

How Nihon Chouzai Will Create the Future

Our Strategy



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03

This section paints an overall picture of our value creation.

We aim to help address social issues and enhance long-term corporate value by reinforcing the five types of assets that are sources of our growth and by engaging in business activities that support people in various aspects of their lives.

Material Issues (Six Materiality Groups)

P.56

- Healthcare quality and accessibility
- Quality and stable supply of pharmaceuticals
- Resolving human issues at healthcare institutions
- Contributing to a carbon neutral, circular economy
- Fostering and utilizing diverse workforce
- Strengthening governance to fulfill social responsibilities

Our Mission

To give people the closest possible support

The Nihon Chouzai Group's unchanging significance to society

P.06

Our Vision (The Kind of Group We Want to Become)

To be the most trusted partner in healthcare

P.13

Five Types of Management Assets (Sources of Value Creation)

P.23

Non-financial assets



Organizational assets
Organizational culture and strengths cultivated over more than four decades of history, regulatory expertise



Human capital
Diverse workforce, including pharmacists and other highly specialized healthcare professionals



Customer assets
Trust of the 13 million patients, medical institutions, and healthcare professionals

Financial assets



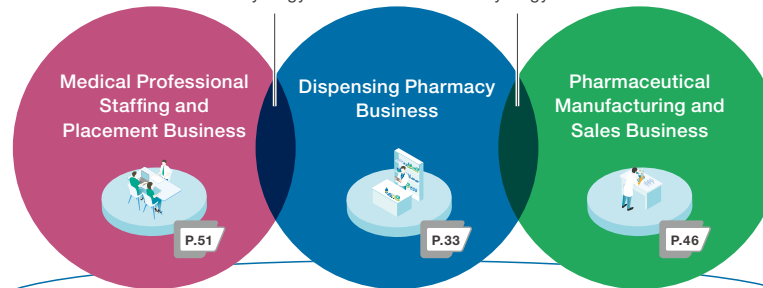
Physical assets
A network of 743 pharmacies across all prefectures in Japan, five drug manufacturing plants, one research laboratory



Financial assets
25 years in a row of sales growth

Business Activities

Three Businesses



Three strengths

Quality

Flexibility

Pioneering Spirit

Value Created

Dispensing Pharmacy Business

- Supporting health management for consumers
- Supporting medical treatment through healthcare collaboration
- Managing, supplying medications
- Maintaining the health, well-being of local communities

Pharmaceutical Manufacturing and Sales Business

- Reducing healthcare costs
- Improving access to medicines
- Ensuring a stable supply of drugs

Medical Professional Staffing and Placement Business

- Allocating healthcare resources efficiently
- Eliminating labor shortages
- Offering flexible working styles

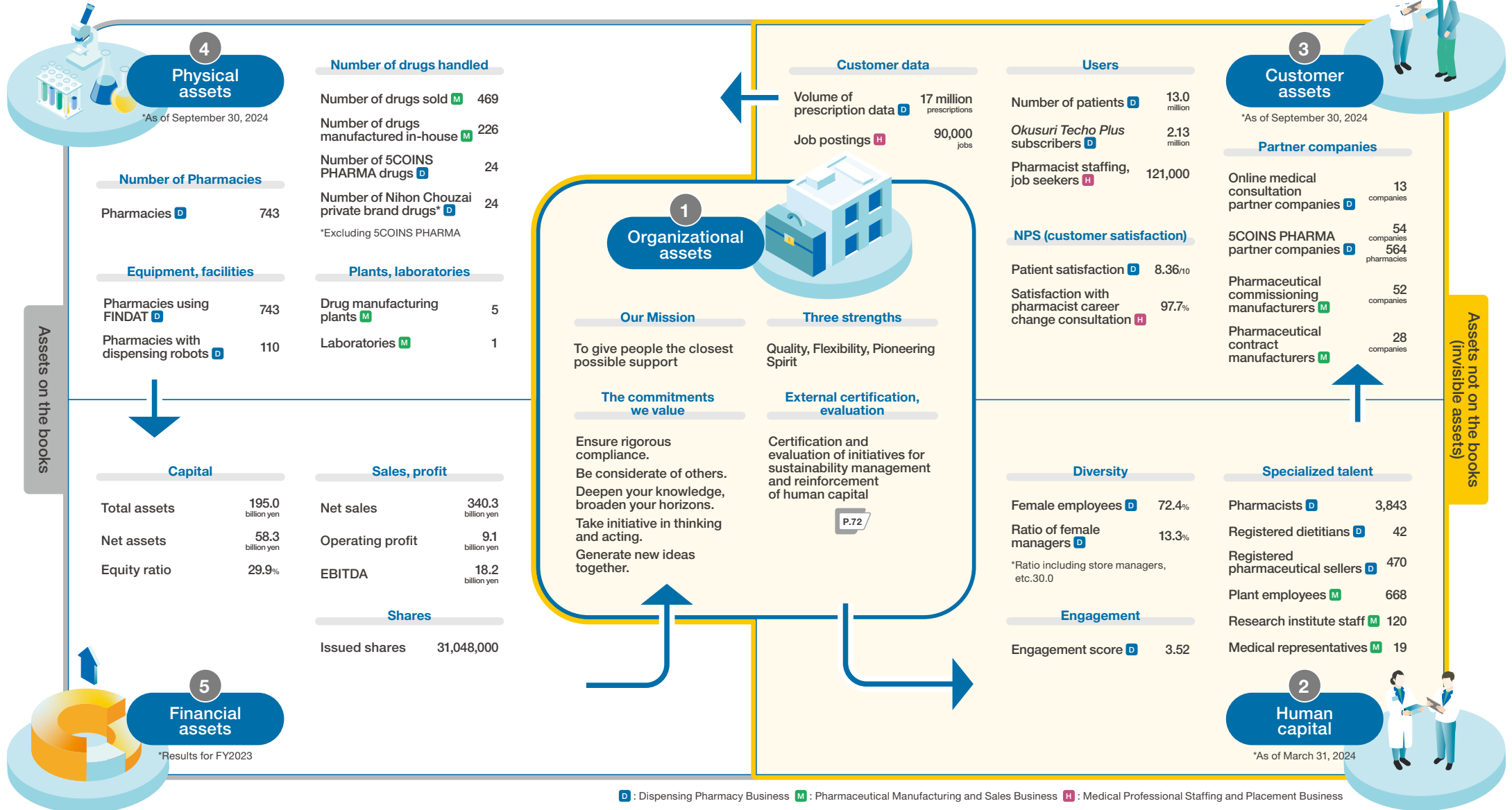


Enhancing overall corporate value through growth in five types of management assets

Management Assets of the Nihon Chouzai Group

(assets on the books and invisible assets)

The Nihon Chouzai Group has cultivated an array of assets over more than four decades. The type of assets varies widely, including physical, financial, and other tangible assets, and organizational assets, human capital, customer assets, and other intangible assets. The five types of assets are interconnected. Exerting a mutual influence on one another, the various assets will continue to contribute to the overall growth of our asset base.



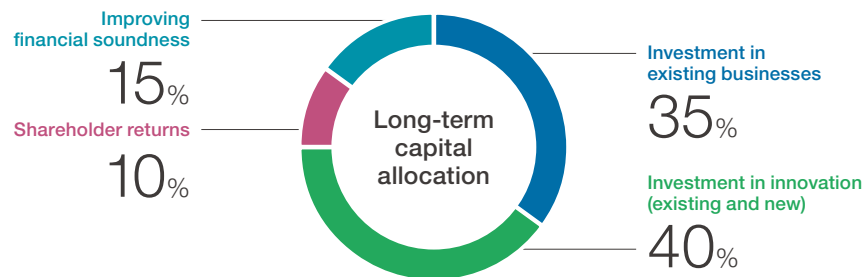
D : Dispensing Pharmacy Business **M** : Pharmaceutical Manufacturing and Sales Business **H** : Medical Professional Staffing and Placement Business

Financial Strategy

Financial Policy

To achieve Long-Term Vision 2035, the Nihon Chouzai Group will pursue a financial strategy that emphasizes the balance between growth investments in existing businesses and innovation, shareholder returns, and steps to improve financial soundness.

Long-term capital allocation



01 Investing in existing businesses and investing in innovation for growth

In addition to investing in existing businesses, the Nihon Chouzai Group is committed to investing aggressively in innovation.

In the Dispensing Pharmacy Business, we view drugs used to treat cancer and rare diseases and other specialty drugs, at-home healthcare in homes and care facilities, and online medication guidance and other online healthcare as growth areas. We are stepping up investments in pharmacies that can address needs in these areas.

In terms of online healthcare, we seek to respond to the Japanese government’s ongoing discussions about the digital transformation of healthcare, which gained momentum during the spread of COVID-19. Guided by our digital transformation strategy, the Nihon Chouzai Group is leading the industry in digitalization and online healthcare initiatives.

We are currently expanding online medication guidance services at our pharmacies nationwide by leveraging NiCOMS, the online pharmacy service Nihon Chouzai provides. Other aspects of the digital transformation strategy include providing smart healthcare and maximizing the effectiveness of drug treatments by capitalizing on *Okusuri Techo Plus*, our electronic medicine notebook which has over 2.13 million subscribers, and by automating dispensing work. We are also creating new

customer experiences and improving customer satisfaction, as well as boosting work efficiency and shifting to tasks that require human involvement.

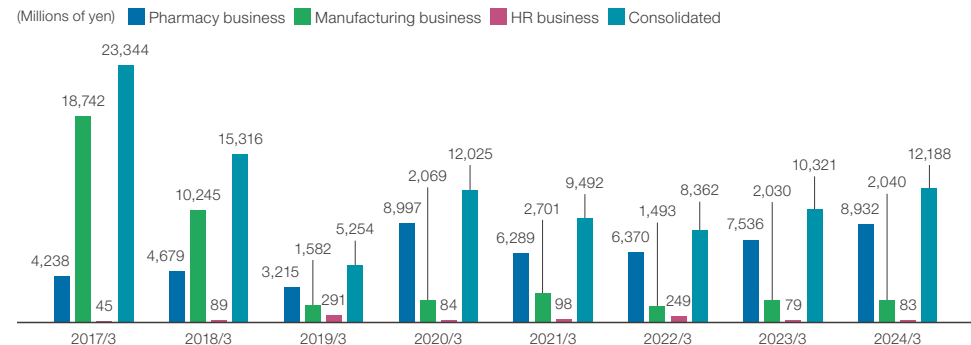
Furthermore, we are channeling efforts into cultivating highly specialized talent, such as professionals to support the advanced online drug information platform FINDAT, pharmacists certified in outpatient oncology, and pharmacists to engage in at-home healthcare.

The Pharmaceutical Manufacturing and Sales Business saw the completion in March 2018 of Nihon Generic’s Tsukuba Plant No. 2, equipped with state-of-the-art manufacturing equipment and quality control systems. The relocation and consolidation of research functions at that subsidiary’s Tsukuba Research Institute in June of that year marked the completion of a multiyear, large-scale capital investment strategy.

The utilization rate at Tsukuba Plant No. 2 steadily increased, and we are capitalizing on this foundation to push ahead with sales of newly NHI listed drugs and ramp up production volume. Going forward, we will ensure more robust data integrity across the entire manufacturing process, which entails frequent changes in the drugs manufactured, by rolling out a leading-edge manufacturing execution system (MES). We will also work to improve production technology and quality control, aiming to manufacture drugs under an efficient, labor-saving framework, including the introduction of a continuous production system.

In the Medical Professional Staffing and Placement Business, while the pharmacist staffing and placement businesses continue to draw on the strengths of the Group, we are also tightening our focus on the doctor HR business. We continue to expand the scale of our healthcare business (occupational doctor business) nationwide, and will help to improve the working environment of Japanese companies by supporting more effective corporate health and productivity management. We will also invest in innovation in healthcare fields to meet burgeoning social needs, including promoting health and productivity management, curbing healthcare costs, and extending the healthy life expectancy of the population.

Investments by business

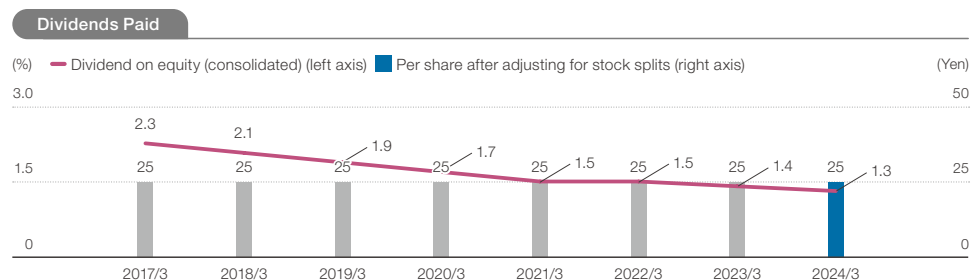


02 Shareholder Returns

Nihon Chouzai regards returning profits to shareholders as a key management issue.

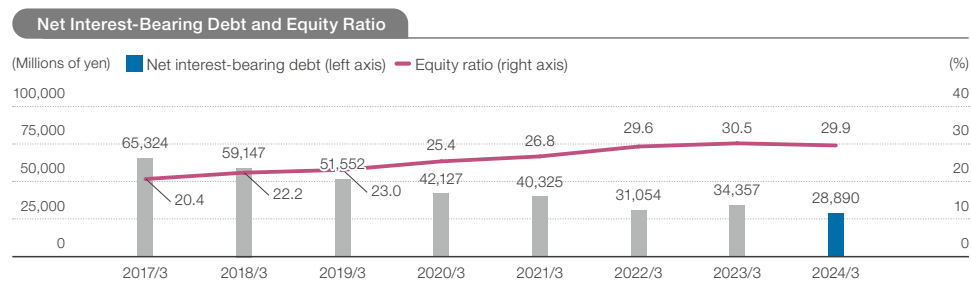
Our policy is to return profits to shareholders through stable interim and year-end dividends, while also taking into consideration the need to secure funds for growth. Going forward, we intend to aim for gradual improvements in returns.

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.



03 Fortifying the Financial Foundation

The Group will continue to shore up financial soundness to position us for continued growth as we work to achieve Long-Term Vision 2035. Our long-term capital allocation policy is to allocate about 15% of capital to steps to improve financial soundness.



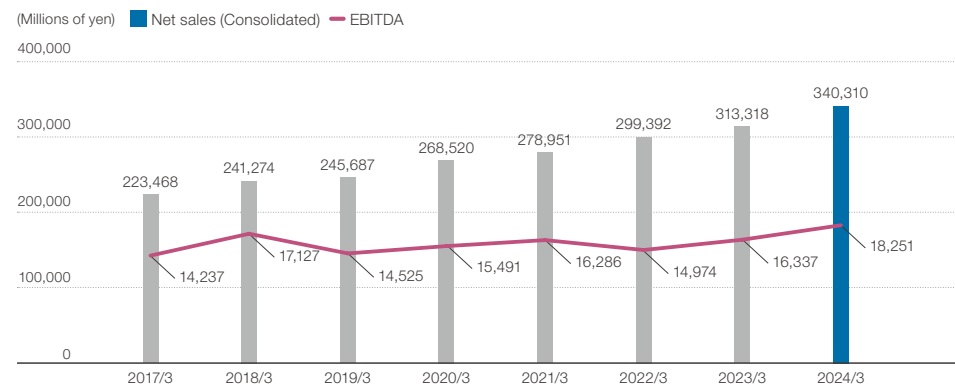
Management Indicators

Nihon Chouzai Group has set financial and non-financial performance indicators as long-term management indicators. In terms of key management indicators of financial performance, we are positioning ROE and ROIC as indicators of capital return, and the average annual growth rates of consolidated net sales and EBITDA as indicators of growth.

We are targeting ROE and ROIC of 15% in FY2035, and average annual growth rates of both consolidated net sales and EBITDA of over 10%, striving to improve the return on capital and ensure growth.

		Indicators	FY2023	Our vision for FY2035
Financial performance indicators	Return on capital	ROE	4.4%	15%
		ROIC	4.8%	15%
	Growth	Average annual growth rate of net sales (vs. FY03/24)	-	10% or more
		Average annual growth rate of EBITDA (vs. FY03/24)	-	10% or more

Net Sales and EBITDA (Consolidated)



Reinforcing Human Capital

Basic Approach

The Nihon Chouzai Group thinks of employees as human capital, a critical management resource. Since our founding, we have had a strong focus on education for our pharmacists and other employees. As we set out to achieve Long-Term Vision 2035, we will redouble our efforts to reinforce our human capital.

Our aim in reinforcing human capital is to deepen employee understanding of the Group philosophy and gain employee buy-in for it, as well as to create a vibrant workplace where employees can pour themselves into their work. In this way, we will strive to contribute to society while enhancing our corporate value over the longer term.



Three Pillars for Reinforcing Human Capital

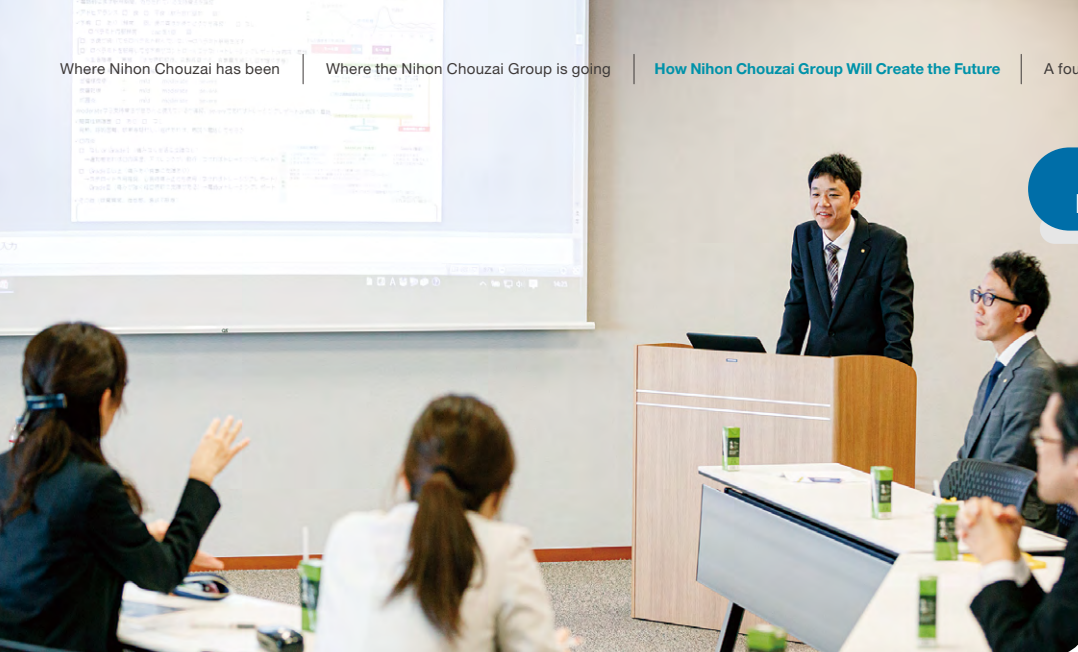
We have set out three key strategies to enhance the value of our human assets: ensuring diversity and building a sustainable organization, boosting employee fulfillment and satisfaction, and cultivating an environment that facilitates work. We seek to maximize the potential of all employees by offering opportunities to learn and grow. At the same time, we are aiming for the sustainable growth of the organization by creating systems and an environment that foster employee buy-in and help employees derive fulfillment from their work, as well as pursuing initiatives to ensure diversity in the workforce, including promoting women's empowerment. These efforts will result in the increased value of our human assets and organizations through greater employee engagement and labor productivity, which will tie into our ability to provide enhanced, more robust value for customers and patients. Over the longer term, we see this translating into higher sales, profitability, and other financial value.

Enhancing human assets and organizational value through measures linked to the three pillars



Reinforcing
Human Capital

1

Ensuring Diversity and Building a
Sustainable Organization

Recognizing that supporting the active contribution of diverse personnel and securing and cultivating the human capital needed to take the reins of future management are indispensable to enhancing longer-term corporate value, we are planning and pursuing measures to create a working environment where employees can thrive regardless of race, nationality, age, gender, disability, or other characteristics.

We believe there are two ideal areas to strive for over the longer term: basing the development and placement of human resources on our business strategies and consistently ensuring the sufficient quality and quantity of personnel; and pursuing growth by understanding and bringing together diverse personnel in different positions.

To achieve this, we will foster an environment in which diverse personnel can flourish, including further increasing the ratio of female managers. In addition, we will work to build a human capital portfolio that contributes to sustainable growth, including formulating succession plans and cultivating leadership talent.

Building a talent portfolio

Cultivating management talent to lead sustainable growth

Succession Plans

It is vital for the longer-term growth of the Group to continuously formulate and update succession plans for the key positions that will shoulder the next generation of management. We are currently considering targets for formulating and monitoring such plans.

As for the General Manager of the Pharmaceutical Department, which is a key position in charge of directing the pharmacy business, we have already put a succession plan in place targeting section head-level employees. We are selecting a final candidate after analyzing the potential of the various candidates, including their ability to make management judgments, through a diagnosis of their strengths and weaknesses and interviews.

Developing Leadership Talent

We are running a variety of programs to develop the next generation of leadership talent, including mid-career employee training for new graduates on career tracks and evaluator training to ensure fair and impartial personnel evaluations.

We also offer outside training for newly appointed executive officers and other managers to teach the various skills and high-level perspectives needed for management. In FY2024, a total of four executive officers took part in three training courses.

Details of initiatives <https://www.nicho.co.jp/en/sustainability/esg/human/>

TOPIC Next-Generation Leadership
Development Project: NextForum

As a new initiative to develop leadership talent, we have begun conducting group training sessions called NextForum. The aim of this program is to share the knowledge and experience of the various Group companies and departments, deepen mutual understanding and buy-in, broaden the perspective of each participant, and encourage changes in work-related awareness and behavior. A total of 10 members selected from various Nihon Chouzai Group companies are taking part in this Group-wide training program, which will run for about a year. Training includes lectures by top management and in-depth discussions at training camps.

Participants are working hard towards the outcome of the training, which is a personal declaration of behavioral commitments. This project was born from suggestions offered by its predecessor, the Mitsuhashi Business Academy (MBA) project. Going forward, our aim is for the project to continue as an autonomous, employee-driven initiative.



Recruitment strategy

Securing pharmacists and other talent is vitally important to our ability to offer high-quality pharmacy services and enhance the competitive strategies needed to expand the organization. We face the need to address major changes in the operating environment due in part to deregulation, regulatory reform, advances in digital transformation, and industry restructuring. We are thus focusing on reinforcing our framework for recruiting new graduates and mid-career professionals to be pharmacists, registered dietitians, medical office workers, and career-track employees.

Career-Track Employees

We are stepping up our recruitment of career-track employees to help set out a robust growth strategy for the future, including creating new businesses and frameworks. With the goal of securing excellent talent in various specialized fields, including human resources, planning, sales, finance and accounting, marketing, and IT engineering, we are engaged in activities capitalizing on a wide range of channels for both new graduate and mid-career hiring.

Reinforcing Recruitment of New Pharmacist Graduates

The importance of a pharmacist's patient-centered work—whether in the family pharmacist system, at-home medical care, or consultations about drug therapies in various specialized fields—is gaining attention. Securing excellent talent is the most critical issue in realizing the growth strategies needed to survive ongoing restructuring of the pharmacy industry in Japan. To this end, we are taking steps to recruit talented new pharmacist graduates.



Developed a wealth of media to convey the appeal of Nihon Chouzai.

Ensuring diversity

Empowerment of Women in the Workplace

P.72 External Evaluations and Participation in External Organizations

The percentage of female pharmacists has traditionally been high in Japan. About 70% of Nihon Chouzai pharmacists are female. For this reason, we are pursuing Group-wide initiatives to promote the active participation of women, including supporting the careers of our female employees and raising awareness among managers.

Action Plan

1 Increase the ratio of women in managerial positions to over 13% (April 2022–March 2025)

As of March 2024:
Female manager ratio 13.3%
Female area manager ratio 17.6%

2 Increase the ratio of full-time male employees who take childcare leave to over 40%.

As of March 2024:
Male employees taking childcare leave 84.3%

Female employees
72.4%
*Nihon Chouzai only

Number of people using the childcare reduced working hours system
632 people

Retention rate of employees returning to work after childcare leave
97.4%

(As of March 2024)

Diversity and Inclusion (DE&I)

Mid-Career Hires

To hone employee expertise and create new value different from that of existing employees, we are focusing on recruiting not only new graduates but also experienced employees. By acquiring highly specialized talent from outside the company, we not only fill open positions but also introduce new perspectives and experience, which brings renewed vitality to the organization as a whole.

Percentage of mid-career hires in managerial positions

59.5%
As of end-FY2021

58.2%
As of end-FY2022

59.6%
As of end-FY2023

Active Participation of People with Disabilities

Nihon Chouzai is promoting various initiatives to enable diverse human resources to play an active role in business operations.

Nihon Chouzai currently employs 144 staff with disabilities, representing 2.8% of all employees (as of June 2024). This exceeds the statutory employment rate. We are actively seeking to hire more employees with disabilities while broadening the scope of potential job positions.

Initiatives <https://www.nicho.co.jp/en/sustainability/esg/human/>

Reinforcing
Human Capital

2

Boosting Employee Fulfillment
and Satisfaction

Having long regarded human assets as the most important source of value creation, the Group has focused on cultivating human capital and honing the expertise of our pharmacists in particular. Our aim as we work to achieve our long-term vision is to maximize the capabilities of our employees by encouraging self-learning, which empowered employees to grow and chart new career paths. We are in the process of expanding our framework to better support career autonomy.

Furthermore, to boost employee engagement, we gauge gaps in engagement levels by carrying out regular surveys. Going forward, as a PDCA cycle based on survey results gets underway, we will seek to instill actions across the Group to further enhance employee engagement.


Career autonomy, heightening expertise

Expertise

Cultivating pharmacists and other highly specialized medical personnel

In the mainstay Dispensing Pharmacy Business, to fulfill its mission to be healthcare professionals, Nihon Chouzai is working to develop personnel who have a patient-centered perspective and a high degree of expertise. We have expanded the organization by opening multiple pharmacies across Japan. We therefore see it as a key management issue to seek to strengthen the human capital needed to manage the organization and continue to cultivate the next generation of leaders who can guide this process.

In the Dispensing Pharmacy Business, we are working to recruit pharmacists of a high caliber while further reinforcing our high-level educational programs. We launched the Pharmacist Stage evaluation system in April 2018. Under this system, we encourage employees to acquire in-house certification and offer full support to this end, preparing them for the next step of obtaining more advanced outside certification. Acquiring outside certification requires not only pharmacy experience but also hospital-based training. More than 30 of our pharmacists undergo such clinical training every year.

For details ▶  P.39/ Raising the Caliber of Our Pharmacists

Initiatives to support career autonomy

Enhancing Training for Specific Professional Skills

Nihon Chouzai's new personnel system spells out the qualities and abilities required for each professional qualification. We have started training to support employees in bringing these qualities and abilities to bear on their work. In the new middle-class training, which is common to all job positions, and in the new high-class training for career-track employees, training considers specific actions employees can take to properly understand and fulfill the roles expected of them at each job level. We also support employees in carrying out these roles in the workplace by aligning their expectations with those of the company through interviews with their superiors and follow-up training.

Providing Venues for Self-Learning

We want to empower all employees to take the initiative in shaping their own career paths. To this end, we launched an initiative to support employee learning by offering an online self-development curriculum on a platform accessible to all employees. We also provide digital training to motivated applicants seeking to acquire practical knowledge and skills. This training targets employees who are interested in broadening their knowledge about business in general and who are eager to use IT to improve work efficiency.

Improving employee engagement

Group Engagement Surveys

With the aim of building a more robust organization and fostering employee growth over the longer term, we regularly take stock of employee engagement levels. Results of the engagement survey conducted in FY2023 revealed positive views of the Group's management stance of taking initiatives ahead of other companies, strong buy-in for the Group philosophy, and a robust desire among employees to grow. We have taken steps to improve engagement, including instilling the Group philosophy, expanding opportunities for communication from management, and overhauling the personnel system. We will continue to take a range of measures targeting even further improvements in engagement going forward, such as promoting flexible working styles and strengthening our career support framework.

Group Engagement Survey 2023

Number of respondents (five Nihon Chouzai Group companies): 6,366 (response rate 92.4%)

Trends revealed as strengths

Growth ambition

Employees have a strong desire to grow, and want to contribute to their workplace and to colleagues by seriously engaging in healthcare. We have created an environment where people support the growth of their colleagues.

Business strategies

The company's management stance of embracing leading-edge initiatives and business development attuned to industry needs have gained buy-in from employees, and our management strategies received high marks.

Group policies

We have gained strong buy-in for the Group vision of being the most trusted partner in healthcare, Our Mission of giving people the closest possible support, and our basic approach to healthcare, and are seen to be putting these into practice.

Introduction of a New Personnel System at Nihon Chouzai

We introduced a new personnel system in April 2024. The new system aims to cultivate personnel who can embody our Group philosophy of giving people the closest possible support and contributing to society through the provision of high-quality healthcare services. The system indicates the direction employees should aim for, spelling out a model of the kind of person we are looking for to serve as a guideline for employees working in the Group. The system does away with former promotion requirements based on age and length of service. It also seeks to foster a greater sense of satisfaction among employees, with evaluations incorporating a behavioral assessment based on the Group philosophy and the model of the kind of person we are looking for. The system also brings in balanced benefits that more closely reflect job responsibilities and expertise. We aim in these ways to revitalize our personnel, shaping them into a foundation upon which we can achieve our long-term vision.

Model of the kind of person we are looking for

We are looking for professionals with sound, excellent character, strong leadership abilities, and the capacity to draw on a high level of expertise while gaining the trust of those around them. They will be unafraid of change, embrace challenges, bring together diverse strengths, and get strong longer-term results, thus helping to address social issues, primarily in the healthcare field.

Three pillars of the new personnel system

Grades

Supporting employee growth and career development by introducing a system that assigns two types of grades to each employee: a professional skills grade that stresses experience and ability, and a position grade determined by the degree of job responsibilities

Evaluation

The evaluation system uses two criteria—a behavioral assessment based on the Group philosophy and the model of the kind of person we are looking for, and a performance assessment based on the extent to which organizational goals are achieved—allowing more in-depth two-way dialogue between superiors and their teams and fostering a greater sense of satisfaction

Compensation

Formulating a clear compensation system that reflects the level of responsibility, ability, and accomplishments

Efforts to Instill the Group Philosophy and New Long-Term Vision

We are working to instill the Group Philosophy, which was formulated in April 2022. Through a combination of top-down and bottom-up initiatives, we aim to inculcate throughout the Group an outlook that expresses the Group's purpose in society and defines the actions needed to lead to future growth. Our goal is to create opportunities for employees to become aware of and take a personal stake in the Group philosophy. One step to this end is running a serial column in the in-house Group newsletter in which employees talk about the Group philosophy in their own words.

To realize Long-Term Vision 2035, announced in September 2024, we are also working to deepen employee understanding of and buy-in for the long-term vision. We are targeting better communication by distributing materials to employees and posting video messages from President Kasai. We are also exploring and implementing measures to raise awareness of the long-term vision so that each employee can take a personal stake in the vision and apply it to their work. One effort involves planning an in-house newsletter to field questions about the long-term vision submitted by employees.



Reinforcing
Human Capital

3

Cultivating an Environment that
Facilitates Work

Creating an environment in which all employees can embrace their work with enthusiasm is essential to building the vibrant and energetic organization we aim to be. Going forward, we will continue to consider various measures to improve the balance between work and private life by lowering restrictions on where and when employees can work and enabling flexible working styles, which will feed into higher labor productivity. We believe that maintaining sound individuals and organizations contributes to the realization of the Group philosophy and, by boosting productivity across the entire organization, to the realization of our long-term vision. For this reason, we are investing in health and productivity management in a strategic and systematic manner.

Flexible working styles

Initiatives to Support Flexible Working Styles

Fostering an environment that facilitates work leads to greater employee engagement and labor productivity, which in turn contributes to longer-term business growth. We are thus exploring ways to offer more flexibility in terms of working hours and locations.

Relocation of Head Office to Tamachi Tower

Amid the increasing diversity in working styles spurred by the pandemic, we sought to increase employee fulfillment by providing an office environment suited to the times. To this end, in September 2024, we relocated our Tokyo head office to Tamachi Tower in Tokyo's Minato-ku. We designed the workspace in the new office building to be seamless, making it easy for team members, departments, and Group companies to communicate with one another. To enable team members with differing values and backgrounds to exchange opinions and ideas, stimulate communication, and maximize business growth and organizational performance, various innovations to support more robust human and organizational assets have been incorporated throughout the building, including the creation of a new JP Lounge where employees can take breaks and hold casual meetings.



Health and productivity management

Reinforcing Health and Productivity Management

We believe that employee safety and health are crucial, fundamental prerequisites for raising individual and organizational productivity. An organization where every employee works energetically is able to provide healthcare that is grounded in regional communities and offer medical services adapted to the changing times. In FY2023, to foster an environment where employees can work more safely and without concerns, we upgraded various elements of the work environment, including revising the manual on preventing occupational accidents, expanding e-learning courses, and installing AEDs (defibrillators) and providing AED training at all branches. We are taking steps to further improve employee health. These include producing original in-house videos focusing on relevant themes such as mental health, simple exercises, and women's health issues, and regularly distributing the videos on an on-demand basis. To better encourage employees to quit smoking and prevent passive smoking, we launched our own in-house program that resulted in a 100% success rate in quitting smoking.

Support for employees and their families is also vital, and we have strengthened our return-to-work programs and established systems for balancing work and illness to ensure that employees undergoing medical treatment can continue to work with peace of mind, while also gaining greater understanding among their teams. Through these and other measures, we are promoting diverse working styles appropriate to each life stage.

Stakeholder Engagement

Through our various business activities, we aim to gauge the needs and expectations of stakeholders by engaging in constructive dialogue and working together to address social issues. Going forward, we will continue to work to deepen trust with stakeholders, build relationships that enable mutual flourishing, and increase corporate value.

	Why we engage	Stakeholders' interest	How we respond
 <p>Patients and customers</p>	<p>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.</p> <p>The Nihon Chouzai Group is constantly striving to ensure that patients and customers can receive the best possible healthcare without worry at our pharmacies and through our online pharmacy service throughout Japan.</p>	<ul style="list-style-type: none"> ● Providing safe, secure, high-quality healthcare ● Pharmacies available when needed / Providing home medical care ● Online pharmacy service that brings together high medical quality and convenience ● 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 ● Providing Nihon Chouzai's online pharmacy service NiCOMS ● Expansion of the functions of the electronic medication notebook <i>Okusuri Techo Plus</i>
 <p>Medical institutions (hospitals, pharmacies) and healthcare professionals</p>	<p>As a medical institution and as healthcare professionals responsible for regional healthcare, the Group collaborates with other medical care providers to better serve patients and local communities.</p> <p>In this way, we contribute to upholding 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.</p>	<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 healthcare professionals while avoiding poor fits ● Ensure the safety and quality of drugs
 <p>Employees</p>	<p>To achieve sustainable growth, it is vital to create workplaces where employees can take pride in their work as professionals supporting healthcare in Japan. The Nihon Chouzai Group is working not only to foster supportive, fulfilling workplaces, but also carry out employee engagement surveys to enhance employee satisfaction.</p>	<ul style="list-style-type: none"> ● Workplaces where employees can continue to work with a sense of security ● DE&I initiatives ● 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 healthcare professional ● Stable employment in the Nihon Chouzai Group (salary, benefits) ● One of the industry's best training programs ● Providing flexible career plans that empower women in the workplace
 <p>Shareholders and investors</p>	<p>As a company listed on the Prime Market of the Tokyo Stock Exchange, the Group places importance on appropriate disclosure and constructive dialogue with shareholders and investors to achieve sustainable growth and build 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.</p>	<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 stakeholders and investors ● Growth strategies to achieve a sound financial structure and sustainable growth ● Stable shareholder returns
 <p>Government agencies</p>	<p>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.</p>	<ul style="list-style-type: none"> ● Provision of healthcare with guaranteed safety and stability ● Cooperative efforts with government agencies ● Reining in the costs of social security ● Understanding of ministry and agency policies 	<ul style="list-style-type: none"> ● Efforts to develop, manufacture, sell, and ensure a stable supply of high-quality generic drugs ● Promoting generic drugs to reduce medical expenses ● Contributing to regional healthcare ● Efforts to Achieve Digital Transformation of Healthcare
 <p>Society</p>	<p>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.</p>	<ul style="list-style-type: none"> ● Regional healthcare stations ● Family pharmacies and pharmacists ● Actions to contribute to society ● Expansion of pharmacies with specialized functions such as collaborating with medical institutions and providing advanced healthcare 	<ul style="list-style-type: none"> ● Functions to support community residents in staying healthy and to offer nutrition consultations ● Providing a safe and secure community healthcare system through dispensing pharmacies ● Nationwide expansion of specially certified pharmacies, such as regional cooperation pharmacies, specialized medical institution cooperation pharmacies, and health support pharmacies
 <p>Business partners</p>	<p>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. We will work together with our business partners to create significant value for society and respond to diverse healthcare needs.</p>	<ul style="list-style-type: none"> ● Provision of value or compensation ● Building long-term co-creation relationships ● Providing quality healthcare services 	<ul style="list-style-type: none"> ● Provision of quality healthcare services ● Innovating through collaboration and tie-ups ● Extensive business development by leveraging the strength of our nationwide network of pharmacies

Dispensing Pharmacy Business

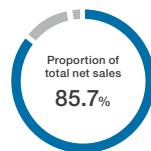
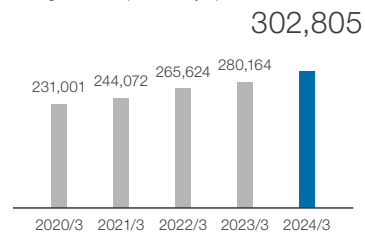
Nihon Chouzai Co., Ltd., other dispensing subsidiaries

Since Nihon Chouzai was founded in 1980, to fulfill the functions and roles expected of pharmacies that support healthcare in Japan, we have consistently pursued the separation of drug prescribing and dispensing services and expanded our nationwide network of pharmacies.

The intentional inclusion of “Nihon” (Japan) in our company name at the time of our establishment embodies our commitment to providing quality healthcare throughout Japan, guided by our founding philosophy of “achieving the true separation of drug prescribing and dispensing services.”

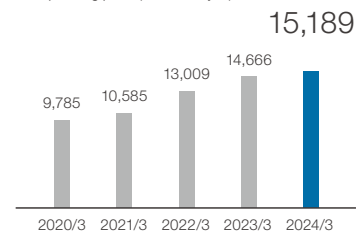
Net sales

■ Segment sales (millions of yen)



Operating profit

■ Operating profit (millions of yen)



Message from the Business Manager



Toshiyuki Koyanagi
Director and Senior
Executive Officer

Q Looking Back on FY2023

The volume of prescriptions filled rose sharply in the past fiscal year, reflecting in part the spread of various infections after the COVID-19 pandemic subsided. Growth in prescription volume was particularly evident among our hybrid pharmacies located in urban areas. These pharmacies contributed greatly to business performance. At the same time, we reinforced our framework for addressing needs in the area of at-home healthcare, centered on our 27 At-Home Medical Care Support Centers located across the country. As a result, we were able to achieve solid results in terms of both prescription volume and sales.

Our approach to date of opening hospital-front pharmacies, mainly to serve large hospitals, has given us a major advantage: These pharmacies have spearheaded growth in the volume of specialty drugs we handle, which made a significant contribution to sales growth for the year. So, the year saw balanced performance, with a rebound in prescription volume, expansion of at-home healthcare services, and growth in the volume of specialty drugs handled.

Q Initiatives for FY2024, Mid-Term Issues and Initiatives with a View to the Long-Term Vision

The Japanese government simultaneously revised dispensing fees and long-term care fees in June 2024. The revised fee structures include wage hikes for healthcare professionals, set new evaluation criteria for initiatives to promote the digital transformation of healthcare, and expand evaluation criteria in the area of at-home healthcare. At the same time, measures such as optimizing the community support system premium and the reduction of technical and dispensing fees for on-site pharmacies are having an adverse impact on Group performance.

In this context, we are working to strengthen the functions of family pharmacists, an area we have focused on for some time. We also to expand our framework for meeting demand by establishing new At-Home Medical Care Support Centers, which are chiefly responsible for dispensing drugs at facilities, and At-Home Specialized Care Centers that focus on specifically on providing at-home care to patients requiring specialized care, such as pediatric and palliative care. On the digital transformation front, we are aggressively working to raise awareness of the expanded use of health insurance cards linked to a national identification system, promoting online insurance eligibility verification, and developing a framework for filling electronic prescriptions. At the same time, we are actively exploring collaborations with platform providers to expand the use of NiCOMS, our online pharmacy service, aiming to hone our ability to fill prescriptions online.

Amid the change brought about by the advent of numerous initiatives drawing on new technologies, our mission continues to be to give patients the closest possible support, with a commitment to working from a patient-centered perspective. We will also continue to work to cultivate personnel characterized by smiles and exceptional hospitality.

Three strengths

Capacity to respond to diversifying medical needs

Nihon Chouzai leads the industry in responding to diversifying medical needs, continuing to grow as a comprehensive healthcare brand as we support regional healthcare collaboration and at-home healthcare, offer online pharmacy services, and expand our health support functions.

We are also flexibly navigating changes in Japan's healthcare context, including revisions in drug dispensing fees and drug prices and ongoing reforms to various systems.

Moreover, since our founding, we have successfully taken the lead over other companies in promoting the digital transformation of healthcare. This has included the in-house development of a dispensing system, the electronic medicine notebook *Okusuri Techo Plus*, and NiCOMS, our online pharmacy service.

Providing Quality Healthcare

With around 60% of Nihon Chouzai pharmacies located in front of university hospitals and major regional hospitals that provide advanced healthcare, our focus is on training pharmacists who can offer a high degree of expertise and extensive experience.

We are also stepping up efforts to handle specialty drugs, for which demand is expected to grow in the future. Anticancer drugs, drugs to treat rare diseases, and other specialty drugs are difficult to handle and require a high level of expertise.

Pharmacy Services That Patients Choose

Guided by the notion that the education of pharmacists and other employees is the top priority for offering better pharmacy services, since our founding we have consistently focused on educating pharmacy staff and improving customer satisfaction.

In 2015, we also launched a project to make Nihon Chouzai "the pharmacy of choice" for patients, which has yielded various measures and training programs to foster vibrant pharmacies that can gain the trust of patients.

Growth strategy

Addressing
Increasingly Diverse
and Sophisticated
Healthcare Needs

P.35

Education of High-
Caliber Pharmacists

P.39

Efforts to Achieve
Digital Transformation
of Healthcare

P.40

Addressing Increasingly Diverse and Sophisticated Healthcare Needs

Reinforcing at-home healthcare

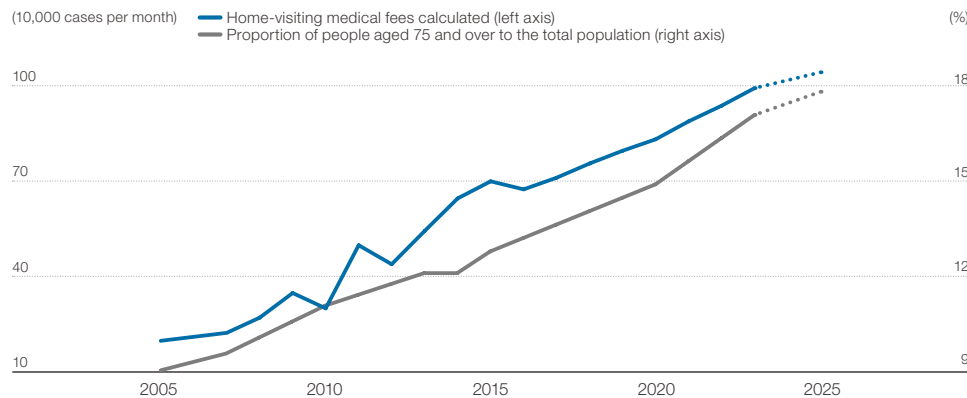
Supporting at-home healthcare

The advent of a super-aging society has triggered a shift away from inpatient treatment at medical institutions to ongoing at-home healthcare. As family pharmacies, the role of pharmacies in community-based healthcare teams is becoming more and more critical. Nihon Chouzai began augmenting its ability to respond to care needs at home and at long-term care facilities in 2009. We support patients in collaboration with facility staff, doctors, nurses, and care managers. We also started providing at-home care in 2010, offering a wide array of at-home healthcare services to meet needs in local communities, ranging from patients who are highly dependent on healthcare, such as patients undergoing cancer treatment and palliative care, to children with intractable diseases.

In terms of facilities at our pharmacies, we have remained ahead of the industry in equipping pharmacies with sterile dispensing rooms, which will be increasingly necessary for at-home healthcare going forward, allowing the preparation of injections, intravenous feeding solutions, and other sterile dispensing work.

In FY2011, Nihon Chouzai set up a department dedicated to at-home healthcare, and is actively promoting home-visiting drug management and guidance for patients being treated at home. All Nihon Chouzai pharmacies have now put in place a framework in which pharmacists can provide home-visiting drug management and guidance services.

Growth of the At-Home Healthcare Market in Japan



At-Home Medical Care Support Centers

Facility and At-Home Care Centers

Working out of our 27 At-Home Medical Care Support Centers across the country, pharmacists with a high level of expertise specializing in at-home healthcare offer a wide range of services tailored to the needs of local communities, focusing particularly on elderly patients and patients who are highly dependent on healthcare, including those undergoing cancer treatment or palliative care, and children with intractable diseases. We make use of *Anshin Fukuyaku-kun*, an original medication support system developed in-house, to help boost adherence by preventing medication errors and managing medication information. Moreover, we actively support the health of patients in the region in collaboration with other healthcare professionals, including by having a pharmacist accompany patients to their medical examinations. Meanwhile, we are taking steps to ensure high-quality, safe healthcare services: Nihon Chouzai pharmacies are working to obtain ISO 9001, the international standard for quality management systems, for the provision of dispensing and medication distribution services by At-Home Medical Care Support Centers and drug sales operations.



At-Home Medical Care Support Centers **27**

At-Home Specialized Care Centers **20**

*As of July 31, 2024

At-Home Specialized Care Centers

We have established 20 At-Home Specialized Care Centers nationwide. Pharmacists who are drug experts visit patients at home and use their skills to offer detailed drug management and guidance, such as explaining medications and managing unused drugs, primarily for patients who are highly dependent on healthcare and being cared for at home. Our pharmacists are also part of care teams that bring together staff from local at-home care clinics, home-visit nursing stations, care managers, and hospital community liaison office staff. Our goal is for our pharmacies to serve as at-home healthcare hubs for the community as a whole, working closely with these care teams to provide the best possible at-home healthcare and long-term care environment for patients being cared for at home.

When engaging in at-home care, Nihon Chouzai pharmacists perform their daily work using Nihon Chouzai's proprietary tablet-based at-home healthcare communication system. In addition to providing accurate and timely medication guidance during home visits, these pharmacists promptly report back to and consult with collaborating medical institutions and care teams.

In terms of facilities, we are actively equipping pharmacies with the sterile dispensing rooms that will be increasingly necessary for at-home healthcare going forward, to allow the preparation of injections, intravenous feeding solutions, and other sterile dispensing work.

Addressing Increasingly Diverse and Sophisticated Healthcare Needs

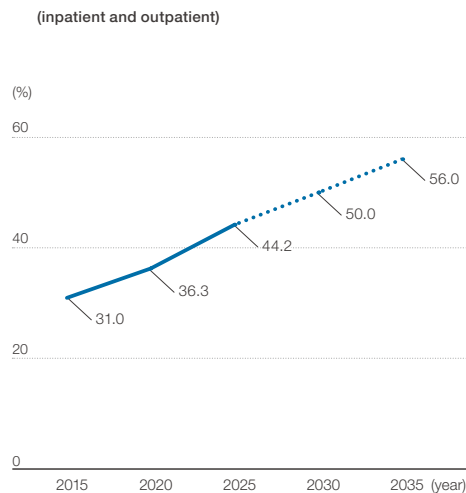
Initiatives Involving Specialty Drugs

Nihon Chouzai defines specialty drugs as high-priced drugs, including drugs used to treat cancer and rare diseases. Specialty drugs have grown to account for more than 39% of overall sales in Japan's prescription drug market, and the size of this market is expected to continue growing.

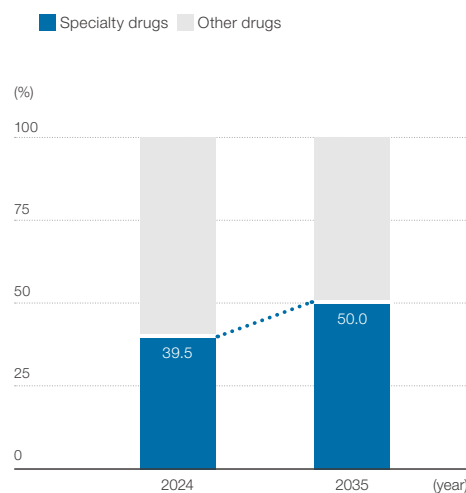
Over 60% of Nihon Chouzai Group pharmacies nationwide are located near large hospitals. Many of our highly specialized pharmacists, including those specializing in outpatient oncology, are on staff at these locations. They are distinguished by the large volume of anticancer drugs and other specialty drugs they handle. Such drugs account for a much higher proportion of drug sales at hospital-front pharmacies than the industry average.

To meet growing demand for specialty drugs, we are actively collaborating with specialized medical institutions that provide advanced healthcare and working to significantly boost sales of specialty drugs at our pharmacies.

Proportion of specialty drug sales in Japan's prescription drug market (inpatient and outpatient)



Proportion of specialty drug sales in Nihon Chouzai Group dispensing fees

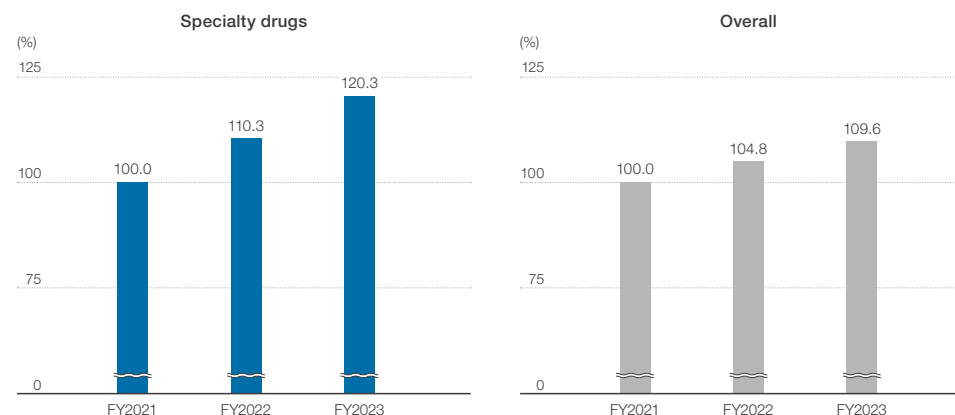


Ranking of Nihon Chouzai Group specialty drugs by value

Ranking	Drug name	Efficacy, use in treatment	Drug price* (yen)
1	Tagrisso Tablets 80mg	Cancer	18,540.2
2	Zytiga Tablets 500mg	Cancer	7,287.3
3	Alecensa Capsule 150mg	Cancer	6,737.1
4	Ofev Capsule 150mg	Cancer	5,966.4
5	Lynparza Tablets 150mg	Cancer	4,788
6	Humira 80mg Injection Pen 0.8mL	Rheumatoid arthritis, etc.	95,070
7	Dupixent 300mg Injection Pen	Atopic dermatitis, etc.	61,714
8	Ibrance Tablets 125mg	Cancer	20,538.9
9	Sprycel Tablets 50mg	Leukemia	5,857.7
10	Revolade Tablets 25mg	Thrombocytopenic purpura, etc.	4,356.5

*As of April 2024

Comparison of percentage change in drug sales (specialty vs. overall)



Addressing Increasingly Diverse and Sophisticated Healthcare Needs

Online Initiatives

With the partial deregulation of the online healthcare system in Japan in April 2022, an increasing number of people are turning to online healthcare. Offering NiCOMS, an online pharmacy service we developed in-house, the Nihon Chouzai Group is leading the industry in taking steps to expand the online market. Through tie-ups with various companies, we also provide comprehensive online healthcare, ranging from online medical consultations and medication guidance to drug deliveries. In FY2023, we expanded our network of partner companies and added new functions, and can now offer patients the choice of picking up drugs at the pharmacy or having them delivered to their homes. We will continue working to expand options and improve convenience for patients.

In-House Developed *Okusuri Techo Plus* Electronic Medication Notebook Over 2.0 million subscribers (As of July 31, 2024)

The electronic medication notebook *Okusuri Techo Plus* links with Nihon Chouzai's core dispensing system to enable centralized management of medication history. The app is also equipped with various functions that enhance convenience for patients, including a function for sending prescriptions and a calendar function. It also has a personal health record function that offers greater convenience by linking*1 to data from body composition monitors, blood sugar monitors, and other healthcare devices. In this way, it helps patients manage their daily habits and supports better health.

In addition, by using the app's "connect" function, patients can communicate with the pharmacy. With the addition of a chatbot function for medication consultation, if patients have questions about drugs, such as how to take drugs properly, how to administer a drug to a child, when to take medication, or their physical condition after taking a medication, they can easily consult with the pharmacy.

We were also the first*2 company to link our electronic medication notebook with Japan's My Number (individual ID) portal, now making it possible to centrally view and manage data on drugs dispensed at multiple medical institutions and pharmacies on the portal.

Moreover, even in an environment where internet connection is unavailable, such as during a natural disaster, users can view the drug information registered in *Okusuri Techo**3.

*1 Available for compatible healthcare devices and near field communication (NFC)-compatible Android devices

*2 Based on Nihon Chouzai research

*3 When the app is launched in an online environment, the user can view the past six months of drug information stored on the device, and patient information, history of side effects and allergies, physical constitution, medical history, regular pharmacy, and family pharmacist information recorded in the "subscriber information" section.



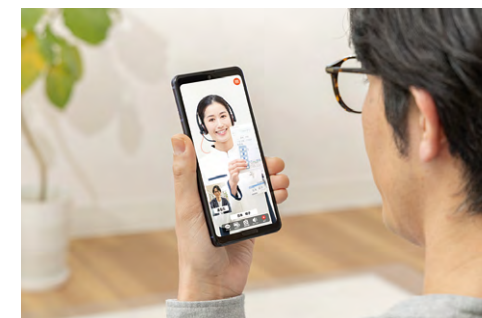
Users can start a chat by tapping on the "question about medication" link.

They can choose from different options and easily consult with the pharmacy.

Nihon Chouzai Online Pharmacy Service NiCOMS Supported by all Nihon Chouzai Group pharmacies

The revision of the Pharmaceuticals and Medical Devices Act made remote medication guidance available nationwide in September 2020. In response, Nihon Chouzai developed NiCOMS, an online pharmacy service that allows patients to receive medication guidance at home or elsewhere.

Deregulation of remote medication guidance went into effect in April 2022 and is expected to be given broader scope going forward, such as permission to provide medication guidance remotely for first-time patients.



TOPIC NiCOMS App Version Launched

We launched the app version of this service in May 2024. Previously, NiCOMS was only accessible via web browser. The launch of the app version has enhanced the convenience of our online pharmacy services for customers. We also added new features to the NiCOMS app.



- 1 A feature that allows users to check reservation availability at pharmacies registered in the "my preferred online pharmacy" section on the home screen
- 2 A pop-up notification feature
- 3 A feature that allows the video call screen to be displayed in a smaller size on the payment screen

Addressing Increasingly Diverse and Sophisticated Healthcare Needs

Pharmacy Openings and Strategies to Meet a Wide Range of Needs

To provide high-quality healthcare services nationwide, Nihon Chouzai is pursuing a balanced pharmacy network strategy. Based on the family pharmacist and pharmacy functions stipulated by the Ministry of Health, Labor and Welfare, we distinguish our pharmacies between those that offer advanced drug management requiring highly specialized knowledge and those that offer health support functions that contribute to better pre-symptomatic illness and disease prevention in the community. We have pharmacies in all 47 prefectures in Japan.

We are creating pharmacies that are efficient, taking into account the different roles and functions various pharmacies will have when they open.

In charge of healthcare in local communities, located in areas of growing needs due to population growth

Hybrid pharmacies

Pharmacies that combine the elements of neighborhood pharmacies, which are in locations with convenient access, such as downtown areas or near train stations, with medical center-type pharmacies, which serve clusters of medical institutions. Hybrid pharmacies fill prescriptions from medical facilities across a relatively wide area, but also serve as a familiar healthcare hub for neighborhood residents and people commuting to work or school.



Responding to the shift from outpatient to at-home healthcare due to population aging

Pharmacies supporting at-home healthcare

In nearly all of our pharmacies, Nihon Chouzai has built a framework that allows pharmacists to provide at-home drug management and guidance services. Some of our pharmacies are also equipped with sterile dispensing rooms and clean benches for drugs that require such equipment, including intravenous solutions and injections.



Addressing advanced healthcare needs

Hospital-front pharmacies

Located in front of university hospitals and major regional hospitals that provide advanced healthcare, these pharmacies offer advanced healthcare in a wide range of clinical specialties. Large hospitals often prescribe drugs that require advanced pharmaceutical management, which calls for highly specialized knowledge and skills and the highest level of healthcare services.



Pharmacies with various functions

The Vision of Pharmacies for Patients announced by the Ministry of Health, Labor and Welfare (MHLW) set forth concrete functions required of pharmacists and pharmacies going forward. In August 2021, MHLW began certifying pharmacies as regional cooperation pharmacies and specialized medical institution cooperation pharmacies. Under this system, Nihon Chouzai is developing a network of pharmacies offering an array of other functions as well. These include health support pharmacies, which offer consultation on a wide range of health-related issues; certified Nutrition Care Stations, where local residents can easily receive nutritional care support and guidance; and pharmacies equipped with a Health Check-Up Station, a distinctive initiative of Nihon Chouzai to help local residents stay healthy and to deal with pre-symptomatic illness and disease prevention.

Specialized medical institution cooperation pharmacies

61 pharmacies / 205 pharmacies nationwide

Pharmacies, authorized by prefectural governors, that cooperate closely with other healthcare facilities to serve patients who require specialized drug management. These pharmacies also engage in special kinds of dispensing that call for more advanced drug management and greater specialization. Currently, pharmacies with a high degree of expertise in oncology treatment can receive this accreditation.

Regional cooperation pharmacies

508 pharmacies / 4,297 pharmacies nationwide

Pharmacies, authorized by prefectural governors, that collaborate as needed with regional medical institutions and other pharmacies, serving as bridges between hospitals (medical care) and long-term care facilities or residences (long-term care).

Health Support Pharmacies

214 pharmacies

Pharmacies meeting health support standards established by the Ministry of Health, Labour and Welfare that have functions to actively support local residents and patients so that they can lead healthy and abundant lives.

Certified Nutrition Care Stations

20 pharmacies

Facilities certified by the Japan Dietetic Association as a community hub where local residents can easily receive nutritional care support and guidance. Through services such as nutrition consultations, health events, and nutrition classes, registered dietitians support residents in leading healthy and fulfilling lives.

*Number of Nihon Chouzai pharmacies is as of November 1, 2024.
Number of pharmacies nationwide is as of the end of September 2024.

Cultivating High-Caliber Pharmacists

Highly specialized pharmacists

Pharmacist education at Nihon Chouzai is based on a curriculum that is the top of its class in the industry.

Taking for granted the need to acquire adequate knowledge and skills related to pharmaceuticals, we see the basic approach to patients as a healthcare provider, the ability to communicate with patients, and the ability to manage pharmacy operations as equally essential skills. Under our robust training system, we are working to cultivate pharmacists of a high caliber.

Pharmacists

3,843

Pharmacists with in-house
disease-specific certification

Oncology: 47, etc.

(As of May 1, 2024)

Total 116

Pharmacists with outside certification
Board-Certified Pharmacist of
Ambulatory Cancer Chemotherapy
(BPACC)

85*

(As of October 1, 2024)

Percentage of
pharmacies with family
pharmacists

89%

*Around 25% of all BPACC certified pharmacists working in pharmacies are from the Nihon Chouzai Group. This is the highest percentage in the pharmacy sector.

Hospital Field Education

With the aim of fortifying collaboration between hospitals and pharmacies and improving the professional skills of pharmacists, we have introduced a program of practical training at university hospitals nationwide.

Pharmacists can gain a broad perspective and specialized knowledge by working in various healthcare settings, such as in dispensing, injection, and formulation rooms, doing work involving mixed injections, and engaging in drug information, ward duty, and pharmaceutical affairs operations. Field education at university hospitals helps pharmacists hone their personal skills and gives them experience that they can also apply to pharmacy work.

Support Framework with Outside Certification Team

We have established an in-house team to take the lead in supporting the greater acquisition of the pharmacist and specialty pharmacist certification of various academic societies. Amid growing expectations for pharmacists to have a high degree of expertise, including the ability to collaborate with specialized medical institutions, Nihon Chouzai is focusing on enhancing expertise in oncology care. As part of this emphasis, we have formed a team to encourage the acquisition of certification in outpatient oncology, palliative drug therapy, and regional drug care with a specialization in cancer.

Expertise Specializing in At-Home Healthcare

Specialized at-home
healthcare managers
(Pharmacists)

12

Head office at-home healthcare
specialist managing supervisors
(Pharmacists)

3

Specialized at-home healthcare managers are pharmacists with extensive experience in at-home care. In addition to promoting and coordinating such care in various local communities, they are responsible for staff training, so that Nihon Chouzai pharmacies can become the choice of multiple stakeholders, including staff from local at-home care clinics, home-visit nursing stations, care managers, and hospital community liaison office staff. Our pharmacies specializing in at-home care also strive to maintain and foster appropriate operations in conformity with ISO 9001 quality management system standards, ensuring the systematic ability to meet a wide range of needs.

Improving Hospitality at Pharmacies

Because we have numerous opportunities to interact with patients on a day-to-day basis, hospitality is a central focus at Nihon Chouzai. By ensuring that our pharmacists know how to closely engage with patients, we strive daily to alleviate patient anxiety and enable customers to visit our pharmacies without worry.

Patient Interaction Training

In this training, internal staff who are dedicated to customer satisfaction hold lectures and provide customer service training, teaching participants how to think from a patient-centered perspective and acquire the communication skills expected of healthcare professionals. In addition to pharmacists, medical office workers and registered dietitians also take part in training to learn effective approaches to engaging closely with patients.

Drawing on social style theory, the training teaches participants how to interact with individual patients appropriately, based on their particular communication style, thus striving to be even more hospitable.

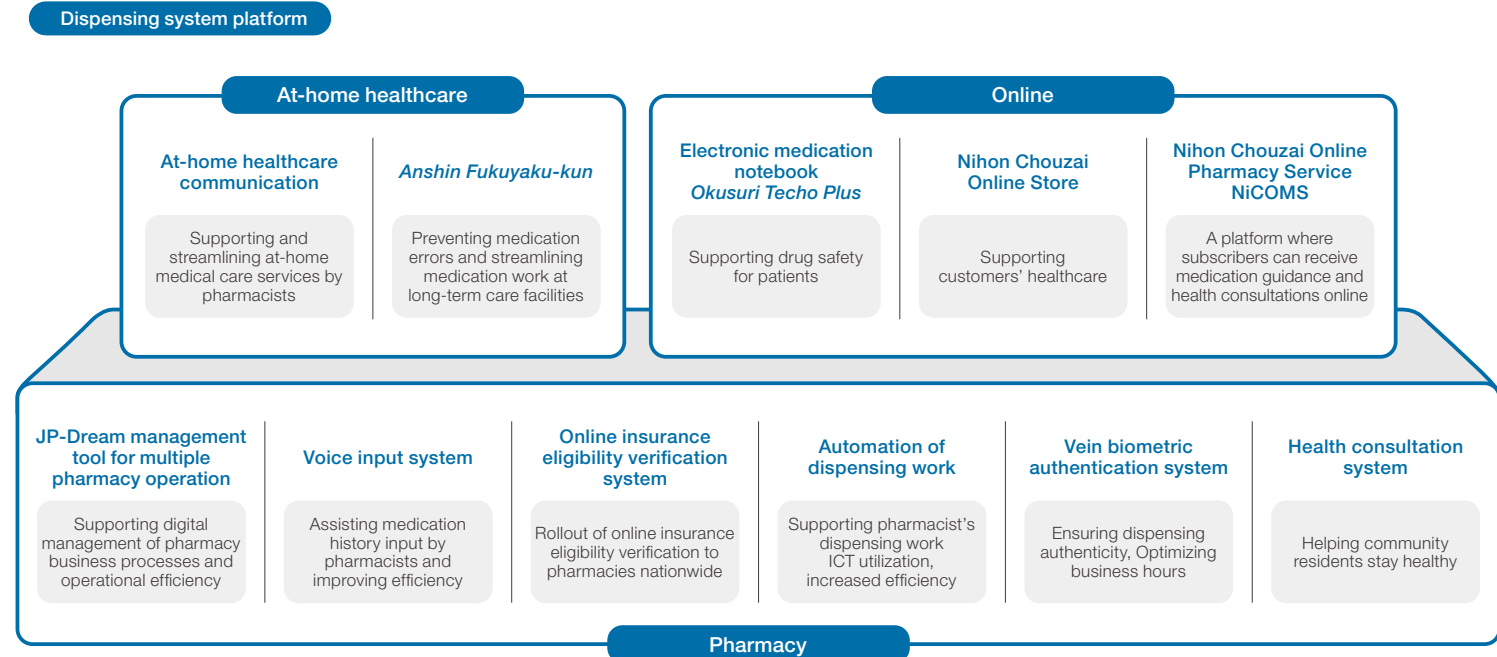


Efforts to Achieve the Digital Transformation of Healthcare

ICT Investment under the Digital Transformation Strategy

Nihon Chouzai develops and operates various ICT tools for healthcare in-house, centered on the dispensing systems used in pharmacy operations.

In the 1990s, we were first in the industry to develop an electronic dispensing system. Yearly upgrades to the system have enabled us to respond quickly to dispensing fee revision and the shift toward remote healthcare. The system also serves as a platform that can flexibly link with other systems. Moreover, in 2021, we started an overhaul of the dispensing system to support the expanded roles expected of pharmacies down the road. In addition to revamping the user interface, we are targeting a system design that will enable a more flexible response to upcoming digital transformation and deregulation in healthcare fields. We are positioning this overhaul as a growth investment with a view to future business development and expansion of the business scale.



Automation of dispensing work

While promoting efficiency through automation, we are creating more time for pharmacists to devote to patient-centered work and improving the quality of healthcare services.

Purpose	<ul style="list-style-type: none"> ● Shifting pharmacist work to more patient-centered work ● Improving dispensing quality (including hygiene) ● Improving patient safety 						
	Name of tool	Drug Stations	ROBO-PICK II	DimeRoll	miniAQUA-zero		
	Application	Fully automated blister pack feeding device	Automated drug picking device	Powder medication dispensing robot	Liquid medication dispensing machine		
	Functions/Features	Up to 3,000 items	Up to 1,300 items	Automatic weighing, cleaning	Automatic dispensing, cleaning		

Pharmacies with dispensing robots

110

*As of May 2024

Reduction in work hours

233,000 hours

FINDAT business

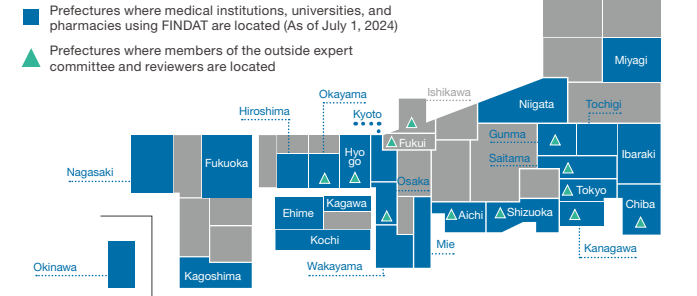
Business Overview

Accelerating Digital Transformation of Healthcare with the Web-Based FINDAT Platform

FINDAT is a drug information web platform for medical professionals. FINDAT gathers drug information from an extensive range of data sources in Japan and overseas, such as original articles, drug databases, and regulatory guidelines, processes these data to enhance use at clinical sites, and provides them online. FINDAT can respond to a wide range of social needs, and it is gaining a solid reputation, making inroads among a growing number of pharmacies that carry out advanced healthcare and at-home care as well as pharmacology educational institutions. In addition, the Japanese government's 4th Healthcare Cost Optimization Plan (2024-2029) clearly calls for the use of formularies to promote the use of generic drugs. We anticipate reductions in drug costs by means of prescription analysis using the formularies of prefectures and insurers.



FINDAT Spreads Nationwide Since 2020 Service Launch



Demand from Society

Hospital administrators

Cost reductions, medical safety, strengthening regional collaboration, working style reform for doctors, and other management issues

Healthcare professionals

Improving efficiency in collecting and evaluating vast amounts of drug information, standardizing work for the shift to task sharing

Pharmacies

Comprehensive, accurate drug information for advanced healthcare, refill prescriptions and advanced pharmacy management

Educational institutions

Cultivating the next generation of medical professionals

Prefectures, insurers

Visualization of generic drug use and reduction of drug costs through formulary-based prescription analysis

Value Provided by FINDAT

● Managing drugs that have been adopted and creating formularies

Formularies are recommended lists of homologous drugs prepared and offered by FINDAT. They can be created efficiently by processing data according to the situation of each medical institution or region.

● Comparing efficacy, safety, and cost-effectiveness of homologous drugs

Comparisons of similar drugs with similar efficacy provided by FINDAT are created using data on the efficacy, safety, and cost-effectiveness of the drugs gathered from a wide range of sources including package inserts, interview forms, original articles, secondary information databases, and various regulatory guidelines. FINDAT compiles these data into a table or other formats to compare and evaluate individual drugs.

● More efficient data gathering when adopting new drugs

We gather and evaluate information on newly approved drugs that place a burden on medical institutions, and compile the information into materials that are easy to use in clinical settings.

● Optimization of drug purchasing costs

Utilizing the abovementioned materials on drug evaluation in terms of efficacy, safety, and cost-effectiveness provided by FINDAT, customers can narrow down the range of drugs to use and decide whether to adopt a new drug. In this way, FINDAT contributes to the optimization of drug purchasing costs.

● Objective data reviewed and peer-reviewed by outside experts

Standardized formularies are published after being reviewed and approved by the Formulary Expert Review Committee. New drug evaluations and additional indications are published after being peer-reviewed by outside pharmacists who are active in clinical practice. This ensures the fairness and appropriateness of information.

● Promoting proper medication use and enhancing medical safety

By providing information on proper medication use as well as the latest drug safety information, FINDAT promotes the proper use of drugs, contributing to enhanced medical safety.

Strategies

1 Improving user satisfaction

- To improve user satisfaction, we will create content tailored to customer needs, provide individualized approaches, and hold user seminars.

2 Developing new channels

- We aim to capture new customers by co-hosting academic workshops and through academic exhibitions, web seminars, and our corporate website.

3 Developing new markets

- **Pharmacies, at-home medical treatment**
We will roll out FINDAT to all Nihon Chouzai pharmacies and then target other pharmacies by leveraging its use in our pharmacies and in at-home medical treatment.
- **Prefectures, insurers**
Working with Japan Medical Research Institute, we will help promote the use of generic drugs by prefectures and insurers by visualizing such use and reducing drug costs through formulary-based prescription analysis.

Case Study Interview

Cancer Institute Hospital of JFCR

Boosting Efficiency by Tapping into the Distinctive Drug Information Services of a Specialized Hospital, Carefully Selecting Drugs of Choice

The Cancer Institute Hospital of the Japanese Foundation for Cancer Research decided to introduce FINDAT to be able to create formularies while carrying out highly busy daily hospital operations. Patients often visit this hospital from far away. FINDAT is proving to be a reliable source of information for the hospital's distinctive drug information services as well as for preparing materials for its pharmaceutical council. We spoke with Dr. Masakazu Yamaguchi, director of the hospital's Pharmacy Department, and Dr. Yasuhiro Nakano about how the hospital, which specializes in oncology, is making use of FINDAT.

Introducing FINDAT has made it possible to move forward with creating formularies

Q Please tell us how you came to introduce FINDAT at the hospital and what your impressions were at the time.

Dr. Yamaguchi I'd heard reports from other hospitals that had adopted FINDAT, so in July 2021 I received an explanation about the platform together with a staff member from the Drug Information Office.

After a trial use, we officially rolled out the platform in May 2022.

Dr. Nakano One of my annual goals every year was to create a formulary. But all of our staff members have multiple responsibilities and are very busy, so in practice it was difficult for me to create a formulary on my own. But after hearing the explanation about FINDAT, I thought, "If standard formularies have been developed to this extent, maybe we can finally create our own in-house formularies."

Q What was the reaction from other departments when you decided to introduce FINDAT?

Dr. Yamaguchi Our hospital has a committee in which the various departments give explanations and make budget requests for equipment maintenance and new system purchases for the coming fiscal year, and I included the FINDAT platform on the list for the Pharmacy Department. When I did, the doctors on the committee said, "As a hospital, don't we actually need this kind of system?" The response to FINDAT was much more positive than I'd expected, so the rollout went ahead smoothly.

Q Who uses FINDAT at your hospital and how do they use it?

Dr. Nakano Both pharmacists like me who work in the Pharmacy Department in charge of drug information services and pharmacists who work in the wards use FINDAT on a daily basis. As a hospital that specializes in oncology, our patients don't just come from the greater Tokyo metropolitan area—many travel from quite far away, and they bring a wide array of medications with them. If we simply purchased ad hoc all the drugs patients bring with them, we would quickly build up a huge volume of obsolete stock. So, we often suggest alternative drugs. That's where FINDAT comes in handy.

Q What areas do you frequently propose alternative drugs for, and in what ways do you use the platform?

Dr. Nakano Most often, we use the platform when we want to switch out drugs prescribed for patients' existing illnesses to the drugs we use at the hospital. Patients have often taken certain medications over a long period of time, and many want to continue taking the medications even after being admitted to our hospital.

But in many cases, the drugs patients bring with them are not what we use here. So, our pharmacists have to explain to doctors and their patients that the alternative drugs can be used without any problems. The information we get from FINDAT serves to back up such explanations, helping pharmacists make their case. The platform contains a compilation of evidence that has been carefully screened, and I feel this helps pharmacists have confidence and be more persuasive when giving explanations.



Dr. Masakazu Yamaguchi
Director of Pharmacy Department

Dr. Yasuhiro Nakano
Pharmacy Department

Creating in-house formularies by therapeutic class to support standardized treatments

Q What kind of progress are you making regarding the creation of formularies, which was an initial challenge?

Dr. Nakano Using FINDAT, we have created formularies for insulin preparations and HMG-CoA reductase inhibitors*, and have publicized these throughout the hospital by posting them in the electronic medical records.

Dr. Yamaguchi We're a hospital that specializes in oncology treatment. So, we are taking advantage of the formularies to standardize treatment in other areas. If this results in a reduction in the amount of discarded drugs, I believe this will also satisfy the original purpose of the formularies.

Hope for FINDAT to play a greater role as a trusted third party

Q Are there any situations in which FINDAT can be useful in the oncology field?

Dr. Nakano New research results are constantly emerging in oncology and information is updated rapidly. So, it might be difficult for FINDAT to handle information beyond what is publicly available.

However, I think most FINDAT users access the platform because they want to know the clinical status of drugs.

For example, with FINDAT, we were able to confirm how much data was available about the usefulness of a newly developed anticancer drug and, conversely, what kind of data was not available. In terms of a drug's efficacy, being able to confirm when there is no data available is also very important in providing evidence-based treatment.

Q Finally, please tell us what you expect from FINDAT going forward.

Dr. Nakano I think if pharmacists can hone their ability to check drugs by using objective, neutral opinions and knowledge provided by a third-party organization like FINDAT, independent of regulatory authorities, this could help raise the quality of drugs in general.

*HMG-CoA reductase inhibitors: Drugs that suppress cholesterol synthesis in the liver, primarily lowering the amount of LDL cholesterol in the blood and preventing arteriosclerosis.

Full text of the interview (Japanese only)

<https://info.findat.jp/case/>

Information Provision and Consulting Business

Japan Medical Research Institute Co., Ltd.

We established Japan Medical Research Institute in 2012 as an information service and consulting company, to capitalize on the valuable information resources of the Nihon Chouzai Group in contributing to the medical and pharmaceutical industries and to society at large.

Based on information resources cultivated among Nihon Chouzai Group companies, we contribute to the sound development and growth of the pharmaceutical industry and provide valuable information services to help improve the lives of people in Japan.



Message from the Business Manager

Q Looking Back on FY2023

As a member of the Nihon Chouzai Group, we have leveraged our strengths as a group of data scientists with medical expertise to develop information services with a commitment to swiftly delivering high-quality, up-to-date information.

In recent years, along with the increase in anticancer drugs, drugs to treat rare diseases, and other highly specialized drugs, the information pharmacies can offer has grown in importance. To address this trend, we have augmented our hybrid information services, combining pharmacy-based promotional services with prescription data analysis. We provide these services to companies in the healthcare field.



Atsuhiko Hashizume
President and CEO
Japan Medical Research
Institute Co., Ltd.

Moreover, the Japanese government's 4th Healthcare Cost Optimization Plan, launched in 2024, calls for the creation of formularies and the establishment of biosimilar targets. In response, we developed a new analysis service that draws on formulary information held by the Group, and have started offering this service to insurers.

Q Initiatives for FY2024, Mid-Term Issues and Initiatives with a View to the Long-Term Vision

We will work to enhance the value of our prescription data by utilizing the various analytical technologies that have evolved in recent years, including machine learning, deep learning, and natural language processing. This will make it possible to analyze qualitative information, such as medical histories, that was previously technically difficult to handle. We will gain new knowledge by combining this with quantitative information on prescription drugs, which will position us to provide more appropriate information to patients and more useful data to companies in the healthcare field.

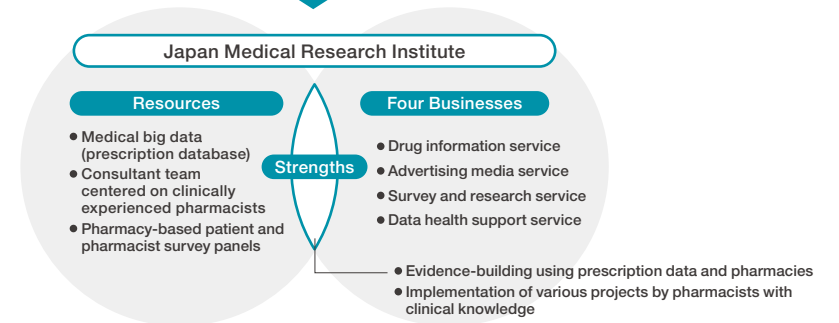
In addition, the data health environment for insurers is changing dramatically in Japan, due in part to the introduction of health insurance cards linked to a national identification system. We are developing a new data health support business to address these changes.

We will continue to focus on human capital management and health and productivity management, cultivating personnel that can straddle the roles of medical professionals and data scientists. We will also move forward in building a framework that will allow us to provide comprehensive services, ranging from highly accurate analysis to problem solving, and shore up the foundation for making our long-term vision a reality.

The Process of Value Provided

Demand from Society

- Government** Optimizing medical expenses, differentiating functions, optimizing medical consultation behaviors
- Medical and healthcare companies** Containing new drug development costs, gathering prescription data, identifying and supporting proper drug use, disease awareness, product sampling and surveys
- Insurers** Ensuring appropriate medical expenses, preventing damage to health, health promotion, disease prevention and prevention of progression



The Value We Provide to Society and Stakeholders

- **Providing empirical data on drug use**
Offering anonymized and statistically processed prescription data held by Nihon Chouzai
- **Providing a point of contact between patients and healthcare companies**
Providing various advertising media, surveys, and other promotional opportunities at Nihon Chouzai pharmacies
- **Optimizing medical expenses**
Visualizing medical data such as trends in duplicate medications and overprescribing and in generic drug use; proposing effective response measures

Services Contributing to ongoing healthcare optimization through four services

- 1 Drug information service**
Analyzes the wealth of prescription information of Nihon Chouzai pharmacies throughout Japan to address issues of customers in the pharmaceutical sector.
- 2 Advertising media service**
By offering an array of advertising media throughout the patient flow from entering to leaving a Nihon Chouzai pharmacy, generates points of contact between pharmacy visitors and the pharmaceutical and healthcare sectors.
- 3 Survey and research service**
Addresses a wide range of issues through questionnaires and other outreach to patients visiting Nihon Chouzai pharmacies, pharmacists, and registered dietitians at pharmacies.
- 4 Data Health Support Service**
Pharmacists with extensive clinical and data analysis experience support high-level data health projects, such as addressing problems related to medication, preventing progression, and supporting health awareness.

Case Study Interview

Pharmaceutical Affairs Division, Medical Affairs Bureau,
Health and Medical Affairs Department, Ibaraki PrefectureEstimating the Effect of Introducing Regional
Formularies in Ibaraki Prefecture, Analyzing
Impact of Biosimilar Substitutions

Commissioned by Ibaraki Prefecture, we conducted an estimate and analysis of the current use of generic drugs and biosimilars in the prefecture and the impact, in terms of lowering drug costs, of introducing regional formularies. The results of our analysis offer basic information to help the prefecture promote the use of generic drugs. Our analysis of the regional formularies targeted proton pump inhibitors (PPI-P/CAB) and angiotensin receptor blockers (ARB)—the use of alternatives for both of these drugs holds the promise of lowering drug costs significantly. We conducted the analysis assuming the replacement of these drugs with the drugs of choice recommended in the standard formulary (FINDAT) currently used for the regional formularies of the Koga and Sashima districts in the prefecture.

Q Tell us what led you to estimate the effect of introducing the regional formularies and analyze the impact of biosimilar substitutions.

A significant factor was the national trend toward promoting the use of biosimilars (biological drugs highly similar to already approved biological drugs), accompanied by moves to set value-based targets in addition to the existing volume-based targets. On September 30, 2024, the Ministry of Health, Labour and Welfare (MHLW) formulated a Roadmap for the Proper Use of Generic Drugs Based on Ensuring a Stable Supply. The roadmap sets out several targets by the end of FY2029: 1. increasing the share of generic drugs to 80% or more by volume in all prefectures while maintaining a stable drug supply; 2. ensuring that the number of active ingredients consisting 80% or more of biosimilars accounts for 60% or more of all active ingredients; and 3. increasing the share of generic drugs to 65% or more by value.

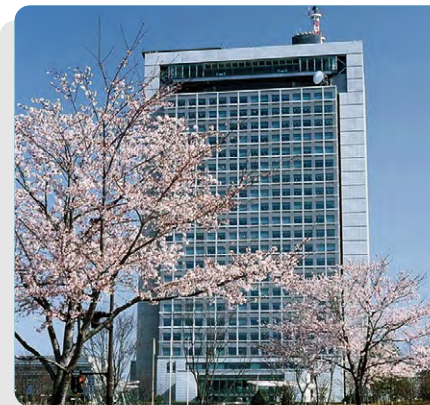
MHLW's 4th Healthcare Cost Optimization Plan, revised on July 20, 2023, also clearly calls for effective initiatives on the part of prefectures to optimize healthcare costs. It points to two steps in particular: supporting efforts to notify patients of drug price differences by grasping and analyzing data on the proportion of drugs used, categorized by efficacy; and publicizing the use of formularies.

Ibaraki Prefecture carried out a questionnaire on public awareness of biosimilars on the FY2023 Ibaraki Net Monitor online platform. The survey found that, while over 90% of people knew of or had used generic drugs, around 90% did not know about biosimilars. Even among people who are using biodrugs, the percentage of those who knew about biosimilars was only around 40%. It was clear that, although awareness of generic drugs among residents of the prefecture is high, awareness of biosimilars remains low.

Given this situation, while continuing to educate prefectural residents, we felt it was also necessary to raise awareness among healthcare professionals about formularies and the promotion of biosimilar use. This was the thinking behind our request for an analysis to accurately gauge the current situation in the prefecture and explore effective approaches.

Q We understand that you explained this initiative to the relevant organizations ahead of time.

We gathered together experts to form working groups on promoting the use of generic drugs in Ibaraki Prefecture. After proposing the survey to the working groups, we decided to commission Japan Medical Research Institute in FY2023 to compile statistics on the promotion of generic drug use*.



Pharmaceutical Affairs Division, Medical Affairs
Bureau, Health and Medical Affairs Department,
Ibaraki Prefecture

Population of Ibaraki Prefecture: 2,812,901
(As of April 1, 2024)

In terms of "promoting the efficient provision of healthcare", we will strive to optimize healthcare costs through the use of generic drugs and biosimilars, ensure proper medical consultations and drug prescriptions, and take other steps to efficiently provide healthcare. To this end, we will work to raise awareness among residents and medical professionals in the prefecture to gain a better understanding of the issues.

Excerpt from the 4th Ibaraki Prefecture Healthcare Cost Optimization Plan

Q Having estimated the effect of introducing the regional formularies and analyzing the impact of biosimilar substitutions, did you detect any impact from either initiative?

We found that, if we introduced regional formularies and completely replaced existing drugs with the drugs of choice in the standard formulary, in terms of value, the share of generic drugs would rise from 53.9% to 65.3%—a difference of 11.4%—even if we only replaced the two therapeutic classes mentioned earlier. So, we estimated that we could reach our target of 65% or more. We realized that the spread of initiatives to introduce regional formularies in the prefecture would contribute markedly to increasing the share of generic drugs in terms of value. We were reminded of the significance of such formularies. We also estimated that the switch to formulary drugs could yield a cost savings of up to 1,393.3 million yen (over a 12 month period). The analysis of the impact of biosimilar substitutions provided us with basic information in considering how to approach the issue of active ingredients in drugs that have not yet met their targets, allowing us to gauge current usage of each ingredient.

Q Current social trends will necessitate various actions to gradually promote formularies and replace existing drugs with biosimilars. To gain public buy-in, what steps do you plan to take going forward to better raise awareness of these issues among relevant organizations and medical institutions?

In addition to sharing the results of the analysis with relevant organizations, we plan to carry out a survey, mainly among core hospitals in the prefecture, to find out where they stand with regard to introducing formularies and what kind of support they would like to see from the prefecture. We are also considering holding lectures by experts to showcase examples of the various initiatives taken by individual medical institutions based on analytical data, as well as case studies of the introduction of regional formularies. We will explore ways of putting these initiatives in place through ongoing discussions by two committees in the prefecture—the Working Group on Promoting the Use of Generic Drugs and the Generic Drug Use Promotion Review Committee—both of which are made up of people recommended by relevant organizations, insurer associations, and other groups.

*Details on the FY2023 Compilation of Statistical Information on the Promotion of Generic Drug Use

Commission Analysis of prefecture as a whole, by secondary medical area, and by medical institution

- (1) Estimate of healthcare cost reduction effect from introduction of regional formularies and trends in share of generic drugs
- (2) Analysis of the healthcare cost reduction effect of switch to biosimilars, survey of current situation

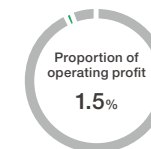
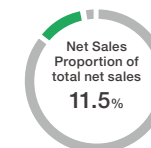
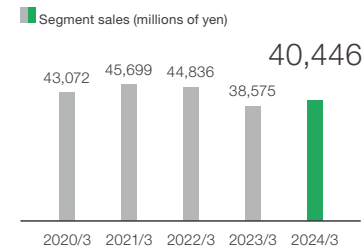
Pharmaceutical Manufacturing and Sales Business

Nihon Generic Co., Ltd.
Choseido Pharmaceutical Co., Ltd.

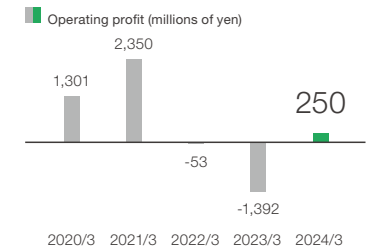
Nihon Generic was established in 2005 to provide high-quality generic drugs. Ever since, we have been providing generic drugs to medical institutions and pharmacies across the country.

Taking advantage of our synergies within the Nihon Chouzai Group, we plan new drugs that reflect feedback from patients and pharmacies. In our manufacturing, trained staff use state-of-the-art equipment to ensure rigorous quality control in line with strict Good Manufacturing Practice (GMP) rules, so that patients can use our drugs without worry.

Net sales



Operating profit



Message from the Business Manager



Masahiro Inoue
President and CEO
Nihon Generic Co., Ltd.

Q Looking Back on FY2023

The Pharmaceutical Manufacturing and Sales Business faced two major challenges in FY2021: a fire at the West Japan Logistics Center used by Nihon Generic, and administrative disciplinary action taken against Choseido Pharmaceutical based on the Pharmaceuticals and Medical Devices Act. Even in this context, we continued to steadily gain new business, mainly in relation to drugs manufactured in-house and new drugs. Our operating profit was able to recover to 250 million yen as a result. Along the way, we also sought to steer the business away from manufacturing a wide range of generic drugs in small volumes, narrowing down the lineup of the drugs we sell from 681

items (FY2019) to 516 items (FY2023). We will continue to move forward on this trajectory, while striving for more efficient manufacturing, distribution, and management.

We regret to report that improvement efforts at some Choseido Pharmaceutical plants have fallen short of the business improvement plan that was in place. Choseido Pharmaceutical has now revised its improvement plan with the help of outside experts. Going forward, Nihon Generic and Choseido Pharmaceutical will join forces to become key manufacturers in the generic drug industry.

Q Initiatives for FY2024, Mid-Term Issues and Initiatives with a View to the Long-Term Vision

Nihon Generic is steadily honing its R&D capabilities and improving its manufacturing technologies. New products are truly the driving force behind our growth—in FY2023 we exclusively launched two new active ingredients, and continue to ensure a stable supply of these products. In particular, EzeAto Tablets JG have been well received in the market. In August 2024, we also obtained manufacturing and sales approval for EzeRosu Tablets JG, which has the same efficacy, and began sales in December of the same year. The drugs Nihon Generic develops and manufactures have also received high praise from pharmacies, medical institutions, and other customers. We plan to take a leading role in the industry by proactively increasing production efficiency and ensuring the quality of the drugs we develop and manufacture in-house. One step is the roll-out of a manufacturing management system tailored to generic drug manufacturers. We will also explore a continuous production system, a new manufacturing technology, to further increase market penetration of the JG brand.

Three strengths

Value-added product development capabilities

Having pharmacies within the Group allows us to develop drugs that incorporate the perspectives of patients and healthcare professionals. For example, we are trying to differentiate our generic drugs from those of other companies by offering added value, such as changing the size or flavor of a drug to make it easier for patients to take.

Additionally, by printing the name and volume of active ingredients on tablets, we are making drugs easier to identify and developing formulations that are easier to use in clinical settings.

Reduced procurement costs

Building on the foundation of our drug sales to Nihon Chouzai, we have a stable network of sales channels, including to customers outside the Group, which enables us to secure a certain volume of sales.

Being able to produce large quantities of drugs for medical institutions both within and outside the Group makes it possible to lower procurement costs for drug substances and materials. Through our website, we also disclose the country of origin of drug substances and the companies that manufacture and sell them, as part of our commitment to responsible procurement.

Capacity control

Our leading-edge plants and equipment enable low environmental impact and support high productivity. Equipped with the requisite manufacturing facilities and testing equipment, we are working to optimize the allocation of drugs between plants and automate production. We are committed to producing high-quality drugs under a manufacturing management and quality control framework that complies with revised GMP regulations.

Growth strategy

Strengthening In-House Manufacturing Capabilities

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Ensuring Stable Supply

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Initiatives to Improve Quality

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Strengthening In-House Manufacturing Capabilities

Ongoing New Product Development Showcases Nihon Chouzai Group Synergies

With both a Dispensing Pharmacy Business and a Pharmaceutical Manufacturing and Sales Business, the Nihon Chouzai Group is motivated to develop generic drugs in house that reflect realities on the ground in the healthcare field, to address the needs of the 3,843 pharmacists staffing our pharmacies. To meet the needs of these pharmacies, which are the largest users of our drugs, we aim to develop a wide range of drugs without specifying certain disease areas, which allows us to accumulate the latest technology and expertise. We actively file patent applications for technologies obtained through our R&D activities while publicizing the results of new developments.

Moreover, because we can anticipate sales volumes to the Group's Dispensing Pharmacy Business in advance, we can forecast returns on investment from our drug development and realize efficient development planning. We will pursue effective R&D activities as we navigate annual NHI drug price revisions and an increasingly challenging earnings environment.

Continuous in-house development of new products

Under an increasingly stringent drug pricing system, achieving dramatic growth with existing drugs alone is difficult. Nihon Chouzai thus conducts R&D based on the notion that the ongoing launch of new drugs is essential for growth. We carry out R&D activities in a planned way both to avoid missing out on the timing of NHI drug price listings and to stay abreast of other companies launching generic drugs with the same active ingredients. Our focus going forward will be on carrying out in-house development to ensure that we can steadily bring new drugs to market that can become growth drivers.

Drugs Recently Developed In-House

Launched in FY2022

Dasatinib Tablets JG, Febuxostat Tablets JG, Escitalopram Tablets JG, Ramelteon Tablets 8mg JG



Launched in FY2023

Azilsartan Tablets JG, Sildenafil Tablets RE JG, EzeAto Tablets JG, Ambrisentan Tablets JG



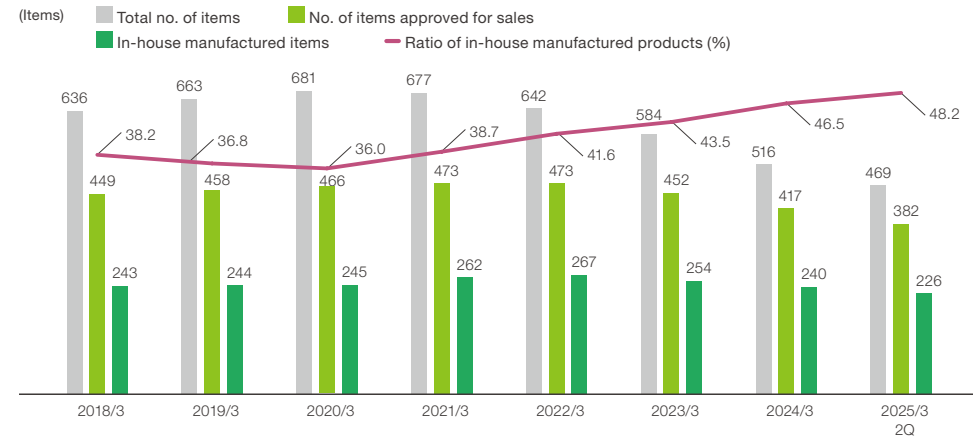
Increasing the Proportion of Drugs Manufactured In-House

We are shifting our strategy from expanding the drug lineup with an emphasis on sales to optimizing the drug lineup with an emphasis on stable supply. Given the relative ease of controlling costs for drugs manufactured in-house, we can expect to boost profitability by means of process improvements and increasing the scale of manufacturing. We see sales growth temporarily slowing down due to the discontinuation of in-licensed drugs and other drugs manufactured by outside companies. Going forward, however, we will continue to work toward significantly expanding the proportion of drugs manufactured in-house, which has now risen to 48.2%.

Shifting Outsourced Production to In-House

We are also exploring the in-house production at Group plants of drugs currently outsourced to other manufacturers, for which Nihon Chouzai already has manufacturing and sales approval. Producing these drugs in-house will enable us to shorten production lead times, respond more agilely to market demand, and boost profit margins.

Proportion of drugs manufactured in-house



Ensuring Stable Supply

Initiatives to ensure stable supply

To address recent instability in the supply of generic drugs, we are reviewing production plans over the medium term and adjusting to market demand. Although COVID-19 and recent international developments have lengthened lead times for the supply of drug substances and materials, we are working to secure inventories, taking various risks into consideration.

Plant Investment

The product portfolio of each plant is changing year by year with the launch of new drugs, transfers of drugs between manufacturing sites, and our efforts to shift outsourced production to in-house. Amid these changes, we continue to invest in the optimal equipment configuration for each context. We are also adding production lines as needed to enable us to manufacture more formulations. Plant equipment is basically made-to-order by equipment manufacturers, and manufacturing sometimes takes years. We have created forward-looking investment plans by working backwards from the production plans of our plants down the road so that we can roll out new equipment at the appropriate time. In addition, when making plant investments, we carefully consider the likelihood of recovering investments and strive to realize investments that are efficient.

Production Efficiency Capitalizing on the Characteristics of Each Plant

The Group has five plants. To ensure a stable drug supply, we are reviewing the manufacturing site for each product to create an optimal production framework for the Group as a whole. Increasing the amount of a drug that can be manufactured at one time will feed into greater production efficiency. In addition to enabling more efficient production planning for 226 products the Group manufactures, we also expect to bring down manufacturing costs.

The production framework of Nihon Generic centers on two locations: the Tsukuba Plant, which handles the production of a wide range of drugs in small quantities, and the Tsukuba Plant No. 2, which handles large-scale production. By adopting a production framework that capitalizes on the characteristics of each plant, we are working to ensure stable production volumes and enhance productivity.



Tsukuba Plant No. 2

Securing and Cultivating Human Resources

We are hiring and cultivating human resources with the aim of boosting production volume and improving operating rates at our plants. A larger workforce will make it possible to build a stable shift-based production framework. In addition to hiring new graduates, we also continue to hire mid-career employees who already possess the skills needed to work. We are also focusing on education, centered around on-the-job training, so that the people we hire can play an active role as soon as possible.



Establishing a Supply Framework

To improve our logistics services, we have located logistics centers in eastern and western Japan and in Sapporo, in Hokkaido. These three bases enable us to smoothly make wide-area deliveries. Furthermore, we have secured ample space for inventory management to support stable supply, anticipating the need to handle large-scale shipments. We have thus put in place a robust framework to ensure the smooth delivery of high-quality generic drugs to customers and patients across the country.



East Japan Logistics Center

Initiatives to Improve Quality



Rigorous Quality Control

To deliver a stable supply of generic drugs to patients, we are working to produce high-quality drugs under a manufacturing control and quality control framework that complies thoroughly with GxP* government regulations. We have introduced a system to ensure proper manufacturing and quality control. In addition, we are practicing quality risk management, setting quality targets based on our Quality Policy, and carrying out regular education and training for all employees at manufacturing sites, including in the manufacturing and quality departments. We pursued even more thorough-going quality control measures in FY2024, while also actively taking part in initiatives of the Japan Generic Medicines Association and working to help raise the level of quality across the generic drug industry as a whole.

* Abbreviation of Good x Practice. A general term for standards established by government agencies for the purpose of ensuring safety and quality. Includes GMP, GVP, etc.

Response to Manufacturing Management Deficiencies at Choseido Pharmaceutical

Choseido Pharmaceutical has formulated a business improvement plan with the help of outside specialists familiar with the Act on Quality, Efficacy and Safety Assurance of Drugs and Medical Devices (Pharmaceutical Affairs Law), and is working to establish and maintain a quality-conscious framework, including a review of its management structure.

Please see the following discussion for details. <https://www.choseido.com/>

FY2024 Quality Targets

- 1 Fostering a quality culture**
 Emphasizing quality, raising compliance awareness, enhancing education and training, ongoing communication from management, etc.
- 2 Maintaining, managing approval documentation that matches actual manufacturing conditions**
 Confirming consistency in GMP audits and request forms, eliminating inconsistencies through proper regulatory procedures, properly evaluating change management, etc.
- 3 Practicing quality risk management**
 Appropriately managing suppliers of drug substances, raw materials, drugs, etc., complying with elemental impurity guidelines, evaluating and managing mutagenic impurities, etc.
- 4 Strengthening the framework for delivering quality information to medical institutions and patients**
 Strengthening the ability to respond to inquiries related to manufacturing and quality, etc.
- 5 Ongoing improvements to a robust quality control system**
 Making GQP arrangements that reflect revised GMP regulations, revising drug quality manuals, exploring introduction of a document management system, etc.

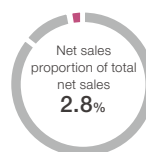
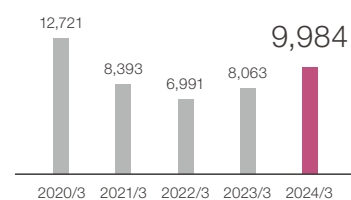
Medical Professional Staffing and Placement Business

Medical Resources Co., Ltd.

Medical Resources' basic approach to business is to do everything with integrity, recognizing that we work with people. We thus value face-to-face meetings with job seekers and job providers. Meeting in person allows us to grasp nuanced needs that are hard to convey over the telephone or in writing, and to craft proposals that match the needs of both job seekers and job providers.

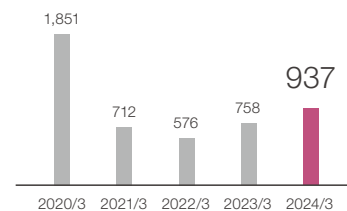
Net sales

■ Segment sales (millions of yen)



Operating Profit

■ Operating profit (millions of yen)



Message from the Business Manager



Nobuyuki Kobayashi
President and CEO
Medical Resources Co., Ltd.

Q Looking Back on FY2023

Although demand for services related to COVID-19 vaccinations tapered off, demand was brisk in our mainstay businesses of staffing and placing pharmacists and placing occupational doctors and other doctors, feeding into solid performance.

In terms of the various businesses, demand in the pharmacist staffing business remained firm, mainly among small and medium-sized pharmacies, while sales in the pharmacist placement business were up amid a more favorable operating environment.

In the doctor placement business, although work related to COVID-19 vaccinations dropped off dramatically, we tapped into steady demand for full- and part-time doctors and the need for temporary assignments, generating significant growth in contract volume.

To meet burgeoning corporate demand for health and productivity management, we developed services in the healthcare field, which is fueling steady growth in the occupational doctor business.

Q Initiatives for FY2024, Mid-Term Issues and Initiatives with a View to the Long-Term Vision

It is critical for the stable growth of the business to pursue a strategy of maintaining a competitive edge over other companies in the mainstay pharmacist business. We will carve out greater market share in this area by shoring up our client base and raising brand awareness.

Among existing businesses, we view the doctor and nurse placement businesses as drivers of growth. At present, we are channeling most of our efforts into the doctor placement business and will significantly hone our sales capabilities and ability to attract new clients in this area.

Due to the large scale of the market, the nurse placement business is highly competitive. I see our path forward in this area to involve translating Medical Resources' strengths into a robust brand and building market presence, gaining client loyalty by offering services they can experience and appreciate. I believe we have a good chance of succeeding.

I also see substantial room for growth in the healthcare field. As Japan's falling birth rate continues to cause contraction in the working population, we project that companies will ramp up their efforts to manage human capital and enhance engagement. To tap into this movement, we will make a concerted effort to boost investments in innovation and acquisitions in the healthcare field. Another issue I consider to be of critical importance is digital transformation centered on improving usability, including offering customer-oriented user interfaces and user experiences and leveraging our database. Along with heightening the accuracy of our AI-based matching, we will aim to dramatically increase sales.

Four Strengths

A wealth of knowledge and expertise specialized in the healthcare industry

Specializing in the healthcare industry allows us to cultivate outstanding talent. Because we have accumulated a wide range of information, we can also deliver high added value to both job seekers and job providers.

Providing consistent services for job seekers and job providers

We value face-to-face meetings and dialogue with both job seekers and job providers because this allows us to accurately grasp needs on both sides and tailor information to the actual context of clients. The result is superlative matching quality.

A pool of healthcare personnel candidates and a network of relationships

We are building up a pool of medical personnel candidates by offering extensive, up-to-date information on job markets as well as a range of content needed for both study and work. Through this approach, combining online and offline strategies, we have been able to build relationships and increase registrations for our matching services.

Doing everything with integrity, recognizing that we work with people

At Medical Resources, people are our capital, and in a business where the main focus is on people, our employees act with integrity in all their dealings with clients and continue to grow by embracing the values of daily taking on new challenges, collaborating, and exceeding expectations.

Philosophy of Medical Resources (Japanese only)

<https://www.medical-res.co.jp/company/philosophy/>

Growth strategy

Setting Medical Resources apart from the Competition

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Evolving to a Next-Generation Healthcare Model

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Setting Medical Resources apart from the Competition

The Value Medical Resources Provides

Raising brand awareness to maintain a competitive edge

Specializing in the healthcare industry allows us to cultivate outstanding, highly specialized consultants who provide high added value to both job seekers and job providers.

We will raise brand awareness both inside and outside the Group in a way that our clients can experience and appreciate the services and quality that only Medical Resources can provide.

With a client-oriented mentality that stresses the value offered by intermediary services, we aim to be a company that clients trust and continue to choose.

Reinforcing our ability to attract healthcare professionals

As in other industries, needs in the healthcare HR market are growing increasingly diverse, driven by factors such as diversifying working styles and the need to correct regional disparities in healthcare, and the career change market continues to thrive.

In this context, in the wake of the COVID-19 outbreak, we significantly revamped our web marketing strategy, creating our own unique points of contact with clients by building up a pool of job candidates and forming a network of relationships.

By focusing on enhancing the quality of the interviews and job negotiations we conduct, we are strengthening our relationships of trust with job seekers and job providers.

We are working to build a stronger market presence and raise brand awareness, more broadly publicizing the value of our services, attracting job seekers without competing against other companies, and improving our rate of successful matches. This will be reflected in our performance.

Offering education and added value

Given the dramatic changes in the nature of pharmacies and pharmacists from a decade ago, many pharmacy managers are experiencing a sense of crisis and feel urgently that something needs to change.

Keeping up with this changing environment calls for cultivating employees, but the various issues managers are facing cannot be solved simply by hiring people. Medical Resources addresses these issues in the form of education, turning personnel into valuable human assets through reskilling.

ePractice dedicated pharmacy training platform

ePractice is a dedicated employee training platform for pharmacies.

Through an online platform, employees can learn technical content required of pharmacists, such as pharmaceutical affairs and pathology, as well as non-technical knowledge to help them grow as members of an organization, such as framework management.

ePractice learning areas

- 15 Step-Up training (online curriculum for pharmacists developed by Nihon Chouzai)
- Management (overview of management, coaching, regulatory management, labor)
- Communication (pharmacy customer service, handling complaints, teamwork)
- Industry administration (medical treatment fees, regulations, Pharmaceutical and Medical Devices Act)
- Organizational HR (hiring interviews, organizational training)
- Pharmacy operations (corporate philosophy, pharmacy accounting, dispensing work, digital transformation)
- Marketing (comprehensive community-based care, sales promotion, marketing frameworks)



Evolving to a Next-Generation Healthcare Model

Characteristics of Medical Resources' Businesses

Pharmacist businesses

Supporting recruitment of pharmacists and pharmacology students

Target Pharmacies, hospitals, drug stores, etc.



Medical Resources operates Pharma Staff at 12 locations nationwide, supporting the recruitment of pharmacists by pharmacies, hospitals, drug stores, and other job providers. Since the start of the HR business, the company has emphasized a stance of meeting both job providers and job seekers face-to-face. Its strengths lie in introducing personnel based on detailed interviews and information that cannot be obtained merely in writing or by telephone.

Doctor business

Support for recruiting doctors

Target Hospitals, clinics, health care facilities for the elderly, companies, etc.



Medical Resources has expanded outward from urban to regional areas, mainly in Tokyo, Sapporo, Nagoya, Osaka, and Fukuoka. Staff specializing in the healthcare industry support recruitment activities to meet the increasingly diverse needs of medical institutions.

Nurse business

Support for recruiting nurses

Target Hospitals, clinics, home-visit nursing stations, facilities for the elderly, companies, etc.



Our specialization in different areas is what enables us to support the recruitment of nurses, offering swift placement services. We closely analyze the career change market for nurses based on our extensive track record and experience, further gaining expertise in guiding successful career changes. We have also allocated staff specializing in the healthcare industry who understand the characteristics of each area of healthcare and job seeker trends.

Healthcare business

Outsourcing support for occupational health and health and productivity management

Target Companies, government agencies, health insurance associations, etc.



With over a decade of experience in the occupational health industry, we support the management of occupational doctors and occupational health nurses nationwide. Other support plans include comprehensive support for various health management and healthcare issues, such as support for health and productivity management certification, online consultation services, corporate seminars, stress checks and health management systems, and self-care tools (exercise, sleep, diet).

Registered pharmaceutical seller business

Support for recruiting registered pharmaceutical sellers

Target Drug stores, pharmacies, mass retailers, home centers, etc.



Medical Resources supports the recruitment of registered pharmaceutical sellers with high matching accuracy through a comprehensive service. One of our strengths is that specialists in the healthcare industry handle all stages of recruitment, from dealing with companies to dealing with job seekers.

Vision for the Future

Creating new businesses in the healthcare field

Amid efforts by companies to promote health and productivity management, government efforts to curb healthcare costs, and initiatives to extend people's healthy life expectancy, public awareness of health in Japan is higher than ever. Drawing on our broad pool of healthcare personnel, alongside our growing occupational doctor and occupational health nurse businesses, we will strive to improve the quality and volume of services across the healthcare business field through cooperation with partner companies and acquisitions. In collaboration with Nihon Chouzai, we will also create new end-to-end healthcare services.

Sales growth through the use of AI-based apps and digital transformation

At Medical Resources, people are our capital, and in a business where the main focus is on people, ongoing operational improvements and reforms are particularly vital. We will aggressively invest in

digital transformation to enhance convenience for customers, including rolling out AI-based apps and overhauling our systems. This will allow employees to focus on tasks that call for human involvement and contribute to higher sales by improving customer service.

TOPIC Healthcare Business Division established

We established a new Healthcare Business Division in April 2024. Our vision at Medical Resources is to become a partner in creating the future for people, medicine, and healthcare. Our efforts to realize this vision going forward will center on our core occupational doctor and occupational nurse businesses and business relating to disease prevention and the prevention of illness progression, narrowing our focus to mainly corporate clients.

Building on a pool of doctors and other people involved in occupational health, we will not only catch up to the competition in our existing businesses but also venture out into new services.