

# Long-Term Vision 2035

September, 2024

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**Final Note**



# 1

## Long-Term Vision 2035

### Group Philosophy

## Our Mission

To give people the  
**closest possible** support

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From the start, our primary aim has been to contribute to the health of all people. It is as true today as ever. We work to ensure that medical care is available to every part of society, regardless of the challenges involved. Moving forward, we will continue to provide lifelong support for our customers, serving as the healthcare professionals most closely involved in their wellbeing.

## Vision

What the Group envisions to be

# The most trusted partner in healthcare

### The most vibrant and energetic group in Japan

#### An organization overflowing with hospitality

- Serve customers with a smile and full of hospitality
- Create a vibrant work environment where employees can thrive, and support proactive career development

### A group that can address all kinds of needs

#### Sincerely serve customers

- Build a structure, a system, and facilities to address all kinds of customer needs
- Listen to customer feedback, and build services from a customer-centric perspective

### A group that continues to innovate

#### From self-reliance to co-creation

- Develop new services through partnerships and co-creation with other companies
- Transform corporate culture into one that encourages and fosters innovation



## Management Indicators for Achieving the Long-term Vision

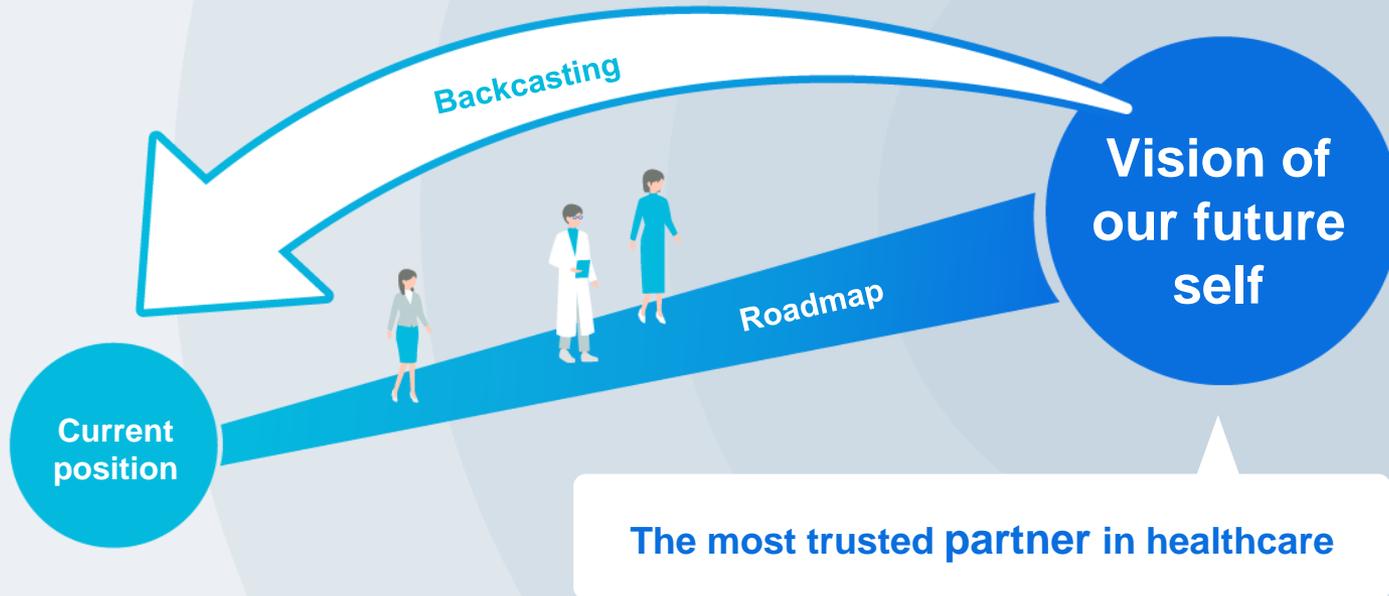
By prioritizing financial KPSs such as ROE, ROIC, and CAGRs for sales and EBITDA, we aim to enhance capital efficiency and ensure growth. For FY2035, we aim for operating profit of 40–50 billion yen.

Indicators		FY3/24	FY3/36 Vision	
Financial KPIs	Capital efficiency	ROE	4.4%	15%
		ROIC	4.8%	15%
	Growth potential	Sales CAGR (vs. FY3/24)	—	Above 10%
		EBITDA CAGR (vs. FY3/24)	—	Above 10%
Non-financial KPIs	Organizational vitality	Based on NPS* and employee engagement score, among others		
	Innovation creation capability	Consider as indicators for services focused on providing new value		

\* Net Promoter Score (NPS) measures customer loyalty, i.e., trust and attachment customers have toward a service. It indicates the proportion of customers who would actively recommend the service to others.

ROE(%) = Profit attributable to owners of parent / shareholders' equity  
 ROIC(%) = After-tax operating profit / (interest bearing debt + shareholders' equity)  
 EBITDA = Operating profit + depreciation

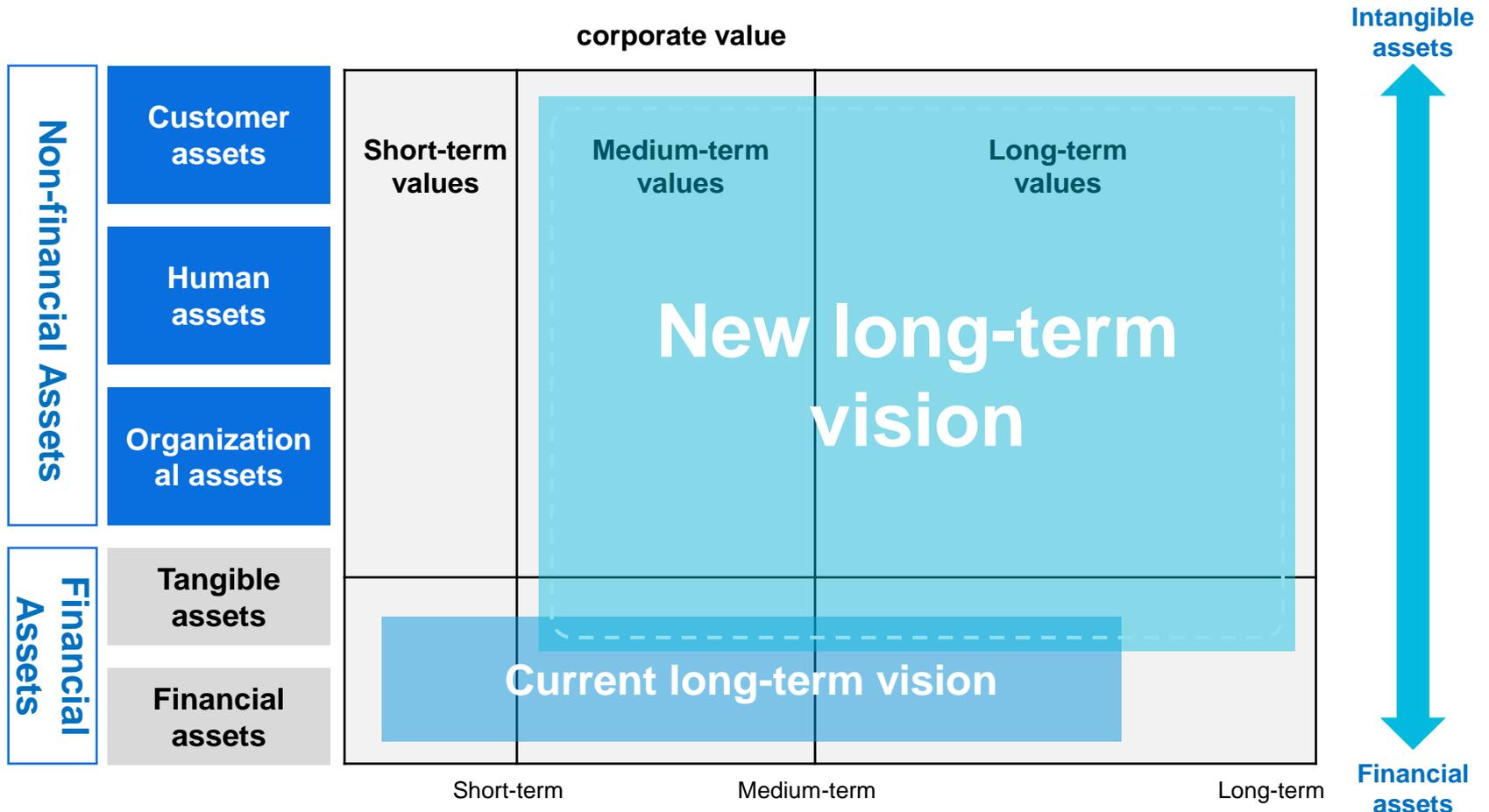
We have defined a vision for ourselves and created a roadmap by backcasting from that vision. We aim to enhance corporate value, by implementing strategies to bridge the gap between our current position and this vision.



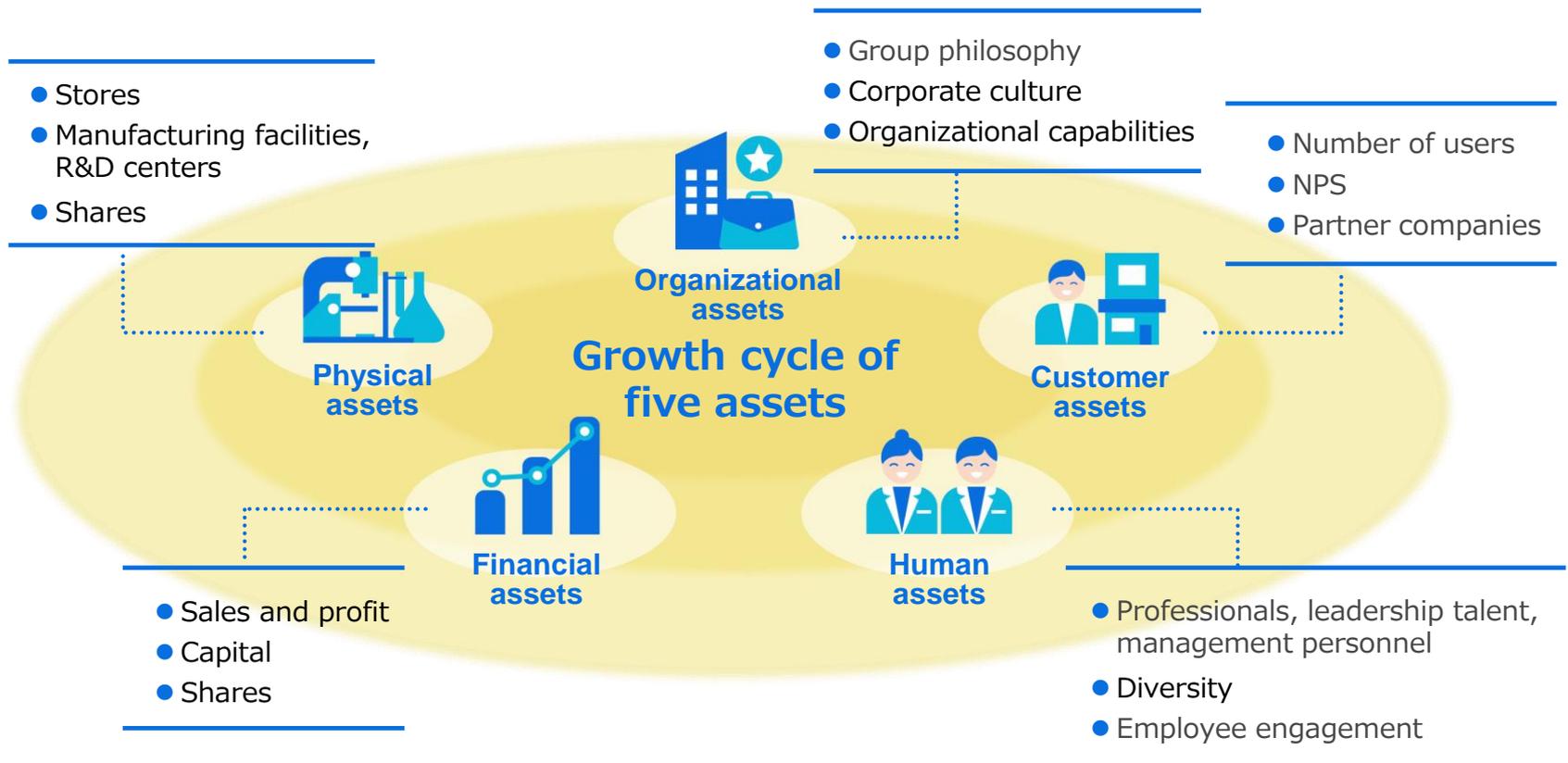
# Prioritize Growth in Non-financial Assets

We refer to assets that are not included in the balance sheet but are nonetheless valuable as “non-financial assets,” as they serve as the source of future cash flows.

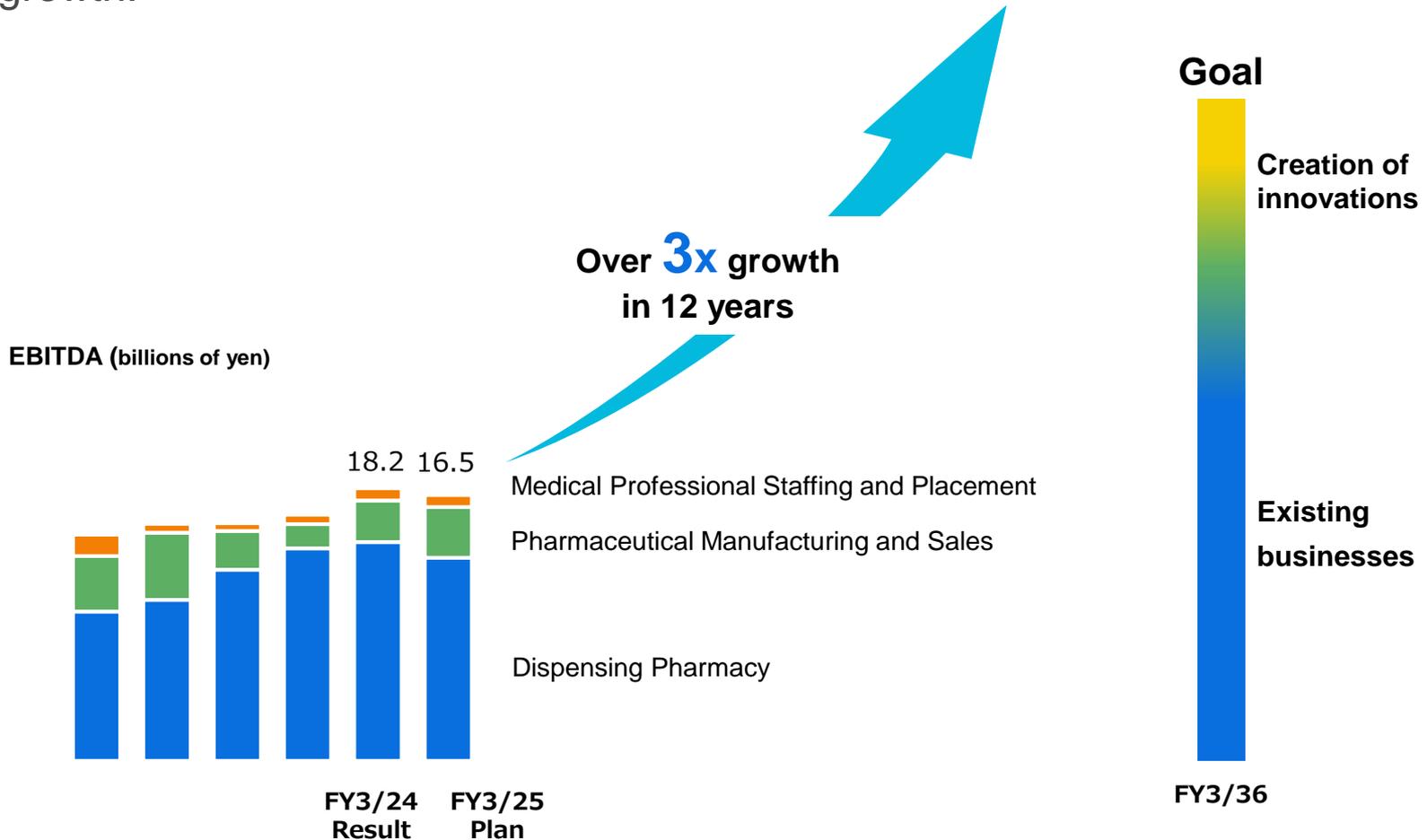
We will step up efforts to expand non-financial assets, including our organization, personnel, and customers, to realize sustainable enhancement of corporate value.



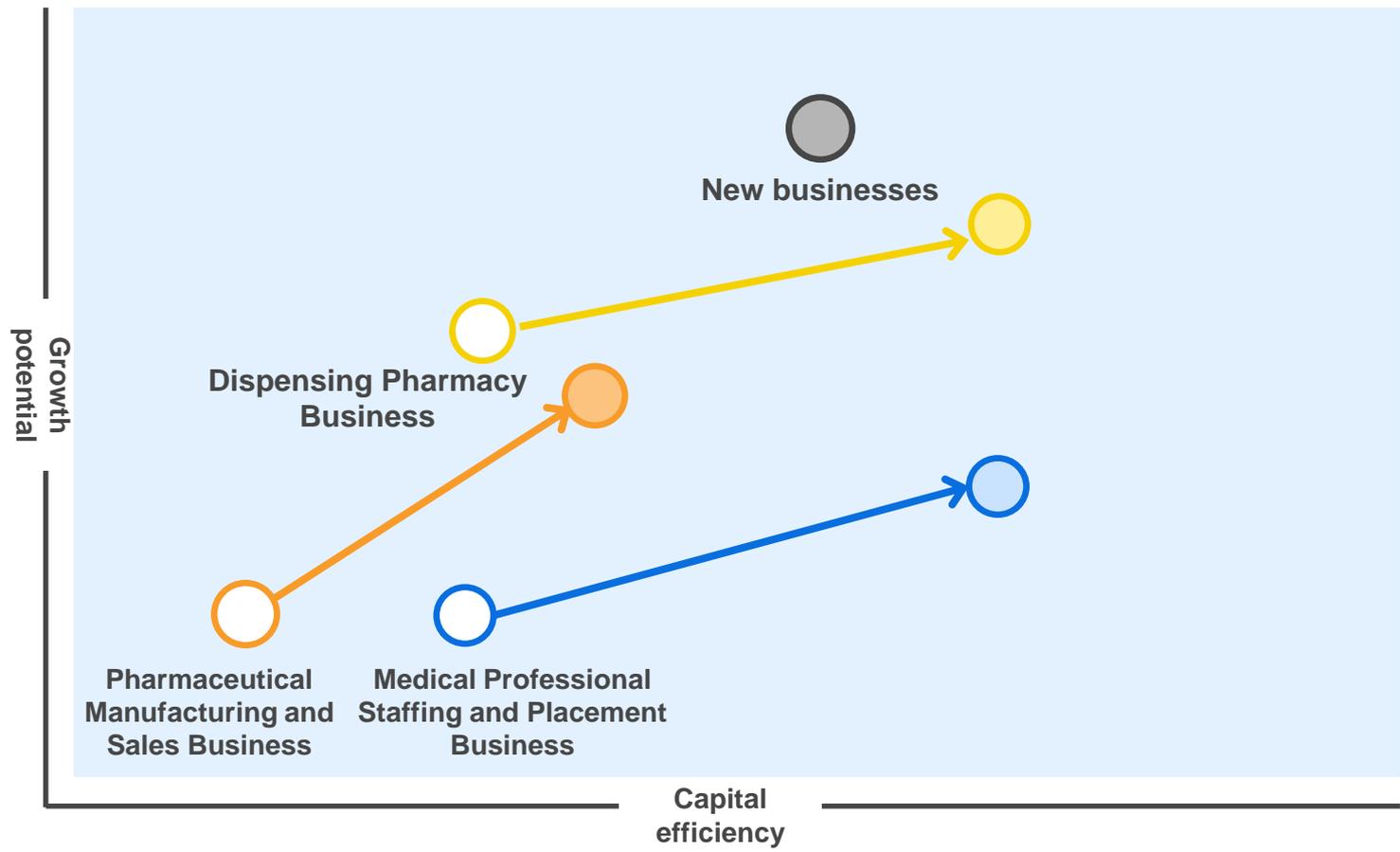
The five assets refer to physical and financial assets, which are tangible, as well as organizational, human, and customer assets, which are intangible. These five assets are interconnected and influence one another, driving the expansion of each.



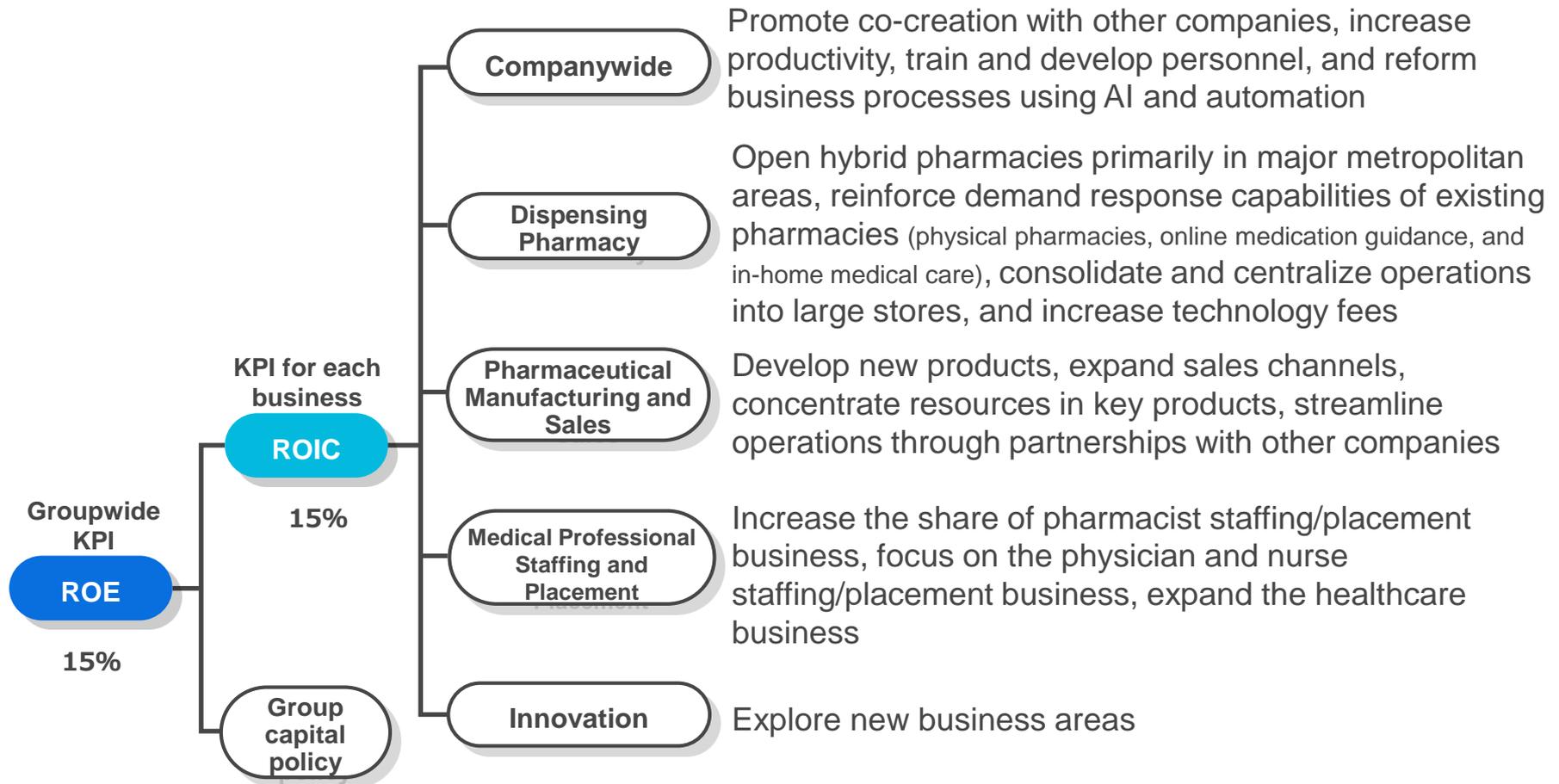
We aim to achieve sustainable growth through steady growth in existing businesses and the creation of innovations while continuing to invest in growth.



To achieve our vision for FY2035, we will pursue growth in existing businesses and capital efficiency, considering the cost of capital. Further, we aim to develop new businesses with an emphasis on capital efficiency.



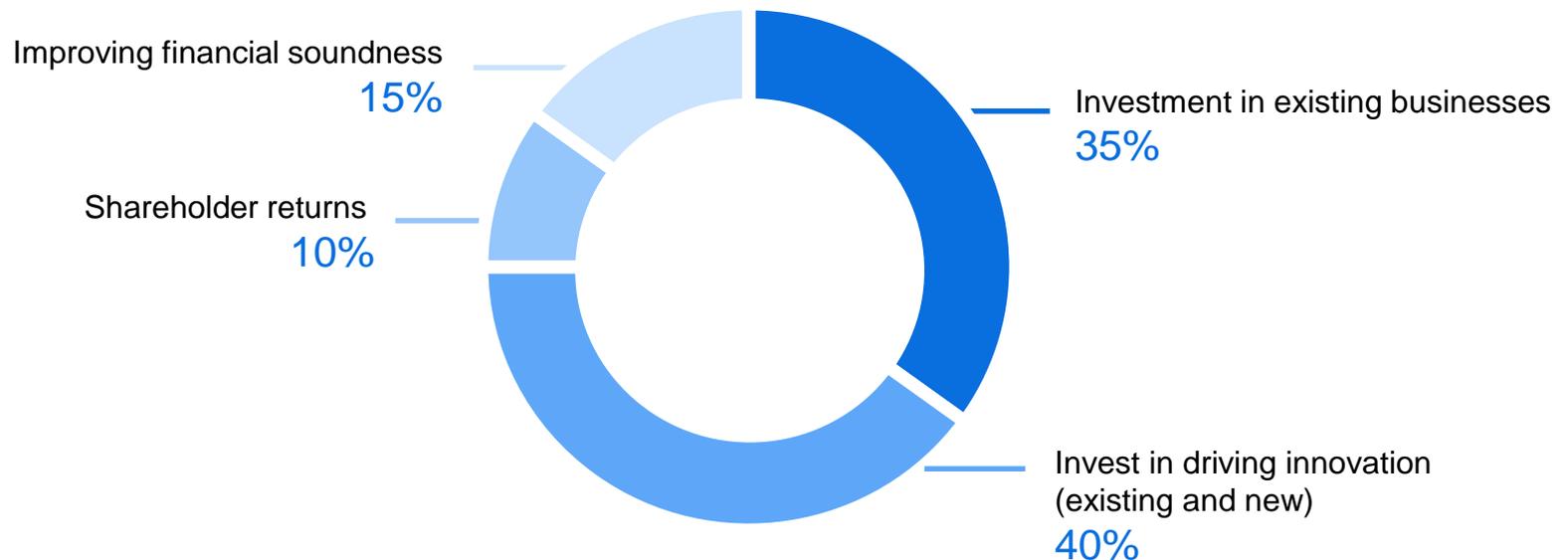
We will adopt ROE as a KPI for the Group as a whole and manage business portfolio and investment for each business using ROIC, as we work on measures to improve capital efficiency.



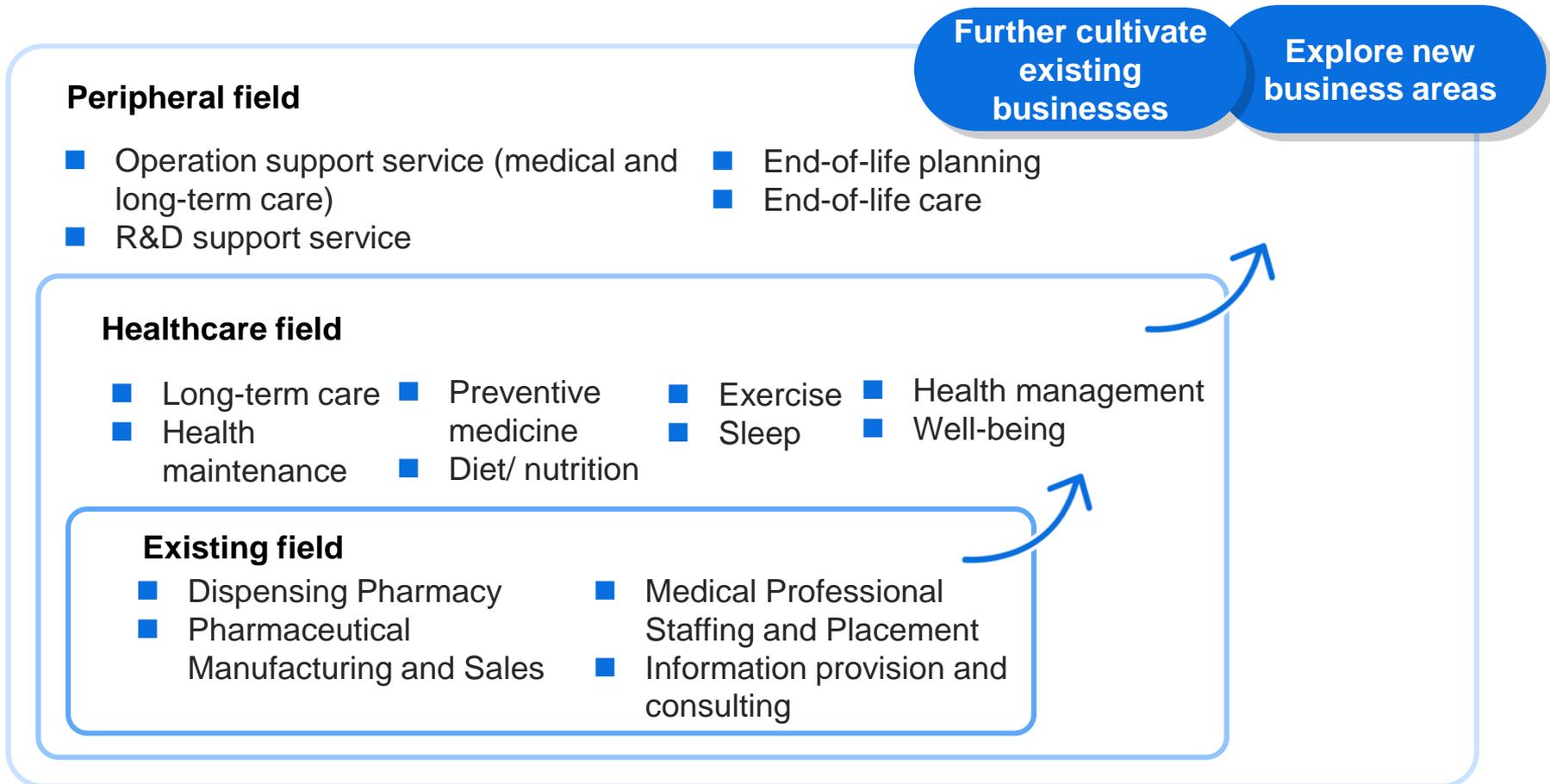
## Capital allocation policy

- Increase investment in driving innovation
- Aim for a gradual increase in shareholder returns
- Control interest-bearing debt to ensure financial soundness

## Long-term capital allocation



We will develop and expand services focused on the healthcare industry and related areas. We aim to drive growth through the dual approach of cultivating existing businesses and exploring new business areas to drive innovation.



## Pharmacy industry

### Until now

Growth driven primarily by new store openings and M&A



### From now on

Platformization, partnerships, large-scale consolidation

- Consolidation of operations into large stores
- Partnerships, co-creations
- Sales partnerships (5COINS PHARMA)
- Supply chain coordination (logistics, etc.)

## Generic drugs industry

### Until now

Growth backed by government support

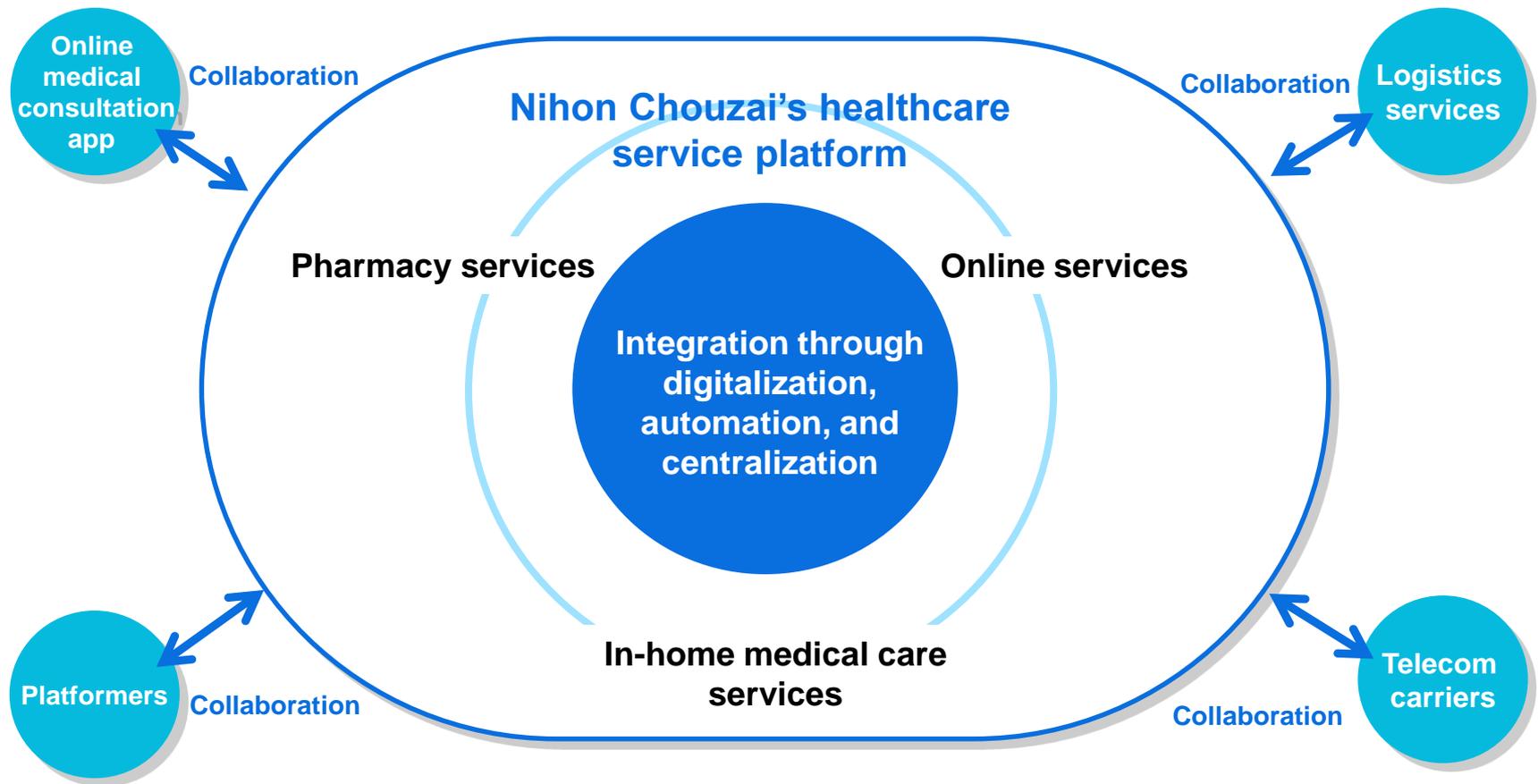


### From now on

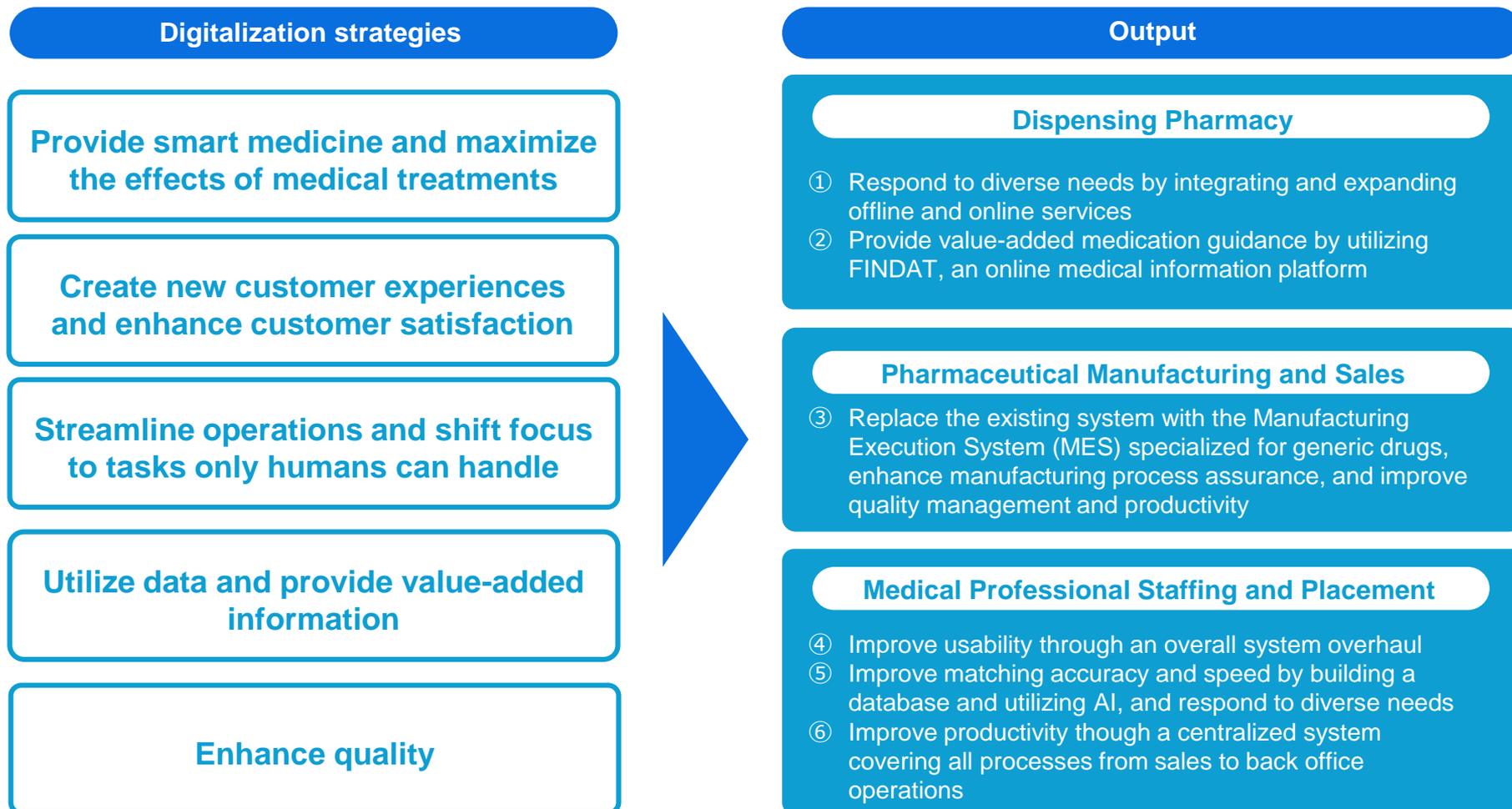
Flexible corporate partnerships

- Improve efficiency by consolidating product lineup through corporate partnerships
- Form manufacturing, procurement, quality control, and sales consortiums

We intend to further expand our healthcare service platform. We aim to build a structure that can respond to all kinds of customer needs by integrating offline and online pharmacy services and collaborating with other company's services.



We aim to provide value to all stakeholders, including patients, through our digitalization initiatives and expand services to respond to a diverse range of needs.



There is much potential for AI in healthcare. By actively incorporating AI tools into our operations, we aim to bolster our competitive advantage and improve profitability.

## Vision of AI in healthcare in 2035

- 1 Pre-consultation and medical visit recommendations
- 2 Improved accuracy of medical data analysis
- 3 Support for telehealth
- 4 Advancements in AI-powered healthcare personnel matching
- 5 Automation of operations

## Nihon Chouzai Group's initiatives

- 1 Utilization of AI in marketing
- 2 AI assistance in medication guidance and management
- 3 AI-powered support for data entry and document creation
- 4 AI-powered inventory management and optimization of logistics processes
- 5 Backoffice process reforms
- 6 Operational support through image analysis

Create new customer experience (CX)

We aim to achieve a top-level NPS in the service industry, by improving customer services through digitalization initiatives.

## Respond to diverse needs

### Improve customer experience (CX)

- Enhance in-person services by realizing zero wait time
- Increase customer touch points by utilizing Okusuri Techo Plus's "Tsunagaru" function
- Work on measures to enhance hospitality
- Measure effectiveness using NPS

### Realize zero wait time

- Build a mobile order function
- Expand online pharmacy services
- Utilize e-prescription transmission services
- Shift tasks (assist operations)
- Automate data entry using AI-OCR
- Automate dispensing operations
- Streamline checkout processes using self-checkout systems

### Provide a diverse range of services

- Online pharmacy services
- Support for advanced medical care by specialized pharmacists
- In-home medical care services
- Online nutrition consultation by registered dietitians

## Nihon Chouzai's initiatives

### 1 Respond to diverse in-home medical care needs

We are stepping up efforts to expand our demand response capability and enhance specialization to address the rapid increase in in-home care patients and the diversification of their needs

#### Response to in-home medical care needs

Elderly

Rare disorders

Children\*

End-of-life care

Home visits

Online

Sterile compounding

\*including children receiving medical care

### 2 In-home care support center, specializing in in-home medical care

#### Expansion of care centers

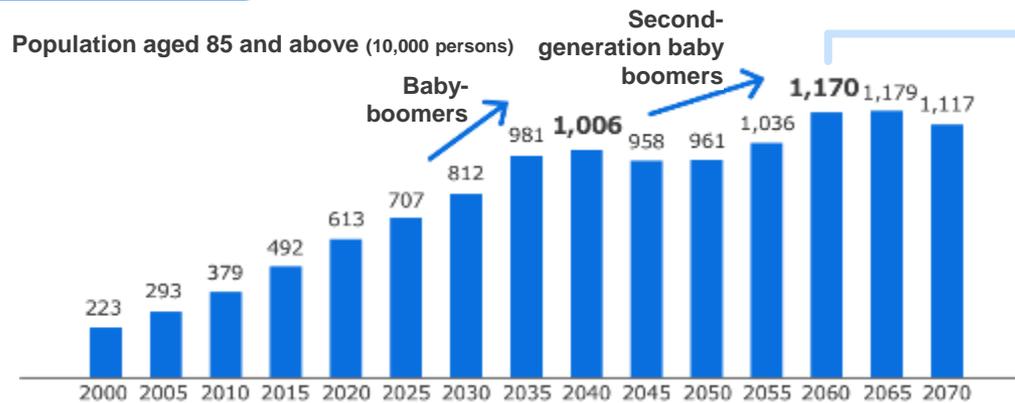
- Expand to major metropolitan areas
- Consolidate and centralize operations into large centers

31 locations (as of September 2024)

#### Center functions

- ISO 9001 Quality
- Dispatch pharmacists with specializations
- Automate operations
- Streamline delivery

## Demand for in-home medical care

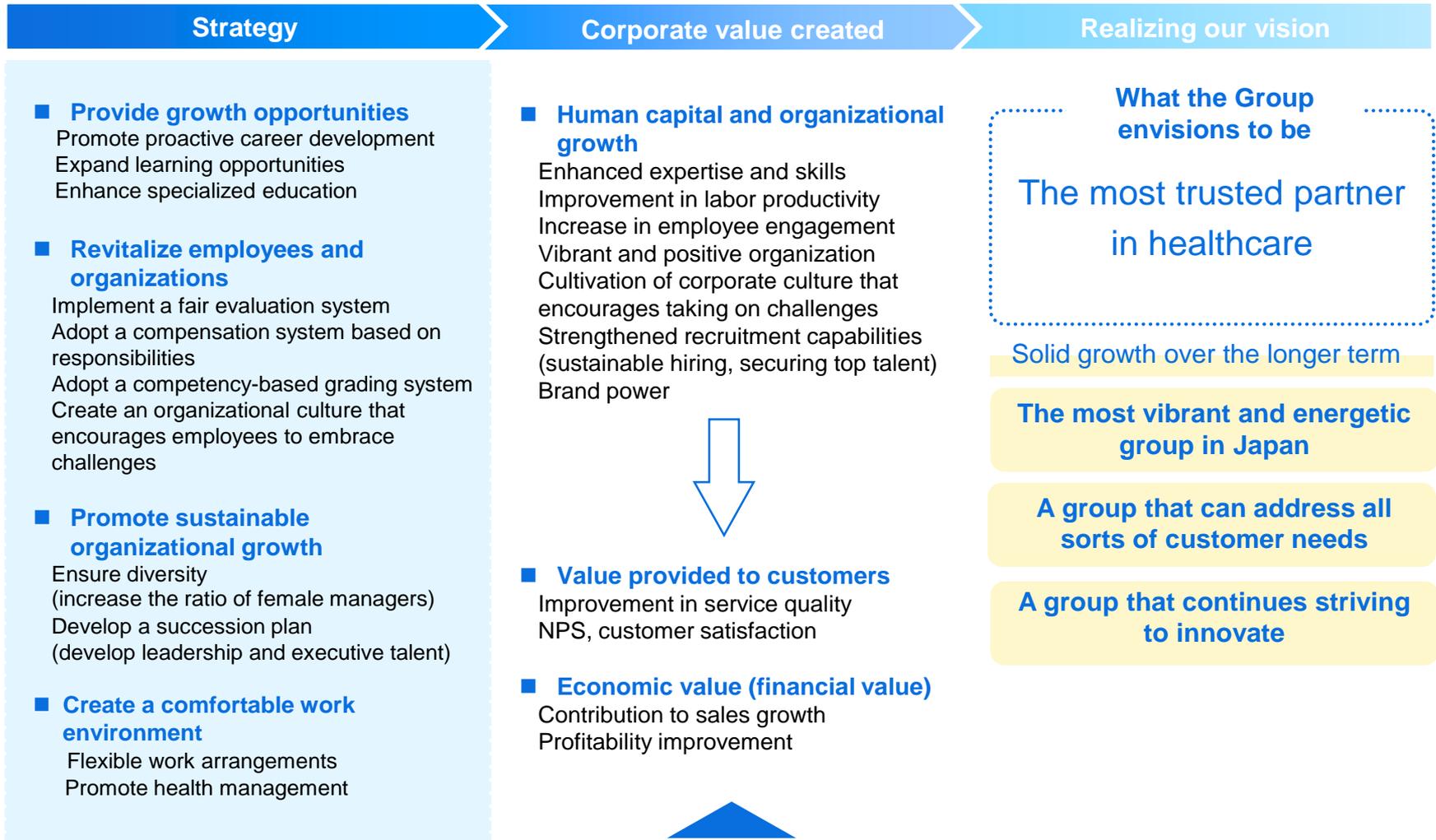


Population aged 85 and above will peak in 2060

**In-home medical care patients will increase through 2040. Outpatients will peak in 2025.**

To contribute to building a sustainable society and consistently enhance corporate value, we will push forward with environment initiatives, one of our key management issues (materiality).

Issue	Target	Measures	FY2023 results	
<b>Measures to combat climate change</b>	<b>Reduce CO2 emissions</b>	<b>Scope 1 and 2 (vs. FY2020 level)</b> <b>FY2030</b> <b>Dispensing Pharmacy Business</b> 30% reduction per store <b>Pharmaceutical Manufacturing and Sales Business</b> 30% reduction per 100mn tablets produced <b>FY2050</b> Achieve carbon neutrality	<div style="border: 1px solid #00AEEF; border-radius: 10px; padding: 5px; margin-bottom: 10px;"> <b>Dispensing Pharmacy Business</b> </div> <ul style="list-style-type: none"> <li>■ Replace store lighting with LED 100 stores in FY2023 200 stores in FY2024 (scheduled)</li> </ul> <div style="border: 1px solid #00AEEF; border-radius: 10px; padding: 5px; margin-bottom: 10px;"> <b>Pharmaceutical Manufacturing and Sales Business</b> </div> <ul style="list-style-type: none"> <li>■ Install solar panels</li> <li>■ Switch to carbon-neutral city gas</li> </ul>	
	<b>Energy conversion</b>	<b>Increase in renewable energy ratio</b>	<div style="border: 1px solid #00AEEF; border-radius: 10px; padding: 5px; margin-bottom: 10px;"> <b>Pharmaceutical Manufacturing and Sales Business</b> </div> <ul style="list-style-type: none"> <li>■ In-house power generation</li> <li>■ Switch to renewable energy</li> </ul>	CO2 reduction 29.9% per store  CO2 reduction volume 23.7% per 100 million tablets  Renewable energy ratio 4.5%
<b>Contribute to circular economy</b>	<b>Waste recycling</b>	<b>Expand the scope of recycling</b>	<div style="border: 1px solid #00AEEF; border-radius: 10px; padding: 5px; margin-bottom: 10px;"> <b>Pharmaceutical Manufacture and Sales Business</b> </div> <ul style="list-style-type: none"> <li>Recycle materials                             <ul style="list-style-type: none"> <li>■ PTP sheets</li> <li>■ Sludge</li> <li>■ Collect, recycle, and reuse waste</li> <li>■ Use fiber drums</li> </ul> </li> </ul>	Amount processed/total waste <ul style="list-style-type: none"> <li>■ PTP sheets 25.0% (August 2023–March 2024)</li> <li>■ Sludge: 27.3% (FY2023)</li> </ul>



**Human capital management aligned with business strategy**

## Ensure diversity of the Board of Directors

	Purpose	Issues to address	Qualitative/Quantitative
1	<b>Decision-making from diverse perspectives</b>	Make high-confidence decisions based on diverse perspectives in the management decision-making process	<ul style="list-style-type: none"> <li>• Definition of required skills, skills matrix</li> </ul>
2	<b>Foster innovation</b>	Foster innovation by embracing new perspectives and approaches from individuals with diverse backgrounds and experiences	<ul style="list-style-type: none"> <li>• Succession plan</li> <li>• Female board member ratio of 30% or higher</li> </ul>

## Reinforce the supervisory function of the Board

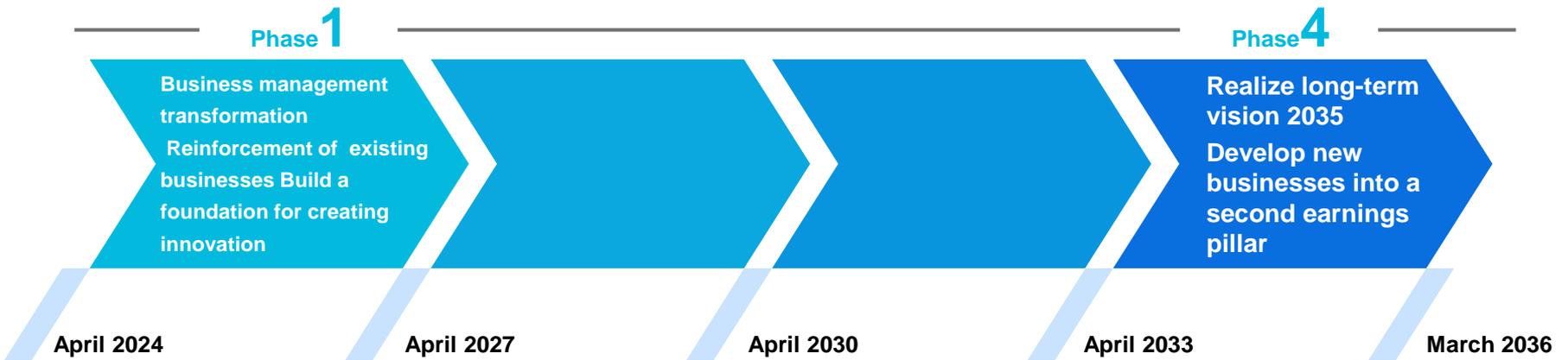
	Purpose	Issues to address	Qualitative/Quantitative
1	<b>Clarify roles and responsibilities</b>	Clarify supervisory and executive roles, and enhance commitment to financial and non-financial KPIs	<ul style="list-style-type: none"> <li>• Visualization of non-financial KPIs and goal setting</li> </ul>
2	<b>Strengthen risk management</b>	Strengthen the supervisory function for identifying and assessing potential risks and implementing appropriate countermeasures	<ul style="list-style-type: none"> <li>• Enhancement in group governance</li> <li>• Compliance</li> <li>• Response to human rights and environmental risks</li> <li>• Outside director ratio of 50% or higher</li> </ul>

# 2

## Medium-term Roadmap

# Long-Term Vision 2035

## The most trusted partner in healthcare



**Continue solidifying the management base**

**Human assets:** Maximize through the promotion of human capital management

**Customer assets:** Maximize through a service overhaul driven by digitalization strategies

**Organizational assets:** Pursue productivity through utilizing AI and IT

## Phase 1 (March 2025–March 2027)

### Advance business management

- Shift management focus from business growth to corporate value enhancement
- Advance human capital management with an emphasis on investing in talent
- Transition from self-reliance to co-creation with other companies

### Bolster existing businesses

- Enhance profitability through ROIC management by business
- Drive innovation in existing businesses from a customer-centric perspective
- Expand customer service through the utilization of AI and IT

### Build a foundation for exploring new areas

- Build a framework for exploring new business areas
- Explore co-creation opportunities with healthcare-related companies
- Foster a corporate culture that readily takes on challenges

## Growth strategies

### 1 Reinforce a system for providing in-home medical care services

We aim to provide safe and quality in-home medical care services by aggressively expanding in-home care support centers in addition to existing pharmacies. In doing so, we intend to expand our role as a critical part of the local healthcare infrastructure.

We intend to expand pharmacies equipped with sterile compounding facilities and nurture specialized personnel capable of providing advanced medical care (including pediatric and end-of-life care) that requires support equivalent to in-patient care.

### 2 Improve healthcare access by utilizing online platforms

In addition to our proprietary online platform, the Nihon Chouzai Online Pharmacy Service NiCOMS, we will partner with various online medical consultation systems and platform providers to enhance healthcare accessibility and serve as a regional healthcare infrastructure.

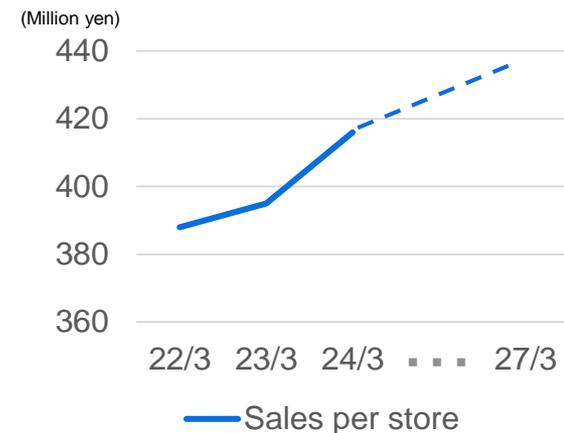
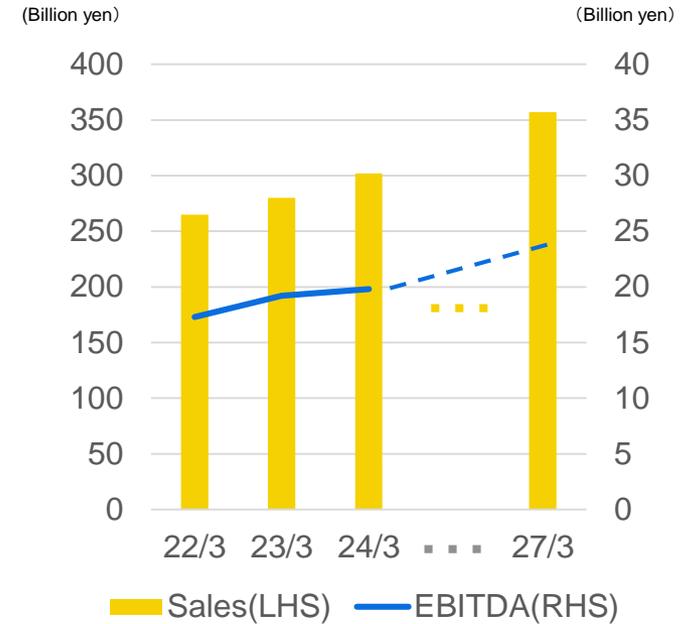
### 3 Demonstrate expertise in advancing medical care

Nihon Chouzai pharmacies, strategically located near university hospitals and key medical centers that provide advanced medical care, are committed to strengthening advanced pharmaceutical management capabilities and reinforcing the capacity to handle specialty medications, demand for which is expected to grow in the future.

In addition to pharmacists specializing in outpatient cancer treatment, we will nurture specialized personnel with extensive experience in five diseases and six business areas, including three new areas of palliative care, pediatric medicine, and cardiology, and demonstrate our expertise in these fields.

### 4 Enhance the quality of pharmacy services to become the pharmacy of choice for patients

We will provide patient-centric services to ensure that patients are fully satisfied with our services and choose us again. Further, to increase our pharmacy “fans,” we will serve patients with a smile and commitment to providing quality medical care, and further enhance the quality of our pharmacy services.



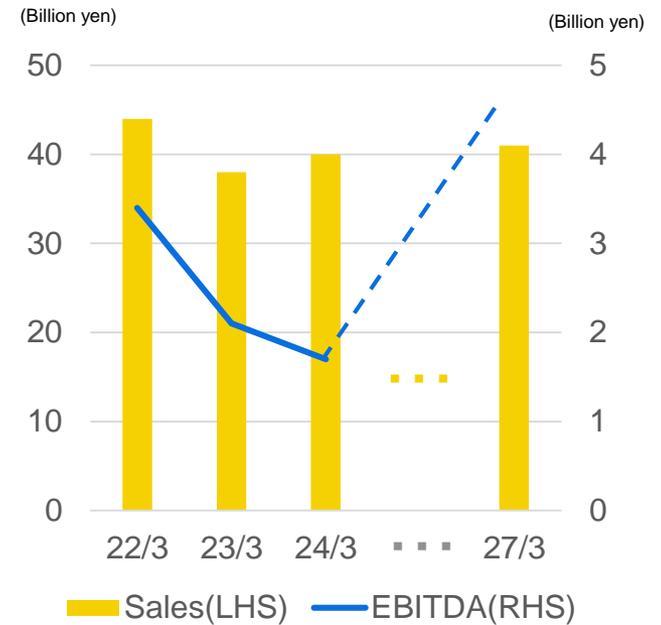
## Growth strategies

**1 Be a manufacturer at the core of industry restructuring**  
 Leveraging our unique strengths—a full lineup of operations from in-house development to in-house manufacturing and sales, as well as a stable in-group sales channel—we will explore flexible collaboration opportunities with various companies. We aim to be a core manufacturer amid ongoing industry restructuring.

**2 Enhance product development and production technology capabilities**  
 We will gather feedback from pharmacists within our group and reflect it in developing value-added generic drugs that are more finely tuned to customer needs. Further, we will collaborate with companies that possess distinctive manufacturing technologies to develop difficult-to-make drugs.  
 We aim to implement efficient, labor-saving production systems, such as a continuous production system, and further advance our production technology.

**3 Improve production efficiency and ensure quality through digitalization**  
 By implementing the latest manufacturing execution system (MES), we aim to strengthen data integrity across the entire manufacturing process with frequent product changeovers, maintaining quality and increasing productivity. Through these efforts, we aim to earn greater trust from customers and stakeholders.

**4 Strengthen stable supply and quality assurance**  
 We will optimize production across our group’s manufacturing facilities and create excess manufacturing capacity by integrating and streamlining products with industry peers, thereby strengthening the stable supply system.  
 In addition to complying with relevant laws and regulations, we will continue to foster a corporate culture that prioritizes quality by maintaining and constantly improving the Pharmaceutical Quality System throughout the life cycle of our products.



## Growth strategies

### 1 Provide high-value-added services focused on the healthcare industry

We have cultivated highly skilled professionals by specializing in the healthcare industry. Since our founding, we have prioritized “customer-centric approach,” “value-added intermediation,” and “face-to-face interactions,” providing significant value to both job seekers and employers.

Moving forward, we intend to fully understand the regional and individual characteristics of our customers to contribute to their value creation and strengthen a trust-based relationship. In doing so, we aim to be a company that is consistently chosen by customers.

### 2 Strengthen customer acquisition through a significant overhaul of web marketing strategies

Through strategies focused on building a talent pool and fostering relationships with customers, we are creating unique touchpoints with customers. We aim to widely communicate the value of our services by increasing customer recognition and our brand power, and strengthen our ability to attract jobseekers by ensuring we do not directly compete with competitors.

### 3 Develop new businesses in healthcare

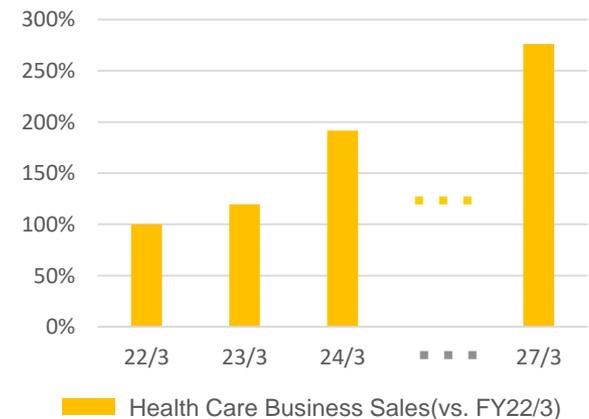
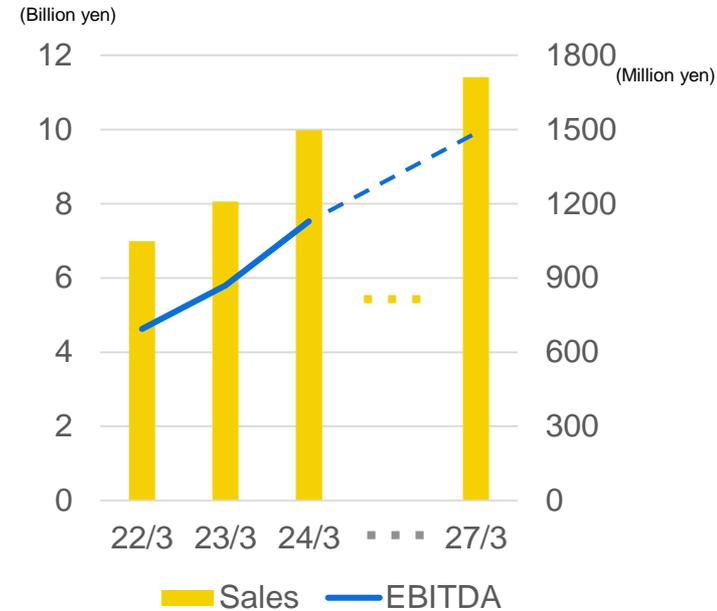
In response to growing societal needs for corporate health management, healthcare cost controls, and longer healthy life expectancy, we will operate and expand our healthcare business, primarily targeting corporations.

We intend to enhance and expand our services in the healthcare industry, by collaborating with partner companies, proactively pursuing M&A, and leveraging synergies within the Nihon Chouzai Group.

### 4 Enhancing customer convenience and driving top-line growth through digitalization strategies

We aim to enhance customer matching accuracy and improve customer usability by overhauling our operational systems and utilizing AI. We will also improve and transform operations so that our employees can focus on tasks that require human touch.

Through our digitalization strategies, we will refine customer service and enhance convenience, which we believe will ultimately lead to top-line growth.



**Be the most trusted partner in healthcare**

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**Evolve our management philosophy to enhance corporate value**

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**Visualize the value of non-financial assets to accelerate  
growth of the five key assets**

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**Achieve sustainable growth by strengthening existing  
Businesses and exploring new ventures**

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**Achieve a PBR of over 1x at an early stage, by improving capital  
efficiency and curtailing capital costs**