



Kazunori Ogi
President and CEO

Harnessing change as a force driving growth, we are moving into a new stage of growth to realize our vision

► Greetings from the new President: The journey so far ◀

I am Kazunori Ogi, and I assumed the position of President and CEO of Nihon Chouzai Co., Ltd. in June 2025. First off, I would like to express my sincere gratitude to our shareholders, investors, and all of our stakeholders for your ongoing support.

The Nihon Chouzai Group for years led the industry in Japan as a pioneer in the separation of drug prescribing and dispensing services. However, as this separation has become broadly accepted in Japanese society in recent years, and the spread of generic drugs has reached targeted levels, the industry as a whole now stands at a critical turning point, poised to move away from a conventional path of expansion toward a model of providing new value. Our company has also made the decision to delist its shares. Having been assumed the role of President during this time of change, I feel a weighty sense of responsibility to capitalize even more fully on the strengths the Group has cultivated over the years and to use these to drive new growth.

Before joining Nihon Chouzai, I worked at a bank for about 16 years. In addition to supporting the growth of companies through new lending and business development, I was also involved in the restructuring of struggling companies, so I experienced both the forward-looking aspects of corporate management and the need to protect existing businesses. While working at the bank, in fact, I was in charge of the Nihon Chouzai account for a certain period. At the time, the company had not yet gone public, but I was really struck by the way in which it was taking the lead in the industry, guided by a vision of achieving the true separation of drug prescribing and dispensing services, and ambitiously growing the business with a view to the next 10 to 20 years. Having found Nihon Chouzai's forward-thinking and aggressive corporate culture quite appealing, I joined the company in 2008. After joining the company, I was mainly responsible for fundraising in the Finance

Department, and supported various initiatives including M&A activities in the Dispensing Pharmacy Business and the launch of the Pharmaceutical Manufacturing and Sales Business. For the past 17 years, I have worked in the financial field while also being involved in the management and restructuring of Group companies, and continue in that capacity today.

In October 2021, an inappropriate incident was discovered at Choseido Pharmaceutical, a member of the Nihon Chouzai Group, resulting in that company receiving a directive to suspend operations. I was tasked with turning the company around, and that has been the focus of all my efforts. There are numerous challenges, however, and being on the front lines of drug manufacturing once again brought home to me just how important rigorous quality control is, and how many layers organizational management involves. My personal code used to be “have heart of ambition, work with passion, and be flexible in thinking.” In my thinking as a manager, though, I’ve turned to the management philosophy of Kazuo Inamori, the founder of Kyocera and the man who rebuilt Japan Airlines, and the value he placed on an “altruistic mind.” Our work in making and dispensing drugs impacts the health and lives of many people. I want to come alongside patients, healthcare personnel, and all the colleagues I work with as I continue to value a management approach of always trying to put myself in the other person’s shoes.

The significance of the Nihon Chouzai Group for society lies in the ambition of our founder, Hiroshi Mitsuhashi, to raise the overall status of pharmacists. Pharmacists may not necessarily be regarded as highly in Japanese society as in other countries. At heart, however, pharmacists are meant to be experts in medicine who engage in the healthcare of patients on an equal footing with doctors. In recent years in Japan, cancer treatment in particular has come to be carried out at home, making it increasingly critical for pharmacists to offer specialized medication management and to follow up on side effects. Furthermore, as team healthcare involving collaboration between different disciplines becomes more widespread, the importance of the role of pharmacists is growing. I believe the mission of the Nihon Chouzai Group is not merely to deliver the drugs doctors prescribe but also to be mindful of the circumstances of each patient and contribute to raising the overall quality of healthcare in Japan and to the sustainability of the system of universal health insurance here.

► **FY2024 Summary and Our Strategic Response to Emerging Changes in the Industry** ◀

FY2024 was the first year of Long-Term Vision 2035 and, frankly speaking, it was a very challenging year. In the Dispensing Pharmacy Business, profitability deteriorated as dispensing fees for on-site pharmacies — which the company had been actively promoting — were significantly reduced due to the revision of medical fees. In the Pharmaceutical Manufacturing and Sales Business as well, Group company Choseido Pharmaceutical was subjected to administrative disciplinary action for a second time. We take this disciplinary action very seriously and are making every effort to prevent recurrence and rebuild trust. Having to face such difficulties both in our mainstay Dispensing

Pharmacy Business and in our Pharmaceutical Manufacturing and Sales Business created an extremely challenging situation for the Nihon Chouzai Group.

Meanwhile, looking at the pharmacy industry as a whole, we have seen rapid restructuring over the past two or three years, with competition growing even more intense as more and more drugstores come into the industry and with large-scale mergers among specialized dispensing pharmacy chains. Other factors include the fact that the separation of drug prescribing and dispensing services has become broadly accepted in Japan and that the switch to generic drugs is now nearly complete, causing growth in the industry as a whole to reach a plateau. This situation calls for us to come up with new growth strategies. Given this context, we began to implement an array of proactive response measures in FY2024. Our efforts included boosting work efficiency through AI and automation, revising the personnel system to put greater emphasis on performance, and making pharmacy operations more flexible by introducing a variable working hours system. These efforts have begun to steadily bear fruit since the beginning of FY2025, and business performance is improving. Even amid an adverse operating environment, the swift actions we are taking are proving effective, and I feel confident that we are at a point of turning toward a new growth trajectory.

► **Specific Business Strategies to Achieve Long-Term Vision 2035** ◀

Long-Term Vision 2035, announced in September 2024, clearly lays out the path the Nihon Chouzai Group needs to take to move towards the next stage of growth. In the vision, we have set a goal of becoming the most trusted partner in healthcare. Our focus in the Dispensing Pharmacy Business is on transforming our existing pharmacies into pharmacies of choice for patients. We will move away from a growth model that depends on new pharmacy openings and instead improve the productivity and service quality of existing pharmacies, aiming to transform them into places that make it easy for anyone to come in for a consultation. Specific approaches will differ from pharmacy to pharmacy but, for example, introducing corte, a service that uses AI technology to support the creation of medication histories, can make operations more efficient and enable more personalized medication guidance, putting in place a framework that allows pharmacists to focus on higher-value-added tasks. We are collating and digitizing success stories like this from various pharmacies at the head office to be shared among all pharmacies, leading to better service capabilities across the organization. I sense that there’s still a great deal of potential in creating pharmacies people want to choose because they think Nihon Chouzai is the best pharmacy chain out there, regardless of access to medical institutions or other factors in terms of location. We are also actively working to expand our network of At-Home Medical Care Support Centers, which are in increasing demand in line with the aging population in Japan, as well as capitalizing fully on the expertise of our pharmacists to provide advanced drug management for cancer and rare diseases.



a strategy of broadcasting information of interest to people thinking about switching jobs to draw in potential job seekers and gradually make the rationale for a job change evident. While maintaining an approach of meeting face-to-face and carefully discerning good job fits, we are also moving ahead with more efficient digital matching for younger job seekers. We will optimize the entire process, from approaching potential candidates to signing contracts, to further grow the business. In the healthcare business, we will pursue businesses that target corporate clients, centering on the occupational doctor and occupational nurse businesses and businesses for preventing the progression of illness.

▶ Path to Enhancing Corporate Value ◀

The financial strategy set out in Long-Term Vision 2035 places emphasis on improving profitability and ensuring growth. Achieving substantive growth requires a fundamental change in strategy—simply extending the status quo won't do. This doesn't just involve the management team—the organization as a whole needs to make a strong commitment to breaking out of the traditional mold and changing our way of thinking as we adopt a whole new approach to doing business.

Our new partners, Advantage Partners and LYFE Capital, also share a common commitment to growth, and I am confident that these collaborative relationships will be a major driving force behind our business development going forward. Through more flexible and more responsive decision-making, we will rapidly decide on strategic resource allocation and investment, prioritizing investment in the roll-out of AI and digital technologies and human resource development in particular. This will feed into strengthening our sustainable competitiveness as a company.

We are also channeling our efforts into the use of non-financial metrics. For instance, we have introduced a new Net Promoter Score to visualize patient satisfaction. This gives us a framework for connecting patient feedback to ongoing improvement, which we can draw on in raising the quality of our services. The Nihon Chouzai Group also continuously conducts employee engagement surveys and will implement various measures to foster a vibrant and energetic organization.

Our aim is to achieve sustainable growth by enhancing corporate value both on the financial side and in terms of evaluations from patients and other stakeholders.

▶ Reforming the Organization with an Emphasis on Frontline Capabilities and Shoring up the Organizational Foundation to Support Sustainable Growth ◀

From the perspective of human capital management, we provide employees with opportunities for growth according to their roles. For pharmacists, we have positioned honing expertise and

Although Nihon Generic was a latecomer to the Pharmaceutical Manufacturing and Sales Business, we have carved out a certain position in the market through proactive R&D and sales activities. Still, there are high barriers to surmount before we can close the gap with the industry's top players. In this environment, we are working to reinforce competitiveness, boost business efficiency, and improve profitability by seizing the trend underway across the industry of streamlining drug lineups and channeling management resources into key drugs. Moreover, through the strategic tie-up with our new partner, LYFE Capital, we now have far more extensive possibilities for overseas expansion. LYFE Capital has a strong track record of investing in the healthcare and biotech fields across the Pan-Pacific region, particularly in the U.S. and Asia. By tapping into its network of influential local partners and taking advantage of the reputation for high quality enjoyed by Japanese pharmaceuticals, we will explore ways of expanding exports, primarily to Asian markets, ensuring the stable procurement of drug substances, and pursuing commissioned and contract manufacturing. While ensuring a stable domestic supply remains a major prerequisite, we will strive to create new growth opportunities by shifting our business stance from a focus on the Japanese market toward the exploration of global expansion.

In the Medical Professional Staffing and Placement Business, we have established a leading position in the industry for pharmacist staffing, and are currently focusing on expanding our pharmacist and doctor placement businesses and healthcare business. We are seeing steady growth in the number of registered users in the pharmacist and doctor placement businesses. We have crafted

New Framework after Delisting



strengthening the ability to engage with patients as key themes. We will further enhance our educational framework—already highly acclaimed within the industry—and take advantage of training programs and AI support systems to cultivate personnel who can respond attentively to the needs of individual patients. We are also striving to raise the level of the organization overall, supporting an array of skills development for employees other than pharmacists, from management personnel to specialists.

In terms of the organizational framework, to become the pharmacy of choice, we are moving forward with the shift from a traditional top-down approach to a bottom-up approach that values feedback from personnel on the front lines. We are exploring ways for management to reflect the ingenuity and ideas that arise from various pharmacies, and the head office is putting a framework in place to accompany and support the pharmacies. We also want to foster a corporate culture of being mindful of where patients, healthcare professionals, and all of our employees stand, and which empowers action.

Regarding our approach to managing the organization, we are aiming for flexibility and openness. We will rotate personnel appropriately to avoid employees getting locked in to certain positions and encourage the active exchange of views across departmental boundaries. At the same time, we will improve the soundness of the organization by augmenting our internal reporting system.

With regard to sustainability, the Group since its founding has placed emphasis on helping to maintain Japan’s system of universal health insurance through our business. One role we have played for many years has been to engage in initiatives in line with the government’s Vision of Pharmacies for Patients to address the issue of optimizing medical costs, including encouraging the widespread use of generic drugs and expanding our lineup of over-the-counter drugs. We will continue seeking to improve the quality of healthcare while reducing the burden of medical costs, helping to bring about a sustainable healthcare system in an aging society.

Embracing the Challenge of Delisting and Creating Value by Forging New Partnerships

The rationale behind our decision to delist was to gain the freedom to move decisively forward with investments and reforms targeting growth from a longer-term perspective without being swayed by short-term performance. As Japan’s pharmacy industry matures, reforms that go beyond the conventional path of expansion are essential, and I believe incorporating a broader range of perspectives, rather than insisting on being self-sufficient, is an important choice in terms of achieving sustainable growth.

As I mentioned earlier, our new partner, Advantage Partners, has extensive experience and knowledge in the area of enhancing corporate value, which it cultivated through numerous investment projects targeting companies in Japan. LYFE Capital also has extensive experience in

*AP Fund indicates a fund for which Advantage Partners, Inc. provides investment-related services or which is managed and operated by an affiliated company of Advantage Partners, Inc.
*LC Fund refers to LYFE Capital Fund IV (Dragon) L.P., a fund related to LYFE Capital Investment Management Ltd.

the healthcare sector as well as a robust knowledge of supply chains and advanced initiatives in pharmaceutical markets overseas. Our hope is that we can build a new springboard for growth by leveraging LYFE Capital’s international network. Meanwhile, it was extremely encouraging in this process to see how highly these two outside companies estimated the strength of the Nihon Chouzai brand and our potential value—these were things we took for granted within the Group. The process is uncovering the new value of assets that we have not fully taken advantage of until now, such as the potential for services based on patient data, and these assets are generating high expectations. Going forward, through collaboration with these outside partners, we will embrace new challenges in the areas of the international distribution of generic drugs, at-home healthcare, and digital health, with a view to tie-ups with overseas companies. At the same time, we are revisiting the very significance of pharmacies, aiming for our pharmacies to evolve into comprehensive healthcare hubs that help maintain and improve people’s health. To this end, it is vital that our pharmacists and all of our employees strive to generate new ideas as healthcare professionals.

Meanwhile, approaches that we have always valued, including employee benefits and the working environment, will remain unchanged going forward. We will further enhance the new personnel system introduced last year and strengthen the frameworks that allow each employee to experience a sense of growing.

Delisting is not the goal, but a new start. While cherishing the trust and business foundations we have built up since our founding, we will take on the next stage of growth together with our new partners, evolving into an even more resilient, more agile company.

▶ To Our Stakeholders: Moving into the Future, Realizing Our Founding Philosophy in New Ways ◀

The Nihon Chouzai Group has moved forward since its founding, consistently grounded in the unchanging desire to serve patients and raise the overall status of pharmacists. All the initiatives the Group has undertaken to date, including promoting the separation of drug prescribing and dispensing services and encouraging the widespread use of generic drugs, have been for the sake of supporting a sustainable healthcare system. The foresight and spirit of embracing challenges shown by our founder, Hiroshi Mitsuhara, continues to be passed down to us today. What will be required of us in the coming era is to fulfill the potential of this DNA in new ways, creating value suited to the future. The environment for healthcare in Japan is changing at an unprecedented pace, with the declining birthrate and aging population, rising medical costs, and industry restructuring. Rather than fearing such change, we view it as an opportunity for growth, and will speed our transformation to realize our long-term vision of becoming the most trusted partner in healthcare.

Capitalizing fully on the freedom in management to be gained by the delisting, we will shore up the foundations of our three business segments—the Dispensing Pharmacy Business, Pharmaceutical Manufacturing and Sales Business, and Medical Professional Staffing and Placement Business. At the same time, as a comprehensive healthcare Group, we will boldly embrace challenges in new areas that generate synergies with the existing businesses.

Above all, we will work together across the Group to create the next stage of growth, so that patients and all of our stakeholders can experience and benefit from our evolution. I appreciate your continued understanding and support.

