

We announced Long-Term Vision 2035 in September 2024.

Under this vision, management will continue evolving to realize the kind of Group we envision to be, steadily pursuing strategies formulated by backcasting from our future goals.

## Where the Nihon Chouzai Group is going

The future we want to create

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## The Kind of Group We Want to Become

# To be the Most Trusted Partner in Healthcare

United in its unchanging mission of giving people the closest possible support, the Nihon Chouzai Group has set out a vision of becoming the most trusted partner in healthcare. We also formulated three pillars that embody the kind of Group we want to become to achieve our long-term vision.

### Becoming the most vibrant and energetic Group in Japan

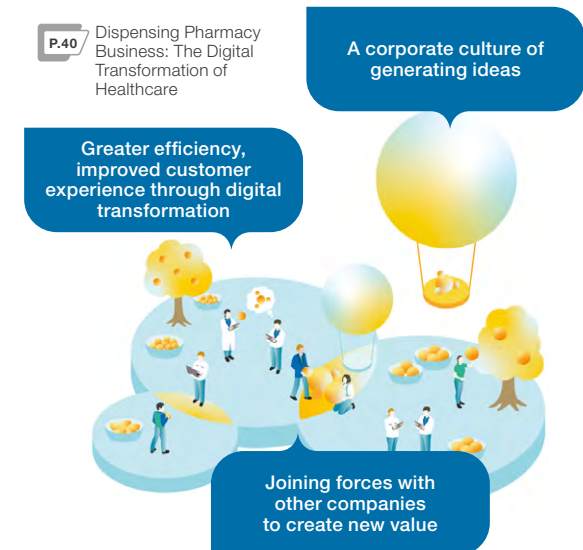
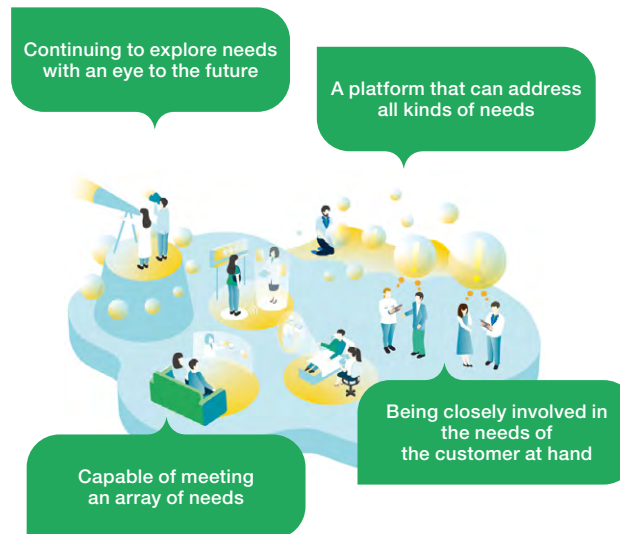
We aim to be a healthcare group that gains the trust of all people by closely engaging with our patients and customers and offering services that are marked by warm hospitality. To this end, we will build an organization capable of coming even more closely alongside customers, significantly expanding our non-financial human assets by offering training and education, reforming our systems, and ensuring diversity.

### Becoming a Group that can address all kinds of needs

As times change, healthcare needs are becoming increasingly diverse. We aim to realize our vision of giving even more people the closest possible support in even more areas by being closely involved in the needs of customers. We will provide value that exceeds expectations by building the framework, facilities, and systems needed to meet an array of needs, drawing on customer feedback and revising our services from a customer-centered perspective.

### Becoming a Group that continues to innovate

By taking on the challenge of pursuing innovation, we aim to enhance customer experiences and reform operations in our existing businesses while delivering new value to customers through the creation of new businesses. We will target further growth by pursuing collaboration and co-creation with other companies, fostering a corporate culture that encourages innovation, and creating an environment in which all employees can take initiative in embracing challenges.



# Roadmap to Achieving the Long-Term Vision

## Phase 1 Initiatives

### Evolving management

Our first step toward achieving our lofty vision for 2035 will be for management to evolve from a focus on business growth to a focus on enhancing corporate value. Through aggressive investment and measures to reinforce our human capital and further hone our organizational strengths, we will foster greater business growth and innovation. Also, to create new value in a wider range of areas, we will move away from our former approach of self-reliance towards greater co-creation with other companies.

### Shoring up existing businesses

To improve the return on capital, we will manage the business portfolio and investments using ROIC as a yardstick. By focusing more intently on the use of AI and IT and pursuing customer-centered innovation, we will seek to expand the value we provide through existing businesses and become a healthcare Group that can address all kinds of needs.

### Establishing a foundation for exploring new areas

We will adapt an approach of creating new businesses centered on healthcare and peripheral areas, considering establishing a foundation for exploring new areas to be a high priority. Phase 1 will involve establishing the organizational framework needed for business creation, exploring co-creation with companies engaged in various healthcare areas, and moving forward with our transformation into a culture that encourages taking on challenges.

## Phase 2

## Phase 3

## Phase 4

### Shoring up the sustainable management foundation

#### Human capital

Human capital management

#### Customer assets

Digital transformation of services

#### Organizational assets

Pursuing productivity through the use of AI and ITs

Long-Term Vision 2035 aims to improve the return on capital and ensure growth by stressing financial indicators such as ROE, ROIC, and the average annual growth rates of net sales and EBITDA. We have furthermore set the vitality of the organization and the capacity to innovate as non-financial indicators that will help us embody the Group we want to become. In achieving the long-term vision, we will continue to reinforce non-financial assets while steadily implementing initiatives throughout the first three-year phase leading up to March 2027.

## Vision for 2035

To be the most trusted partner in healthcare

### Financial targets

Stress return on capital and growth

ROE 15% ROIC 15%

Average annual growth rates of net sales and EBITDA: 10%-

### Non-financial targets

Improve the vitality of the organization and the capacity to innovate

Consider setting performance indicators based on the Net Promoter Score<sup>®</sup> metric, engagement scores, etc.

\*A metric that measures customer loyalty (trust in and attachment to a service) and represents the percentage of people who would actually recommend the service.

Achieving Long-Term Vision 2035  
Turning new businesses into new growth drivers

# Anticipated Operating Environment, Risks and Opportunities in Achieving the Long-Term Vision

While recognizing and responding to risks involved in achieving the long-term vision, we will also welcome opportunities as forces that can drive growth, realizing dramatic growth gains by harnessing powerful synergies between our various businesses.

## Anticipated operating environment in 2035

### Political

- Balancing innovation with sustainable healthcare for everyone in Japan
- Offering incentives for providing high-quality healthcare services
- Interventions to prevent disease and treat pre-symptomatic illness

### Economic

- Expansion of healthcare market due to growing health consciousness
- Rising wages due to higher value of human capital and a shrinking working-age population
- Inflation

### Social

- Slowdown in spread of the separation of drug prescribing and dispensing services and the rate of generic drug use
- Diversifying customer needs and consumer behavior
- Mounting medical needs due to growth in the elderly population
- Growing need to address employee engagement, DE&I, and a shrinking workforce

### Technological

- Rapid advances in digital technologies
- The spread of electronic prescriptions
- Expansion of online services
- Heightened security risks

Issues	Risks	Opportunities	Response measures
Changes to the Healthcare System	<ul style="list-style-type: none"> <li>● Decrease in dispensing fees due to revision of medical fees and reduction of drug prices due to revision of drug prices</li> <li>● Entry of outside players into the pharmacy industry due to deregulation</li> <li>● Waning competitiveness of existing business models</li> </ul>	<ul style="list-style-type: none"> <li>● Accelerating restructuring in the pharmacy industry due to revisions of dispensing fees and drug prices, deregulation, and other factors</li> <li>● Expansion of online medical care and digital transformation of healthcare due to healthcare system reforms</li> <li>● Accelerating restructuring in the generic drug industry due to the impact of drug price reductions</li> </ul>	<ul style="list-style-type: none"> <li><b>D</b> ● Develop pharmacies with a wide range of functions, collaborate with other companies, innovate</li> <li><b>M</b> ● Boost profitability by developing newly NHI listed drugs</li> <li>● Reviewing the product lineup and expanding the weight of in-house manufactured drugs</li> </ul>
Safety and Quality of Medical and Pharmaceutical Products	<ul style="list-style-type: none"> <li>● Unexpected serious drug side effects or harmful drug interactions</li> <li>● Greater time and effort required to meet stricter regulations on drug manufacturing and quality</li> </ul>	<ul style="list-style-type: none"> <li>● Ensuring safety and enhancing reliability by promoting proper drug use</li> <li>● Enhancing reliability through proper manufacturing and quality control of drugs</li> </ul>	<ul style="list-style-type: none"> <li><b>D</b> ● Enhance educational programs and facilities to ensure the proper use of drugs</li> <li>● Introduce, expand, and ingrain quality management</li> <li><b>M</b> ● Provide employees with rigorous quality control and manufacturing control education</li> <li>● Reinforce and continually monitor manufacturing and quality control framework</li> </ul>
Stable Supply of Pharmaceuticals	<ul style="list-style-type: none"> <li>● Disruptions in the supply chain and increased procurement costs due to global conditions and accelerating inflation, etc.</li> <li>● Increasingly acute drug shortages due to supply and demand disruptions</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding responsible sales and provision of drugs based on a stable, efficient supply chain</li> <li>● Construct a production framework to achieve both stable supply and profitability</li> </ul>	<ul style="list-style-type: none"> <li><b>D</b> ● Achieve stable generic drug supply through tie-ups with pharmaceutical wholesalers nationwide and synergies with the Pharmaceutical Manufacturing and Sales Business</li> <li><b>M</b> ● Ensure a stable procurement framework by securing a second source of drug substances and coordinating with contract manufacturers</li> <li>● Ensure a stable manufacturing framework by upgrading facilities and reviewing the product lineup</li> </ul>
Securing Human Capital Needed to Operate, Grow Businesses	<ul style="list-style-type: none"> <li>● Shortage, poor fits of personnel to support business strategies, declining labor productivity</li> </ul>	<ul style="list-style-type: none"> <li>● Business expansion drawing on strengths in human capital development and recruitment, provision of competitive services</li> </ul>	<ul style="list-style-type: none"> <li><b>G</b> ● Secure highly skilled professionals and carry out employee training programs</li> <li>● Recruit and train high-caliber new pharmacist graduates</li> </ul>
Increasingly Sophisticated Digital Technology and Security Threats	<ul style="list-style-type: none"> <li>● Interruption of services and business due to cybercrime, personal information leaks</li> <li>● Waning competitiveness of current business models</li> </ul>	<ul style="list-style-type: none"> <li>● Stable operation and expansion of businesses and services grounded in an information security infrastructure</li> <li>● Leveraging digital transformation of healthcare to offer new services that address the changing needs of the times</li> </ul>	<ul style="list-style-type: none"> <li><b>G</b> ● Transform core businesses through digital transformation of healthcare</li> <li>● Develop a more robust information security framework and thoroughly train employees</li> <li>● Reinforce measures to prevent incidents and strengthen response capabilities</li> </ul>
Climate Change and Pandemics	<ul style="list-style-type: none"> <li>● Higher costs due to stricter environmental regulations</li> <li>● Expanding impact on business due to large-scale natural disasters and global pandemics</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding needs and services to address changes in consumer behavior and lifestyles</li> <li>● Growing demand for online medical care</li> </ul>	<ul style="list-style-type: none"> <li><b>D</b> ● Provide smart healthcare that enables medical consultation, medication guidance, and drug receipt to be carried out entirely online</li> <li><b>G</b> ● Conduct and review of business continuity planning and augment resilience to prepare for natural disasters and other large-scale disasters</li> <li><b>H</b> ● Address medical personnel shortages in regions with insufficient medical resources to better prevent the spread of infectious diseases and uphold healthcare frameworks</li> </ul>

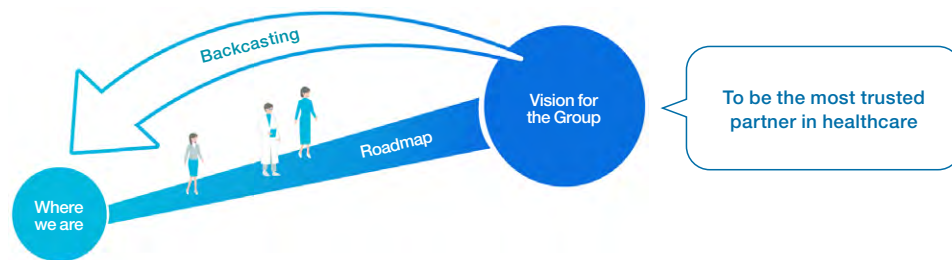
**D** : Dispensing Pharmacy Business **M** : Pharmaceutical Manufacturing and Sales Business **H** : Medical Professional Staffing and Placement Business **G** : Group

# Evolving Management to Achieve Long-Term Vision 2035

## Evolving our management approach to enhance corporate value

### Backcasting from an ideal vision for the Group to create a roadmap

Our first step in formulating Long-Term Vision 2035 was to determine what kind of Group we want to become, and then backcasting from there to create a roadmap. We took a flexible approach in envisioning the future, bringing together the hopes and aspirations of both the next generation of employees and the management team. Our intention in doing so was to achieve a level of dramatic growth that would be impossible through discussions that were merely an extension of the past. We aim to enhance corporate value by putting strategies in place to bridge the gap between our vision for the future and the current reality.



### Expanding financial and non-financial assets and pursuing a growth cycle

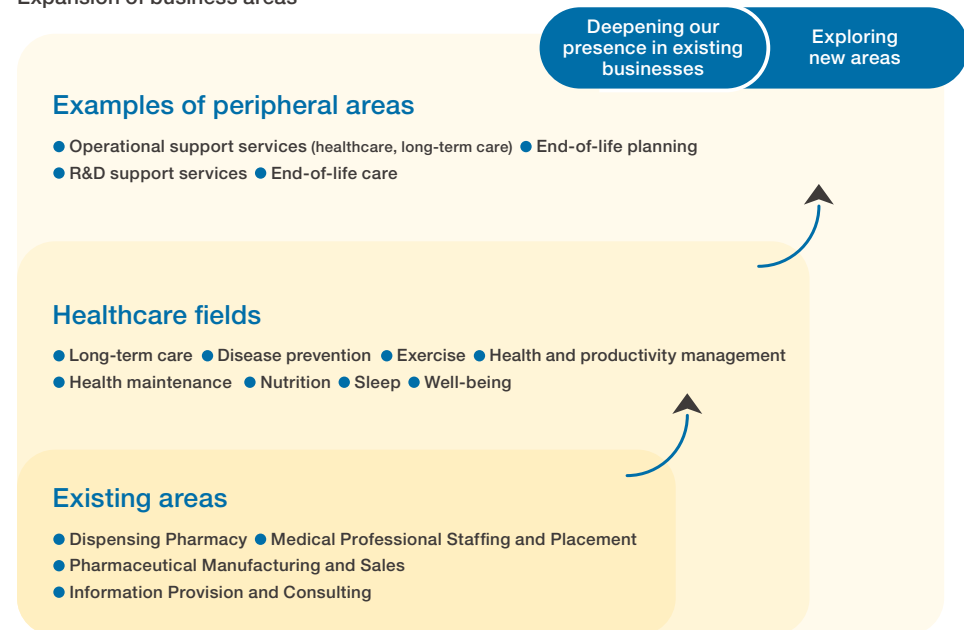
We consider non-financial assets to be assets with the potential to be converted into financial assets down the road. Our vision for 2035 is not simply to increase financial value, but also to achieve sustainable growth in corporate value by expanding human capital, customer assets, organizational assets, and other non-financial assets. To ensure that we can achieve this goal, we are exploring means of visualizing and implementing initiatives using non-financial indicators, such as organizational vitality and the degree of innovation.

Reference: Long-Term Vision briefing materials <https://www.nicho.co.jp/en/ir/library/vision.html>

### Becoming a Group that continues to grow by shoring up existing businesses and exploring new businesses

We center our business portfolio around healthcare and peripheral areas. With this stance, we seek to achieve growth both by deepening our presence in existing businesses, including expanding the business portfolio, and by exploring new areas. To this end, we will enhance the value we provide our various stakeholders through a digital transformation strategy while also honing our competitive advantages and boosting profitability through the use of AI tools in our operations.

#### Expansion of business areas



# Strategies for Achieving Long-Term Vision 2035

## Shift to structures that generate robust profits

### Vision for 2035

Our policy is to stress profitability over sales as a management indicator. To capitalize on our competitive strengths and prevail in an increasingly harsh competitive environment, including against entrants from other industries, we decided to set the ambitious targets of achieving 15% ROE and 15% ROIC by 2035, the final year of the long-term vision. The first three years will involve a business portfolio strategy that seeks to achieve robust profits and structural reforms through business management centered around ROIC metrics. At the same time, we will pursue further digital transformation, a long-standing focus, and seek out AI-based approaches to improving labor productivity and, ultimately, capital efficiency.

### Business portfolio strategy

Guided by a policy of expanding the business portfolio with a focus on healthcare and peripheral areas, we will aim for growth by deepening our presence in existing businesses and exploring new areas.

With regard to our existing Dispensing Pharmacy, Pharmaceutical Manufacturing and Sales, and Healthcare Professional Staffing and Placement businesses, we will pursue capital efficiency above the cost of capital in each business. We will also step up initiatives to enhance profitability while ensuring high rates of growth.

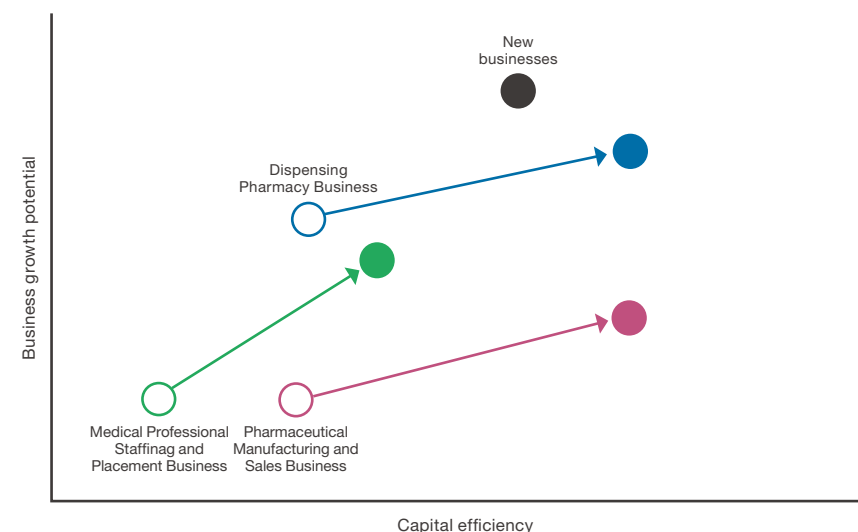
In terms of targets for each business, our target in the Dispensing Pharmacy Business is to raise the current ROIC of around 10% by 10% or more. To this end, we will first address the issue of unprofitable pharmacies, while at the same time investing in growth areas such as at-home healthcare and online medical care, allocating resources appropriately. Profitability in the Pharmaceutical Manufacturing and Sales Business is currently extremely low, reflecting the impact of a past warehouse fire and quality issues at Choseido Pharmaceuticals. Nevertheless, we aim to increase ROIC to 6%–7% by 2035. Our plan is to more than double the current ROIC of 7%–8% in the Healthcare Professional Staffing and Placement Business.

We will also actively invest in new businesses and move forward with business creation. Ultimately, we will work to achieve high capital efficiency in new businesses and move ahead in transforming these businesses into strong earners.

### Profitability Targets

ROE 15% ROIC 15%

### Our ideal business portfolio



# Strategies for Achieving Long-Term Vision 2035

## Shift to structures that generate robust profits

### Managing businesses and investments using ROIC as a metric

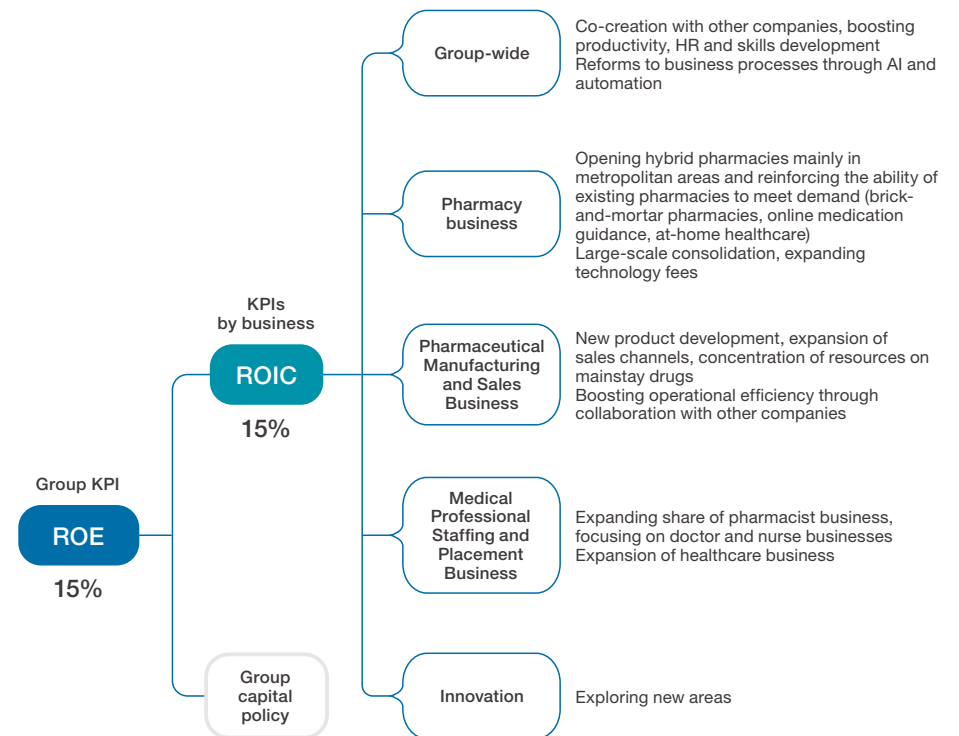
We will set ROIC targets that take into account the cost of capital in each business and incorporate these into our strategies based on the concept of an ROIC tree, to shift to structures that generate robust profits.

In the Dispensing Pharmacy Business, we are targeting drastic labor productivity gains through the use of AI, automation, and large-scale consolidation. The significant productivity gains these measures bring about will lower the ratio of labor costs to net sales and operating profit, contributing to improved ROIC. At the same time, using AI and replacing the bulk of dispensing work with machines will free up pharmacists to specialize in more patient-centered and highly specialized work.

In terms of our pharmacy strategy, we will work to enhance profitability by addressing the issue of unprofitable pharmacies, while continuing to expand the network of more profitable hybrid pharmacies. We will focus on opening highly profitable pharmacies, including large medical center-type pharmacies, chiefly in major metropolitan areas where we can expect population growth, aiming to expand the network by 500 pharmacies over the next 12 years. Furthermore, we will boost the volume of prescriptions filled per pharmacy and raise invested capital turnover from 20% to 30%, thus further increasing ROIC.

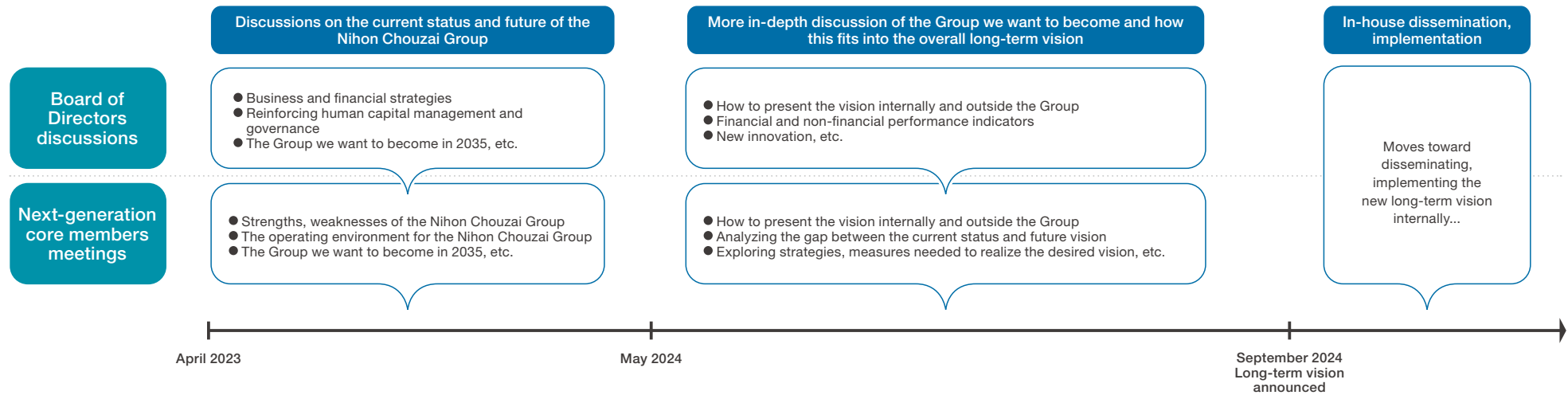
Our goal in the Pharmaceutical Manufacturing and Sales Business is to boost profitability and, ultimately, ROIC, by expanding production volume to lower the cost ratio and by increasing the proportion of products made in-house. Industry restructuring calls for a course correction away from a business of producing a wide range of drugs in small volumes. In response, the Group will proactively collaborate with other companies and boost production volume per drug through a tighter strategic focus on the products we manufacture. By increasing production volume and the proportion of products made in-house, we will seek to meet our ROIC targets.

Our goal in the Medical Professional Staffing and Placement Business is to expand our shares of the pharmacist and doctor staffing and placement businesses. Meanwhile, in the occupational healthcare professional business, where we expect further growth, we will expand the pool of occupational health nurses we place and make active use of acquisitions, seeking to significantly expand our healthcare business overall.



# Roadmap of Formulation

Our new long-term vision brings together the bottom-up feedback that emerged out of next-generation core members meetings with the top-down views of management. The aim was to formulate a vision that could gain the buy-in of employees, our greatest asset, while also enabling the Group as a whole to grow over the longer term. At the management level, we organized discussions involving all members of the Board of Directors as well as separate discussions among the various businesses groups and divisions, taking an approach of considering issues both comprehensively and in terms of the various different groups.



## Launch of next-generation core members meetings

In April 2023, Nihon Chouzai Group announced that it would revise its previous long-term vision. The operating environment for the Group had changed significantly since we formulated the previous long-term vision in 2018, making a new long-term vision necessary.

Whereas the previous long-term vision conveyed a strong, quantitative message based on financial indicators, the new vision sets out the kind of Group we want to become, without being constrained by numbers. At the same time, it places importance on realizing the vision through strategies centered on strengthening human capital, customer assets, and other non-financial assets.

We wanted to shape a new long-term vision that could incorporate employee feedback, gain buy-in from all employees, and guide proactive efforts towards meeting its goals. To this end, we started up a series of next-generation core members meetings, choosing participants from each Nihon Chouzai Group company. Members met numerous times to discuss issues from a variety of perspectives, backgrounds, and aspirations for the company.

The newly formulated vision for 2035 thus reflects employee opinions and aspirations from the bottom up. Meeting participants are core members of the Group's various business units. Going forward, as they

go about their respective jobs, these members will play a key role in putting our strategies into action to realize the vision and in disseminating the vision throughout the Group.

### TOPIC Off-Site Training in Izu

To encourage freer discussions, we held an overnight training camp for the next-generation core members at a location in Izu. Participants were divided into groups, and tasked with thinking about the kind of Group we want to become when we achieve the 2035 goals of the vision. They then identified the challenges the Group needs to address to get there. By taking more time than usual to have in-depth deliberations, participants were able to dive into the long-term vision and future of the Nihon Chouzai Group.





## Column

## Next-Generation Core Members Look ahead to the Future

At the next-generation core members meetings, participants from different Group companies and divisions seriously discussed the future of the Nihon Chouzai Group twice a month. Here, four of the core members talk about the changes they experienced and insights they gained as a result of taking part in the meetings. They also share their thoughts on achieving the vision and their enthusiasm for disseminating and putting the vision into action across the Group.



**Ryota Okuno**  
Corporate Planning Office,  
Nihon Generic Co., Ltd.

In trying to settle upon “the kind of Group we want to become,” it was clear that there were various ways of approaching the question depending on the position of the various business units or the individual person. The process of delving into this abstract question also involved philosophical elements, and I found it very challenging.

The core members, brought together across the various dividing lines of the Group, all came with their own thoughts and ideas, so we took time to talk over issues from a variety of angles. This process enabled me to feel a mounting sense of excitement over the thought that the Group was going to improve even more going forward.

In the future, I'd like to bring the experience I gained in these meetings back to the Pharmaceutical Manufacturing and Sales Business, drawing on this experience as I work together with my colleagues to make the long-term vision a reality.

If you asked me whether I've had opportunities to give a lot of thought to the Group's philosophy or other Group companies on a day-to-day basis, to be honest, I haven't had many at all. While taking part in the next-generation core members meetings and interacting with people from different Group companies, I was once again struck with the fact that, although we belong to the same Group, I didn't know much about the other companies.

Naturally, each company has its own corporate culture and its employees have their own way of thinking, and these are all different and unique. But precisely because we are all different, we need some kind of guideline to help us move forward in the same direction. I believe that's what the new long-term vision is. But simply having a vision is meaningless unless everyone reflects on the vision and acts to bring it about. Going forward, rather than expecting “someone else” to take action, I'd like each of us to think about the vision and act as an evangelist for it.



**Masahiro Kanaya**  
Doctor Division, Medical Resources Inc.



**Hiroaki Ichikawa**  
Healthcare Consulting Division,  
Japan Medical Research Institute Co., Ltd.

As a next-generation core member, I took part in discussions about formulating the long-term vision over a seven-month period from September 2023, and then served as a secretariat and member for the six months from April 2024.

When I first started attending the meetings, I was head of the Pharmacy Department at Yokohama Second Branch. So, I was primarily coming from the perspective of the dispensing business. But, after talking with people from other departments and Group companies, I found out about the breadth of the Nihon Chouzai Group's businesses, and got a sense of the further potential of the Group. My hope for the new vision is that the three pillars we deliberated on so many occasions will firmly take root in the Group. I look forward to generating synergies and creating innovation by setting aside more opportunities to talk about the future of the Nihon Chouzai Group across the dividing lines of departments and Group companies.



**Hiroko Inoue**  
Group Corporate Planning Department,  
Nihon Chouzai Co., Ltd.

Participating in the next-generation core members meetings and being involved in formulating the vision for the Group gave me a strong sense of both responsibility and fulfillment in being able to help shape the Group's future. Members with different job positions and perspectives were able to exchange opinions, working to arrive at a single vision and clarify common goals, which for me was a great opportunity for personal growth. In the next phase, it will be critical to gain the buy-in of all employees for the vision and foster an environment in which each employee can take initiative and act. I value the ability to align goals and share a common view with all of my colleagues, and am determined to fully embrace the challenge of making the new long-term vision a reality, laying the groundwork for the future of the Group.