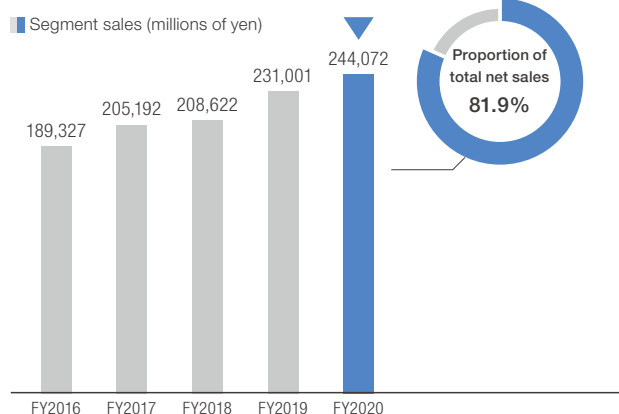




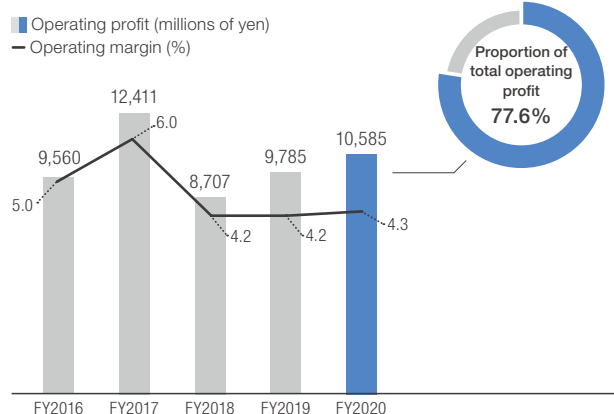
Dispensing Pharmacy Business

Nihon Chouzai Co., Ltd.
and dispensing pharmacy subsidiaries

Net Sales



Operating Profit



Long-Term Vision: Pushing Ahead to Embrace Industry Restructuring

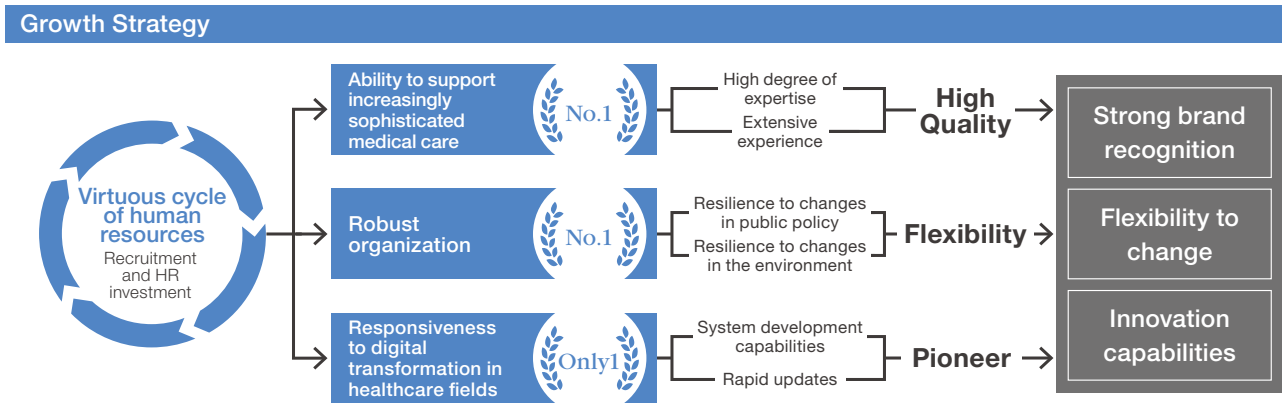
Nihon Chouzai's Growth Strategy

Nihon Chouzai is realizing sustainable growth by harnessing the strengths that are generated out of three key factors in its growth strategy.

The first factor is our ability to support increasingly sophisticated healthcare. Since the company's founding, we have forged a history of opening pharmacies in front of university hospitals and major regional hospitals that provide advanced healthcare. We have been able to create high-value-added services thanks to our high degree of specialization and extensive experience accumulated over the years.

The second factor is our robust organization. For 40 years we have constantly weathered the impact of NHI drug price and drug dispensing fee revisions, taking progressive initiatives in response to changes in government policy and in the healthcare industry environment.

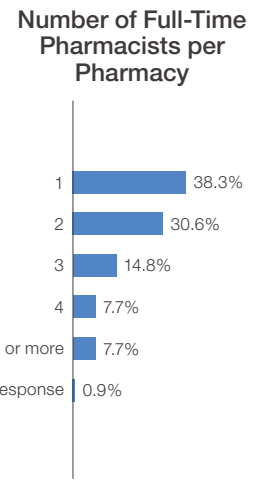
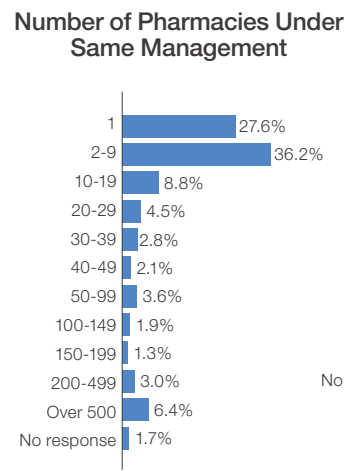
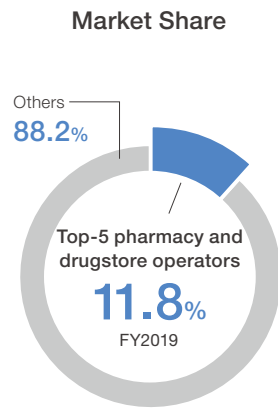
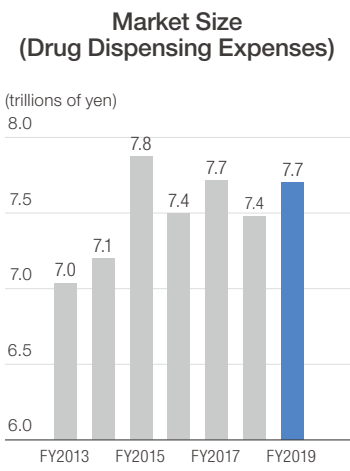
The third factor is our ability to adapt to digital transformation in healthcare fields. Nihon Chouzai has been developing dispensing systems in-house since the 1990s. Most recently, we constructed a forward-looking, efficient system that will be crucial in enabling future pharmacy management, such as supporting online healthcare.



Market Environment

In the Japanese healthcare industry, the government takes initiative in setting NHI drug prices and drug dispensing fees. Drug prices are revised every year while dispensing fees are revised once every two years, and the industry is subject to strict regulations. With an eye toward 2025 when all baby boomers (those born between 1946 and 1949) will be 75 or older, the government has rapidly taken a series of measures to contain healthcare costs. Given pressures on the national budget, we can continue to

expect sharp downward revisions in NHI drug prices and drug dispensing fees. This adverse business environment is a driving force behind the restructuring of the pharmacy industry, and we are likely to see further consolidation as the number of pharmacies decreases. To weather ongoing waves of consolidation and survive as a business, Nihon Chouzai considers it necessary to boost the sales volume of individual pharmacies and increase the number of pharmacists per pharmacy.



Market size, market share: Prepared by Nihon Chouzai based on MHLW, "Trend of Dispensing and Medical Care Expenses" and based on the securities reports of each company. Number of pharmacies under same management and number of full-time pharmacists: MHLW, "Fact-Finding Survey Report for Achieving the Vision of Pharmacies for Patients," March 31, 2017

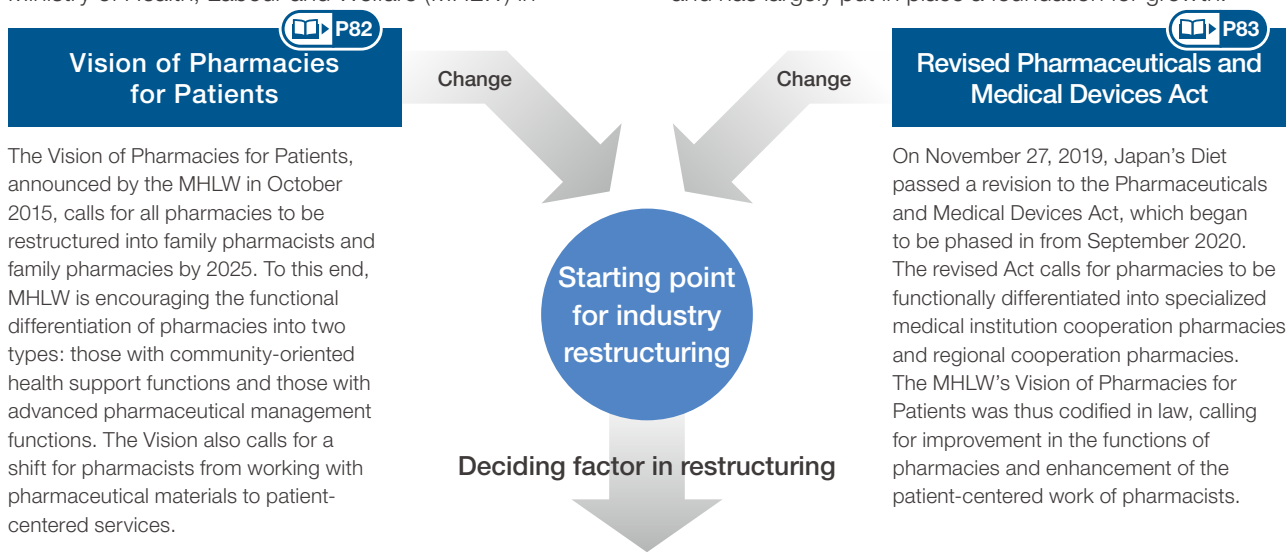
Growth Strategy: Realizing a Virtuous Cycle

Investing in Human Resources

At Nihon Chouzai, we view the people who support the Group as an essential management resource and continuously invest in human resources. We are recognized within the industry as a company that provides its employees with top-notch education, including offering an array of career development opportunities and training.

Nihon Chouzai believes the starting point for industry restructuring is strengthening the patient-centered skills of pharmacists, which is a common theme of both the Vision of Pharmacies for Patients announced by the Ministry of Health, Labour and Welfare (MHLW) in

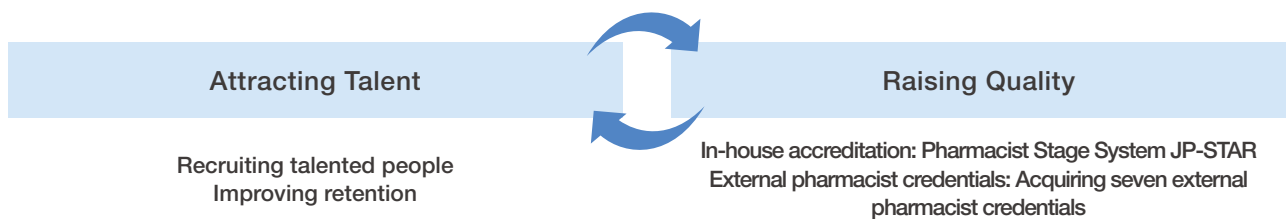
October 2015 and the revised Pharmaceuticals and Medical Devices Act, which is being gradually phased in since September 2020. We expect that pharmacists will be required to engage in even more extensive patient-centered work, and that the fee system of pharmacies will reflect such differences. Anticipating that unprecedented, far-reaching changes will give rise to further industry restructuring, the Group has for several years been strategically investing resources in its people, who are the deciding factor in successful restructuring, and has largely put in place a foundation for growth.



Investing in Human Resources

Going forward, pharmacies will be required to improve their functions and pharmacists will be required to perform more extensive patient-centered work. Meanwhile, regulatory evaluation of services that involve simply handling materials, such as medication selection and other dispensing work, is being reviewed and drug dispensing fees for such work are being lowered. For

these reasons, recruiting skilled pharmacists and further honing the skills of pharmacists, who are the critical resources engaging in patient-centered work, has become essential. Nihon Chouzai has invested in human resources with a view to longer-term growth, and is now shifting from the phase of attracting talent to the phase of improving the quality of our personnel.



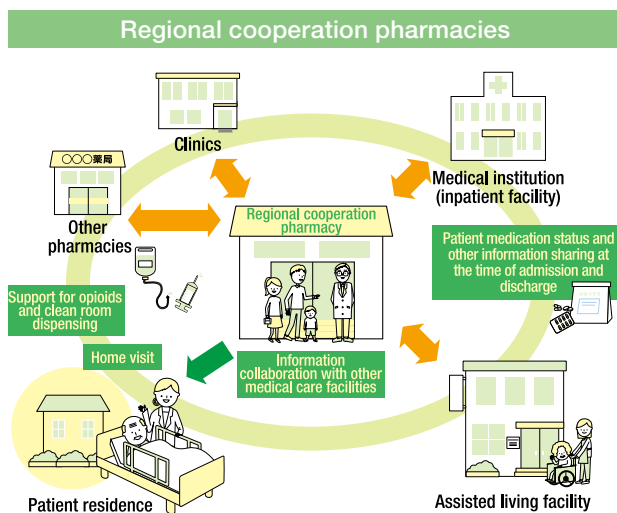
The baby boomer generation represents a large slice of Japan's population. As 2025 approaches, when all baby boomers will be over the age of 75, there is increasing demand for expanded efforts to promote at-home medical care. For pharmacists to provide medical care in patients' homes in addition to providing healthcare services at pharmacies, it is necessary to increase pharmacist headcount per pharmacy. Hence, recruiting becomes an important factor in promoting at-home medical care.

Down the road, pharmacists and pharmacies will need to have expertise in performing at-home medical care and advanced healthcare based on family pharmacist and pharmacy functions. In recent years, around 80% of cancer patients in Japan are treated medically as outpatients, and the importance of pharmacist follow-ups during treatment is growing. Because it is difficult to handle advanced medicine through pharmacy work experience alone, Nihon Chouzai is taking steps to hone the skills of its pharmacists and support advanced medicine, such as dispatching over 100 pharmacists every year to actively participate in hospital-based training. We also have many highly-skilled pharmacists certified by external certification agencies to provide care for patients with cancer.

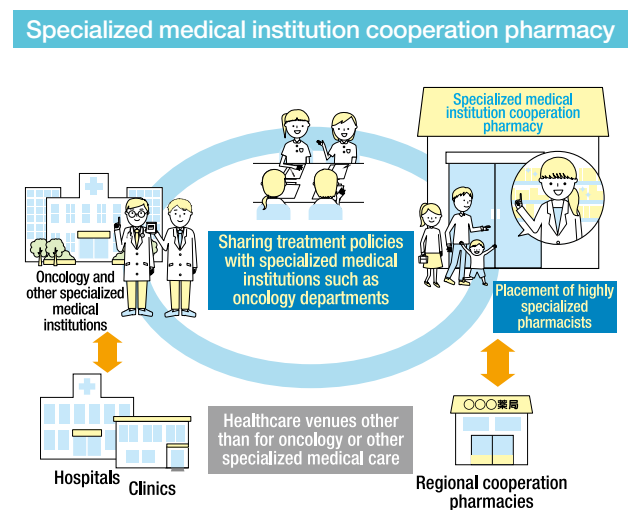
Strengthening Pharmacy Functions and Enhancing Healthcare Service Quality

The Vision of Pharmacies for Patients announced by the MHLW set forth concrete functions required of pharmacists and pharmacies going forward. Under the revised Pharmaceuticals and Medical Devices Act, which is being phased in from September 2020, pharmacies recognized by the prefectural governor as having a certain function can display signs indicating their specific function. In order to receive the certification, pharmacies need to closely cooperate with medical institutions.

Moreover, in addition to the core functions of family pharmacists and pharmacies, specialized medical institution cooperation pharmacies are required to have pharmacists on site with academic society certification or other specialized training. Nihon Chouzai is actively strengthening its patient-centered operations and steadily laying the groundwork to fulfill the functions that will be demanded of pharmacies in the future.



Regional cooperation pharmacies build a collaborative framework with medical staff at medical institutions, pharmacies, and other healthcare facilities and carry out centralized, continuous sharing of medication information. Such pharmacies act as bridges between hospitals (medical care) and care facilities or residences (long-term care), not only when the patient makes an outpatient hospital visit but also by supporting at-home medical care and at the time of admission and discharge from the hospital. These pharmacies are expected to provide quality healthcare to the community by complementing the role of health support pharmacies that are on the front lines of health promotion for community residents, including pre-symptomatic illnesses.



Specialized medical institution cooperation pharmacies serve patients who require oncology and other specialized pharmaceutical management. They engage in special kinds of dispensing that call for more advanced medication management and greater specialization, while closely coordinating with specialized medical institutions. Currently, oncology is the only specialty for which certification is required at specialized medical institution cooperation pharmacies, but there are plans to include other disease types in the future.

Family pharmacists

86%

Percentage of pharmacies with family pharmacists (including new pharmacies that will meet the criterion one year after opening)
(As of July 29, 2021)

Securing and fostering highly specialized pharmacists such as those accredited by an academic society

1 in 4 pharmacists

Percentage of Nihon Chouzai pharmacists among all pharmacists qualified as Accredited Pharmacists of Ambulatory Cancer Chemotherapy
(As of April 30, 2021)

At-home medical care

94%

Percentage of pharmacies providing at-home care (one visit or more per year)
(As of June 2021)

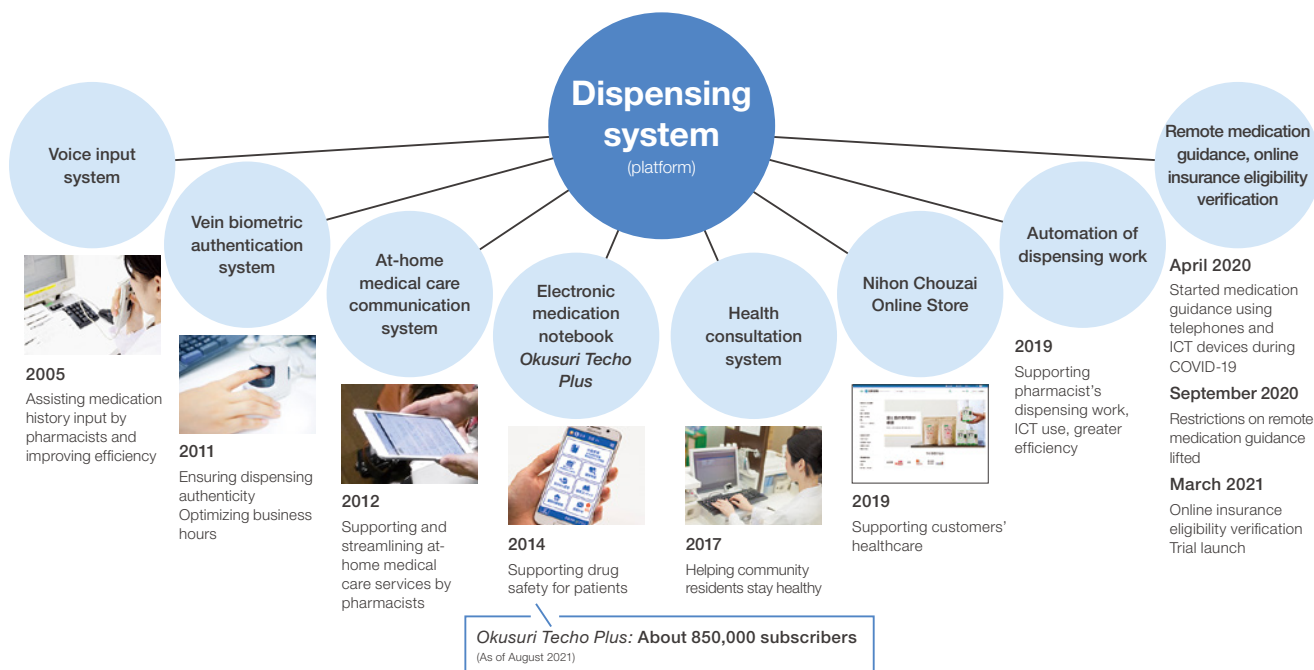
Health Support Pharmacies

93

Number of Nihon Chouzai pharmacies that meet MHLW criteria
(As of July 2021)

Growth Strategy: Realizing a Virtuous Cycle

ICT Investment to Support Growth Systems Development Using the Dispensing System as a Platform



Dispensing system

Nihon Chouzai is the only company in Japan's dispensing pharmacy industry to have internally developed and operate its own dispensing system for use in pharmacy operations. In-house development of the first system began in the 1990s. By updating the system every year, we have been able to respond quickly to revisions in drug dispensing fees and the move toward remote healthcare. The system also serves as a platform that can flexibly link with other systems. In 2021, we started development of a next-generation dispensing system to address emerging needs, earmarking 5 billion yen for development costs. In addition to overhauling the user interface, we are targeting a system design that will enable a flexible response to upcoming digital transformation and deregulations in healthcare fields. We are positioning this development as a growth investment with a view to future business development and expansion of the business scale.

Voice input system

We introduced a voice input system that assists with the input of medication history after a pharmacist has provided the medication guidance. It is equipped with functionality to learn the traits and other elements of individual voices. The system's voice recognition is highly accurate and supports technical terminology. Pharmacies where the system has been rolled out can input and update medication history in much shorter times.

Vein biometric authentication system

Nihon Chouzai introduced a vein biometric authentication system using finger veins that is linked to the dispensing system. The system allows the user to put a time stamp on work performed and guarantees the authenticity of dispensing. It can also be used for work time management, contributing to reform of working styles through the optimization of working hours.

At-home healthcare communication system

We have devised a system that allows pharmacists to access an at-home healthcare communication system via tablet when carrying out at-home care. Records of medication history and healthcare logs can be entered on the spot. The system serves as a tool both to streamline the work of home-visiting pharmacists and to support collaboration with local doctors, thus contributing to greater healthcare quality.

Electronic medication notebook Okusuri Techo Plus

The electronic medication notebook *Okusuri Techo Plus* links with Nihon Chouzai's core dispensing system to enable centralized management of medication history. The notebook is equipped with various functions that enhance the convenience of pharmacy services, including a function for sending prescriptions, where users can send photos of their prescriptions taken with their smartphones to pharmacies in advance for a hassle-free pickup, and a calendar function for managing medication and out-patient visit schedules. The notebook also has a personal health record function that offers greater convenience by linking to data from weight scales and blood sugar measuring devices. In this way, it helps patients manage their daily habits and supports better health. In August 2021, a "connect" function will be added to allow users to communicate with pharmacies in the form of short messages. This will reinforce patient follow-up after pharmacy visits.

Health consultation system

We have developed a system that supports the health of patients by centrally recording data such as health consultations at pharmacies and those conducted by registered dietitians at our Health Check-Up Stations. Because information on over-the-counter drugs for local residents without prescriptions can also be centrally recorded alongside prescription data, pharmacists and dietitians can conduct more informed counseling, helping local residents stay healthy.

Nihon Chouzai Online Store

We opened an online store that provides comprehensive support for healthcare, offering high-performance, high-quality products carefully selected by professional pharmacists and registered dietitians working in our pharmacies. We support healthcare for a wide range of users, offering approximately 2,000 different drugs, medical devices, cosmetics, health foods, hygiene, and other specialized healthcare products. The online store also sells original products available exclusively online.

Remote medication guidance Online insurance eligibility verification



Automation of dispensing work



ICT Investment to
Support Growth

Remote Medication Guidance

Nihon Chouzai Online Pharmacy Service

For some time, Nihon Chouzai has been actively involved in providing remote medication guidance in Japan's National Strategic Special Zones (business-friendly zones in major urban areas with special regulatory provisions).

With the revision of the Pharmaceuticals and Medical Devices Act, remote medication guidance became available nationwide from September 2020. In response, we developed Nihon Chouzai Online Pharmacy Service, a service which allows patients to receive medication guidance at home. The service has started at our pharmacies nationwide, with some exceptions.

As demand for non-face-to-face medication guidance increases, we have established a system that allows patients to easily receive medication guidance anytime, anywhere without going to the trouble of downloading an app.

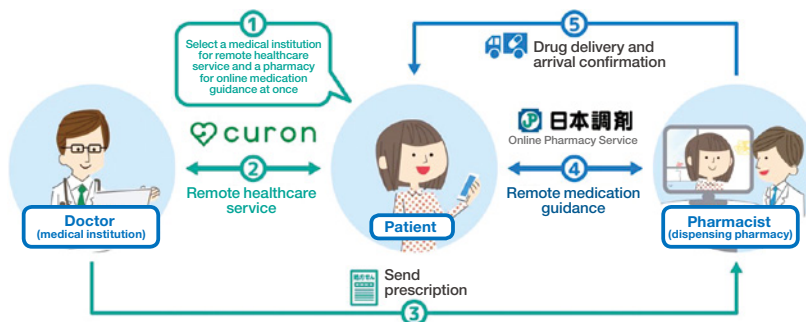
As of June 2021, we had conducted over 37,000 cases of remote guidance (including support measures related to COVID-19)

Collaboration with Remote Healthcare Services

We have begun collaboration between Nihon Chouzai Online Pharmacy Service and the remote healthcare service curon of MICIN, Inc. Through this collaboration, patients can select any pharmacy of the nationwide Nihon Chouzai Group when making a reservation for an online healthcare consultation through the curon service.

After the online consultation, users can smoothly transition to the Nihon Chouzai Online Pharmacy Service and make a reservation for online medication guidance. Since information is linked with the patient ID on the curon platform, even first-time pharmacy users can start registration with their basic information already entered. This collaboration is enabling a system that offers smoother use from online consultation through to online medication guidance.

Flow of remote medication guidance



ICT Investment to
Support Growth

Online Insurance Eligibility Verification

On March 4, 2021, Nihon Chouzai began participation in the trial launch of an online insurance eligibility verification system using patients' Individual Number Cards, which are equivalent to tax ID number cards (full-fledged operations are slated to begin in October 2021). By using Individual Number Cards, participating medical institutions and pharmacies can quickly verify the accuracy of the required patient insurance eligibility information.

Use of Individual Number Cards avoids the conventional process where pharmacy staff enter and verify information from health insurance cards. Using face recognition in the reception step offers the benefit of being able to easily complete the verification process online.

Online insurance eligibility verification will improve convenience for patients, while reinforcing the family pharmacist and pharmacy system Nihon Chouzai is actively working to implement, enabling detailed

support for patients including the centralization of medication information and continuous management of medication status. Having participated in the trial launch, Nihon Chouzai is actively preparing for full-scale operations and expanding the number of target pharmacies in stages, with 101 pharmacies targeted to use the system as of June 21.



Growth Strategy: Realizing a Virtuous Cycle

ICT Investment to Support Growth **Automation of Dispensing Work**


System Changes to Promote Automation

On April 2, 2019, the Ministry of Health, Labour and Welfare issued a public notice on the performance of dispensing work, which emphasized the need to enhance patient-centered work. To do this requires streamlining work that involves handling materials. The notice declared that it is now possible for staff other than

pharmacists to pick out and sort medicines from inventory that are still packaged in blister packs (PTP sheets), as long as they are visually monitored by a pharmacist. It also became possible to actively utilize dispensing equipment in the process of dispensing drugs.


Initiatives at Nihon Chouzai Pharmacies

While promoting efficiency through automation, we are striving to raise the quality of healthcare services by freeing up time for pharmacists to focus on patient-centered work.



Drug Stations	Up to 3,000 items
<ul style="list-style-type: none"> • Trials started at multiple pharmacies • Cooperation and tie-ups with dispensing equipment manufacturers • Promoting automation mainly in larger pharmacies 	Automated drug picking device

Annual net sales per pharmacy*	ROBO-PICK II	Up to 1,300 items							
<table border="1"> <tr> <td>National average</td> <td>Nihon Chouzai</td> </tr> <tr> <td>Approx. 1.2 million yen</td> <td>Approx. 3.7 billion yen</td> </tr> </table>	National average	Nihon Chouzai	Approx. 1.2 million yen	Approx. 3.7 billion yen	<ul style="list-style-type: none"> • Trials completed • Promoting automation mainly in medium- and large-sized pharmacies offering greatest efficiency gains 	<table border="1"> <tr> <td>Fully automated blister pack feeding device</td> </tr> <tr> <td>Up to 130 items per unit</td> </tr> <tr> <td>Up to 10 units can be networked</td> </tr> </table>	Fully automated blister pack feeding device	Up to 130 items per unit	Up to 10 units can be networked
National average	Nihon Chouzai								
Approx. 1.2 million yen	Approx. 3.7 billion yen								
Fully automated blister pack feeding device									
Up to 130 items per unit									
Up to 10 units can be networked									



* Annual net sales per pharmacy
 Nihon Chouzai: Annual sales per pharmacy as of March 31, 2020.
 National average: Calculated based on MHLW, "Trend of Dispensing and Medical Care Expenses FY2018" and "Overview of Fiscal 2018 Report on Public Health Administration and Services"

Shifting pharmacist work to more patient-centered work
Improving dispensing quality (including hygiene)
Improving patient safety

Trials of New Dispensing Equipment

In May 2020, Nihon Chouzai was first in the industry to introduce the newly released Drug Station, a system that is capable of dispensing up to 3,000 pharmaceutical products, and began trials to test its efficiency. Based on the results of the trials, we plan to roll out Drug Stations to pharmacies with sales levels that promise significant efficiency gains through the rollout.

Going forward, we will continue to stay out ahead of the competition by investing efficiently in and testing new equipment.

Automation Rollout Schedule

Nihon Chouzai initiated its rollout of automation initiatives in FY2020. Based on knowledge gained from the start of operations on the ground, we updated the schedule targeting a more effective rollout.

The schedule calls for the rollout of equipment at 50 pharmacies in FY2021 and at 30-50 pharmacies in FY2022.

We believe that automation not only improves efficiency, but also has the benefit of helping to ensure medical safety by minimizing human error.

Growth Strategy: New Businesses, Various Initiatives

Community-Based Nutrition Care Support

Certified Nutrition Care Stations

Certified Nutrition Care Stations are facilities certified by the Japan Dietetic Association as community-based hubs where local residents can receive support and guidance for nutritional care.

Through services such as nutrition consultations, health events, and nutrition classes, nutritionists and registered dietitians who are specialists in food and nutrition are supporting residents in leading healthy and fulfilling lives.

Number of pharmacies with certified Nutrition Care Stations: 25

Initiatives for Quality Medical Services

Home Support Centers Obtain ISO9001

Two Nihon Chouzai Home Support Centers have acquired ISO9001 certification for their quality management systems. The Centers provide a broad range of at-home healthcare services to address the needs of residents in the community.

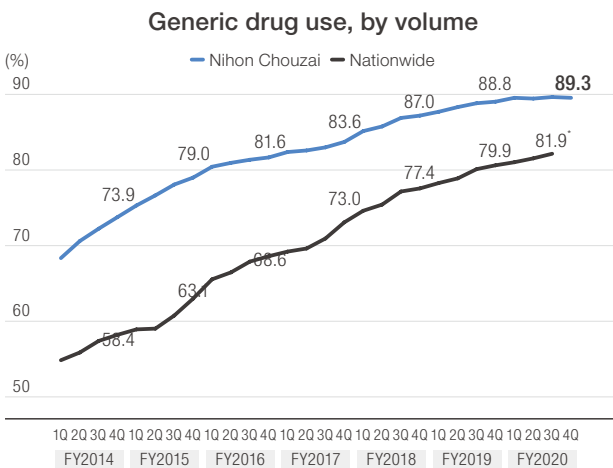
The ISO9001 standard is used to evaluate how an organization manages its mechanisms for continuously providing products and services that meet customer needs. Both bases that acquired certification are able to ensure high levels of safety and accuracy through the quality management systems they have built.

In addition to these two Centers, Nihon Chouzai plans to acquire successive ISO9001 certification for the 20 other Home Support Centers it operates nationwide.

Initiatives to Control Increasing Healthcare Costs

Promoting the Use of Generic Drugs

Nihon Chouzai achieved the government-mandated target of raising the proportion of generic drugs to 80% set for September 2020 three years ahead of schedule. As of March 2021, we had achieved the industry's leading share of generic drug use by volume, at 89.3%.



*MHLW, "Trend of Dispensing and Medical Care Expenses, Generic Drug Ratio by Volume (New Index)"

Promoting generic drugs helps curb increase in healthcare costs

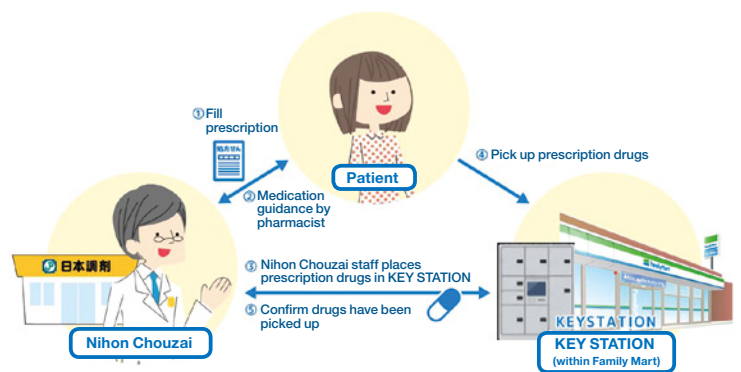
Internal sales of Pharmaceutical Manufacturing and Sales

Business are increasing (Group synergies)

Non-Contact Prescription Drug Pick-Up Service

KEY STATION

In collaboration with leading convenience store operator FamilyMart Co., Ltd., Nihon Chouzai has started trials of a prescription delivery service using KEY STATION, a pick-up box installed at FamilyMart stores that is equipped with an authentication function. Because KEY STATION boxes conduct identity verification, they allow patients to receive prescription drugs 24 hours a day safely, even outside pharmacy business hours, and without interpersonal contact. The new service is expected to help reduce COVID-19 infection risk and enhance convenience.



Initiatives for Community Health Support Functions

Health Check-Up Stations

As a community-oriented health support function, we have set up Health Check-Up Stations* in selected pharmacies which are actively working to help local residents stay healthy and to deal with pre-symptomatic illness and disease prevention. Health Check-Up Stations offer health consultations at a booth that helps ensure privacy, and are equipped with blood pressure monitors, body composition meters, and other measuring devices that can check patients' health condition.

In addition, Nihon Chouzai has begun offering a COVID-19 PCR testing service at several of our Health Check-Up Stations in pharmacies nationwide (74 pharmacies).

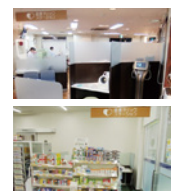
Through the provision of PCR testing services, we are contributing both to prevention of COVID-19 infection and to the resumption of economic activity.

Community Health Support: Pharmacies with Health Check-Up Stations

	March 2018	March 2019	June 2020	June 2021
Number of Health Check-Up Stations	37	62	75	76

*Health Check-Up Station is a registered trademark of Nihon Chouzai.

- ①Advice on diet and exercise from registered dietitians
- ②Attract resident utilization through health fairs
- ③Dedicated booths for maintaining and improving health
- ④Help patients stay healthy with various devices such as sphygmomanometer and body composition monitor
- ⑤Support self-medication with over 500 items, including OTC drugs and health foods
- ⑥Depending on symptoms, recommend medical consultation or refer medical institutions



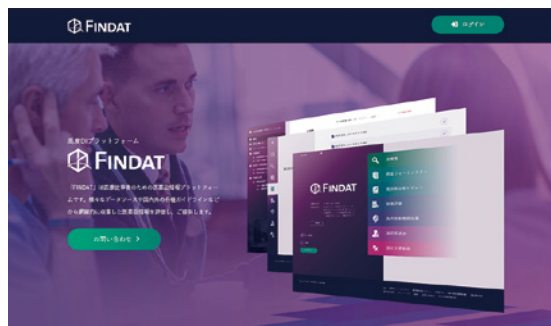
Growth Strategy: FINDAT Business

Accelerating Digital Transformation in Healthcare with FINDAT

FINDAT is Nihon Chouzai’s advanced online drug information platform.

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 utilization 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.



Demand from Society



Value Provided by FINDAT

- Used in creating and updating drug formularies***
These are recommended lists of homologous drugs prepared and offered by FINDAT. Formularies 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**
FINDAT gathers information on and evaluates newly approved drugs, tasks that place burden on medical institutions, and compiles these findings into materials that can be easily utilized at clinical sites and distributes them.
- 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 latest drug safety information, FINDAT promotes the proper use of drugs, contributing to enhanced medical safety.

About Formularies

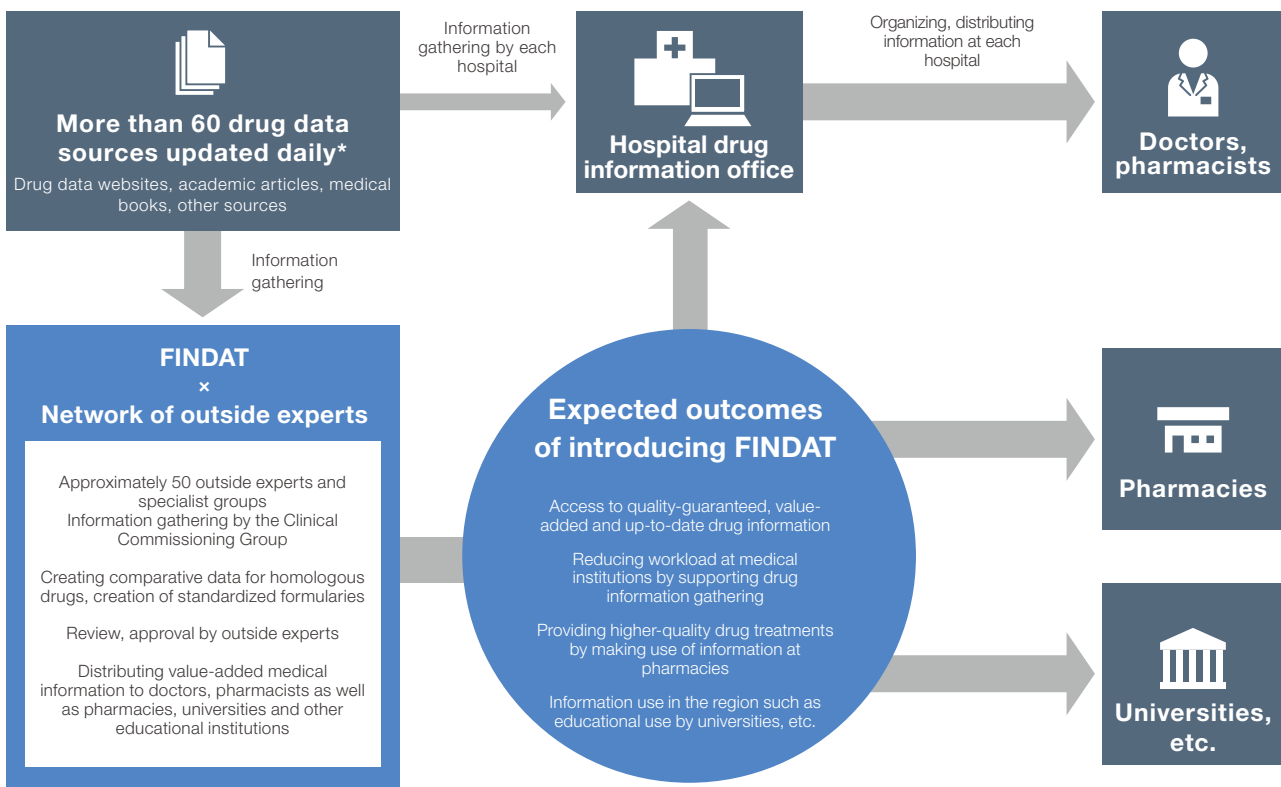
Formularies are guidelines for the most effective, safest, most cost-effective use of drugs for the patients of medical institutions. These drug management tools were first introduced in the 1990s, mainly in Europe and the U.S. Moves toward the full-scale introduction of formularies are gaining momentum in Japan as well, as a means of improving efficiency in healthcare, with surveys underway on the

extent to which hospitals have introduced these tools. Formularies use evidence-based drug selection, which leads to more economical treatment practices. Creating a formulary yields numerous benefits, including economic merits such as the effective use of generic drugs as well as contributions to medical safety through the more systematic organization of drugs that are used.

Providing Value-Added Information through the FINDAT Platform

Supporting the Drug Information* Operations of Hospitals and Pharmacies

Because they involve collecting and organizing a massive number of information sources, drug information operations require each hospital to hire specialized personnel and invest significant resources. Introducing the FINDAT platform will enable hospitals to offer high-value-added information, while at the same time reducing the workload of each hospital's drug information office.



* Drug information operations involve gathering and handling evidence and information needed to optimize the benefit-risk balance of drug treatments.

* Japan Society of Hospital Pharmacists; from sources of information available for use in DI operations

Drug information is a “must have” for pharmacists to perform their functions

In Japan, reducing healthcare costs has become a pressing issue, as a rapidly declining birthrate and aging population are driving an ongoing increase in such costs. As a tool for reducing healthcare costs, moves to introduce formularies, whose effectiveness has already been proven in the U.S. and European countries, are rapidly gaining momentum.

Formularies need to be created based on extensive information collected from highly reliable sources.

Nihon Chouzai launched FINDAT, an advanced online drug information platform, in its efforts to help maintain a sustainable healthcare system—through such efforts as to promote standard drug treatments, curtail healthcare costs, and reduce burden on patients—with the aim of contributing to society.

In team-based healthcare, pharmacists ought to be able to collaborate with, and discuss pharmacological treatments with doctors with a sense of responsibility. Until now, the separation of drug prescribing and dispensing services focused on the separation of “things,” that is, medications. But separation is also necessary in terms of the “people” who carry out team-based medicine; that is, pharmacists need to participate in pharmacological treatments based on scientific and theoretical grounds.

The advanced online drug information platform FINDAT exhaustively collects data from reliable sources and provides information peer reviewed with outside experts to guarantee neutrality. We are confident that in doing so, FINDAT will facilitate sharing of drug information within a medical institution, support increased efficiency, and take charge in providing a sustainable healthcare system to the Japanese people.

