Where Nihon Chouzai has been | Where the Nihon Chouzai Group is going | How Nihon Chouzai Group Will Create the Future | A foundation to support value creation

Long-Term Vision | NIHON CHOUZAI GROUP INTEGRATED REPORT 2024

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	● 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	● 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	[D] ● Develop pharmacies with a wide range of functions, collaborate with other companies, innovate [M] ● Boost profitability by developing newly NHI listed drugs ● Reviewing the product lineup and expanding the weight of in-house manufactured drugs
Safety and Quality of Medical and Pharmaceutical Products	● Unexpected serious drug side effects or harmful drug interactions ● Greater time and effort required to meet stricter regulations on drug manufacturing and quality	● Ensuring safety and enhancing reliability by promoting proper drug use ● Enhancing reliability through proper manufacturing and quality control of drugs	[D] ● Enhance educational programs and facilities to ensure the proper use of drugs ● Introduce, expand, and ingrain quality management [M] ● Provide employees with rigorous quality control and manufacturing control education ● Reinforce and continually monitor manufacturing and quality control framework
Stable Supply of Pharmaceuticals	● Disruptions in the supply chain and increased procurement costs due to global conditions and accelerating inflation, etc. ● Increasingly acute drug shortages due to supply and demand disruptions	● Expanding responsible sales and provision of drugs based on a stable, efficient supply chain ● Construct a production framework to achieve both stable supply and profitability	[D] ● Achieve stable generic drug supply through tie-ups with pharmaceutical wholesalers nationwide and synergies with the Pharmaceutical Manufacturing and Sales Business [M] ● 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 Capital Needed to Operate, Grow Businesses	● Shortage, poor fits of personnel to support business strategies, declining labor productivity	● Business expansion drawing on strengths in human capital development and recruitment, provision of competitive services	[G] ● Secure highly skilled professionals and carry out employee training programs ● Recruit and train high-caliber new pharmacist graduates
Increasingly Sophisticated Digital Technology and Security Threats	● Interruption of services and business due to cybercrime, personal information leaks ● Waning competitiveness of current business models	● 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 the changing needs of the times	[G] ● Transform core businesses through digital transformation of healthcare ● Develop a more robust information security framework and thoroughly train employees ● Reinforce measures to prevent incidents and strengthen response capabilities
Climate Change and Pandemics	● Higher costs due to stricter environmental regulations ● Expanding impact on business due to large-scale natural disasters and global pandemics	● Expanding needs and services to address changes in consumer behavior and lifestyles ● Growing demand for online medical care	[D] ● Provide smart healthcare that enables medical consultation, medication guidance, and drug receipt to be carried out entirely online [G] ● Conduct and review of business continuity planning and augment resilience to prepare for natural disasters and other large-scale disasters [H] ● Address medical personnel shortages in regions with insufficient medical resources to better prevent the spread of infectious diseases and uphold healthcare frameworks

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

15