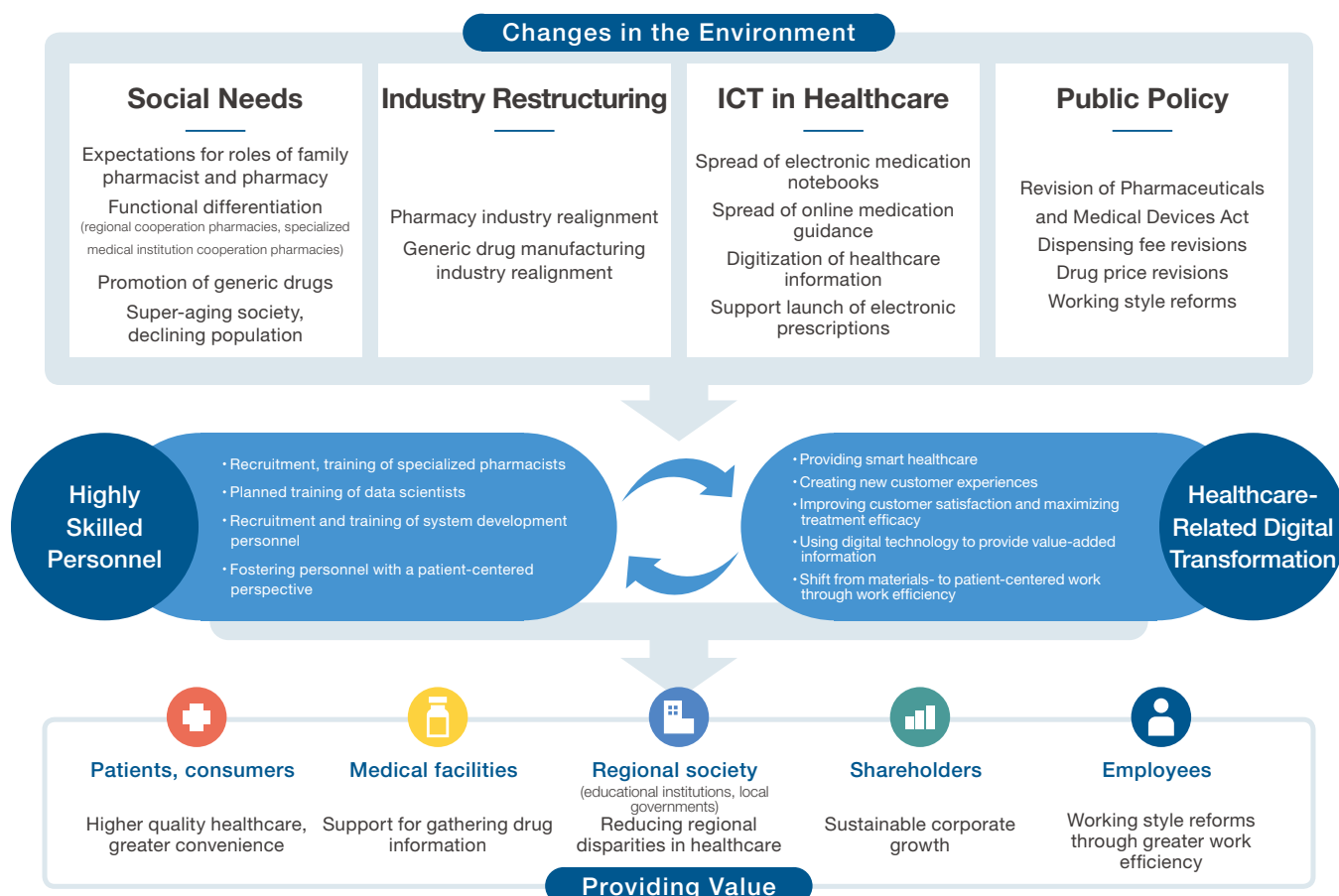
Providing Value Through Healthcare-Related Digital Transformation in a Changing Environment

A Fusion of Personnel and Healthcare-Related Digital Transformation Shaping Next-Generation Pharmacies

Amid a super-aging society and shrinking population, the healthcare environment in Japan is being rocked by moves to curb social security costs and labor shortages.

Nihon Chouzai will realize the digital transformation of existing businesses and create a new earnings base through the fusion of highly skilled personnel with

healthcare-related digital transformation. We will help solve social issues by achieving both healthcare safety and an efficient operating framework. Moreover, the Group will evolve existing services and create new medical services to provide new value to patients, medical institutions, local communities, and all of our key stakeholders.



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 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.

Digital Transformation Strategy

Value Provided

Providing smart healthcare

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

- Online medication guidance service Nihon Chouzai Online Pharmacy Service
- Collaboration between outside online healthcare services and Nihon Chouzai Online Pharmacy Service [P36](#)
- Electronic medication notebook *Okusuri Techo Plus*
- Picking up drugs using a pick-up box with authentication function [P38](#)



• Enhanced convenience, prevention of illness progression



• Narrowing regional disparities in healthcare

• Addressing health and lifestyle issues through community multidisciplinary collaboration

Creating new customer experiences

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

- Developing a new pharmacy support system
- Electronic medication notebook *Okusuri Techo Plus*
- At-home medical care communication system
- Health consultation system



• Enhanced convenience

• More robust at-home healthcare

• Support for illness prevention and pre-symptomatic illness of community residents

Improving customer satisfaction and maximizing treatment efficacy

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

- Adding functionality to electronic medication notebook *Okusuri Techo Plus* to connect patients with pharmacies



• Providing high-quality healthcare through more extensive patient-centered work

• Support for illness prevention and pre-symptomatic illness of community residents

• Prevention and early detection of drug side effects

Using digital technology to provide value-added information

Providing value-added information through the FINDAT [P39](#) drug information platform

- Providing value-added drug information
- Using FINDAT platform in pharmacies
- Educational use at universities, etc.



• Proper drug use based on efficacy, safety, and cost-effectiveness

• Providing high-quality healthcare through more extensive patient-centered work



• Support for gathering drug information



• Sustainable healthcare provision

• Use of information at universities and other educational institutions

Shift from materials- to patient-centered work through work efficiency

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

- Automation of dispensing work [P37](#)
- Online payment
- Online insurance eligibility verification [P36](#)
- Digital management of pharmacy management processes, sharing best practices
- Online learning content, Q&A information database
- Voice input system, vein biometric authentication system



• Providing high-quality healthcare through more extensive patient-centered work

• Balance of safety and efficiency of dispensing work



• Working style reforms through greater work efficiency

• Heightened expertise through shift from materials- to people-centered work

Pursuing each strategy to achieve sustainable growth



• Providing a range of opportunities for active involvement



• Sustainable corporate growth
• Minimizing risk