

Risks and Opportunities

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

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

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