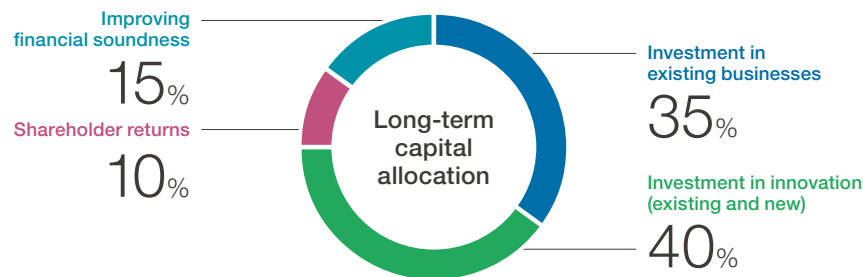


Financial Strategy

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.

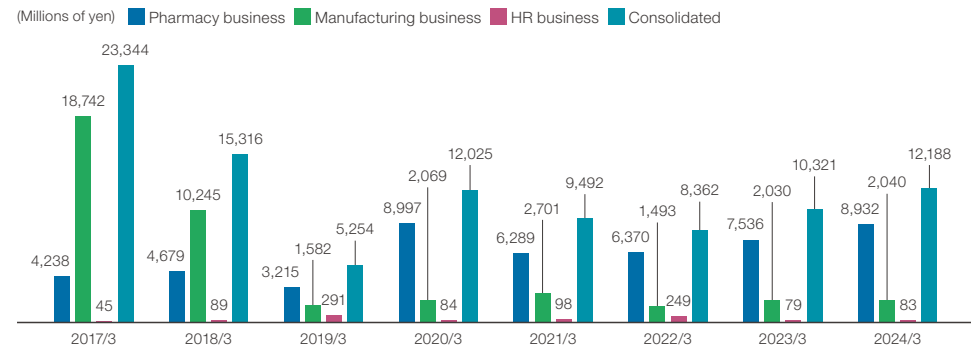
Furthermore, we are channeling efforts into cultivating highly specialized talent, such as professionals to support the advanced online drug information platform FINDAT, pharmacists certified in outpatient oncology, and pharmacists to engage in at-home healthcare.

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

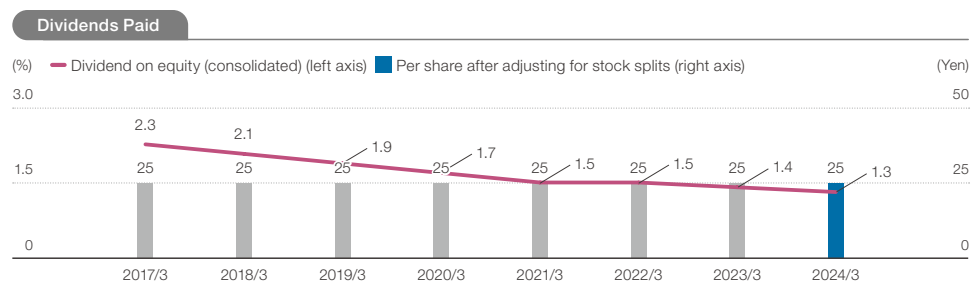


02 Shareholder Returns

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

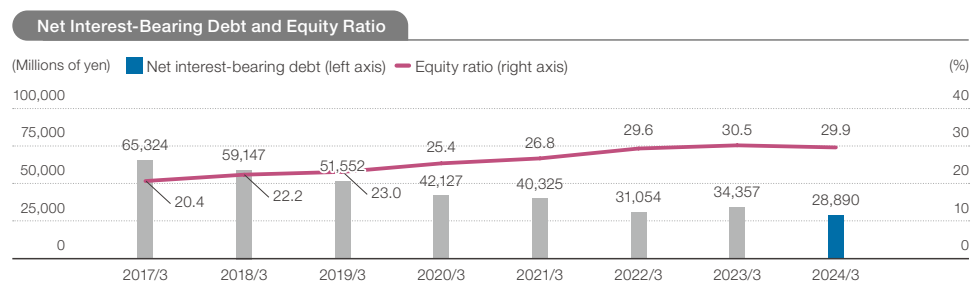
Our policy is to return profits to shareholders through stable interim and year-end dividends, while also taking into consideration the need to secure funds for growth. Going forward, we intend to aim for gradual improvements in returns.

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)

