

FY2022 - FY2024

Fifth Medium-Term Management Plan

(Published May 12, 2022)

Establishment of New Medium-Term Vision



New Medium-Term Vision

Business model innovation looking at next-generation capabilities

1. Pursuit of drug distribution model in keeping with market structure changes and market characteristics
2. Evolution of distribution and marketing model in step with progress of DX in health care
3. Implementation of group management that meets prime market requirements

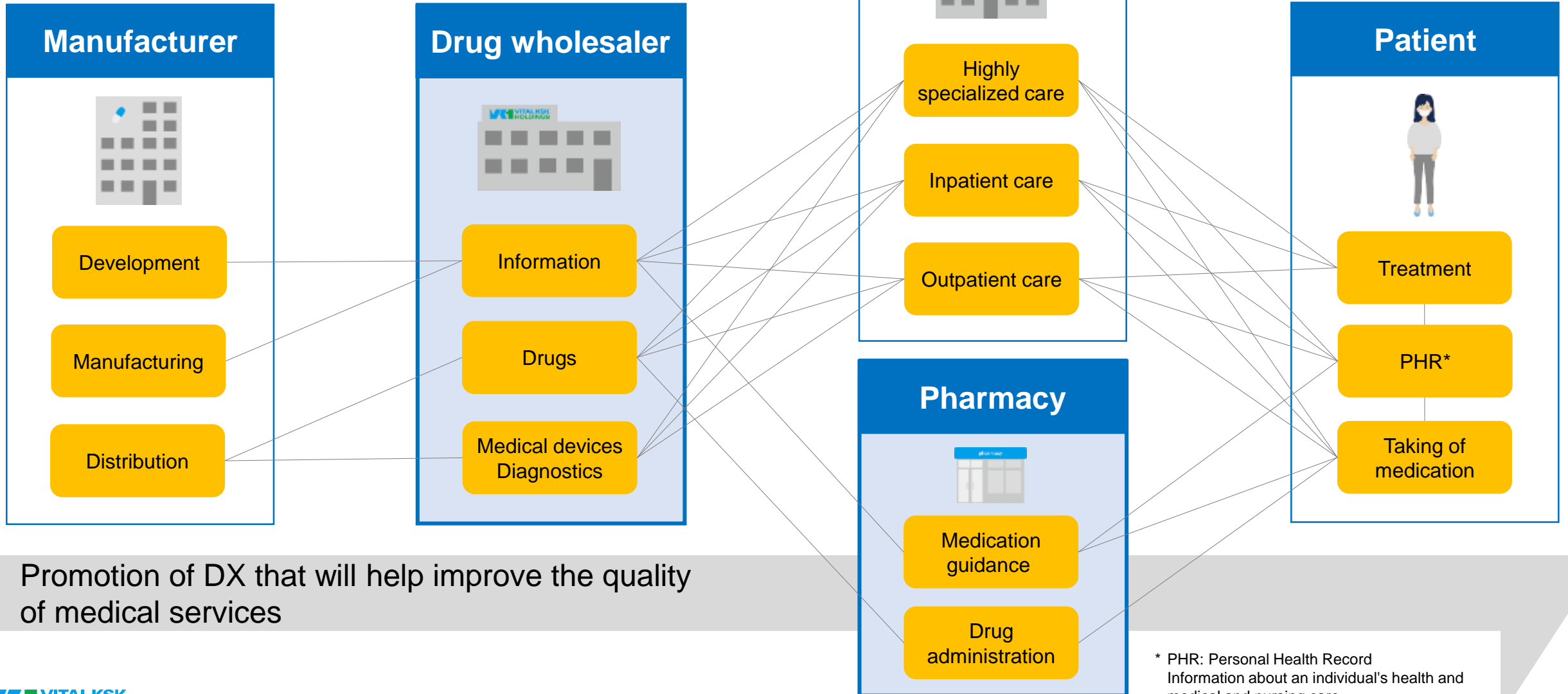


Priority measure (1)

Development of a more sophisticated **supply chain**

Overview of Supply Chain

Development of a supply chain with both high levels of expertise and quality



Promotion of DX that will help improve the quality of medical services

* PHR: Personal Health Record
Information about an individual's health and medical and nursing care

SCM for Reliably Delivering Vital Products

- (1) Development of a **high quality** distribution structure that is GDP^{*1}-compliant and partially GMP^{*2}-compliant
- (2) Sophisticated management capability for maintaining distribution at all times



Aim to be the **preferred wholesaler** not only of the medical institutions and pharmacies that are our customers but also of manufacturers and local governments

*1 GDP: Good Distribution Practice

*2 GMP: Good Manufacturing Practice



Freezer for storing drugs



Temperature control via app

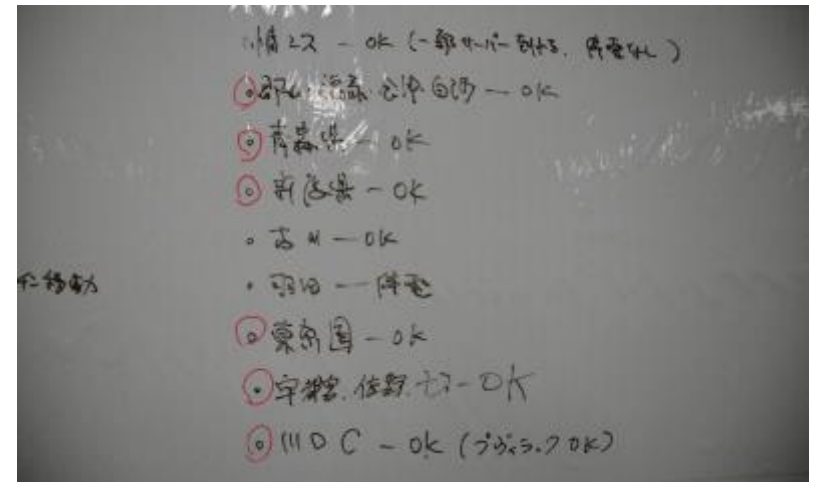
March 16, 2022 Directly after Fukushima Earthquake



Clock that fell from the wall and broke



Drugs scattered on the floor



Confirmation of status of all sites

Demonstration
of **resilience**



Staff involved in recovery work later into the night

Improvement of Productivity to Maintain Stable Supply

- (1) Implementation of appropriate personnel allocation
- (2) Review of sales and distribution sites

Improvement of operating profit margin

| FY3/2022 Results | | FY3/2025 Plan | |
|-------------------|-----------|-------------------|-----------|
| Operating profit | OP margin | Operating income | OP margin |
| 2,945 million yen | 0.51% | 3,700 million yen | 0.65% |





Priority measure (2)

Implementation of pharmacy business initiatives and **DX** at drug wholesalers and pharmacies

Summary of Pharmacy Business

FY03/2022

Net sales **18.4 billion yen**
(109.7% of level a year earlier)

Pharmacies cooperating with specialized medical institutions

3 stores

Pharmacies cooperating with local health care facilities

8 stores

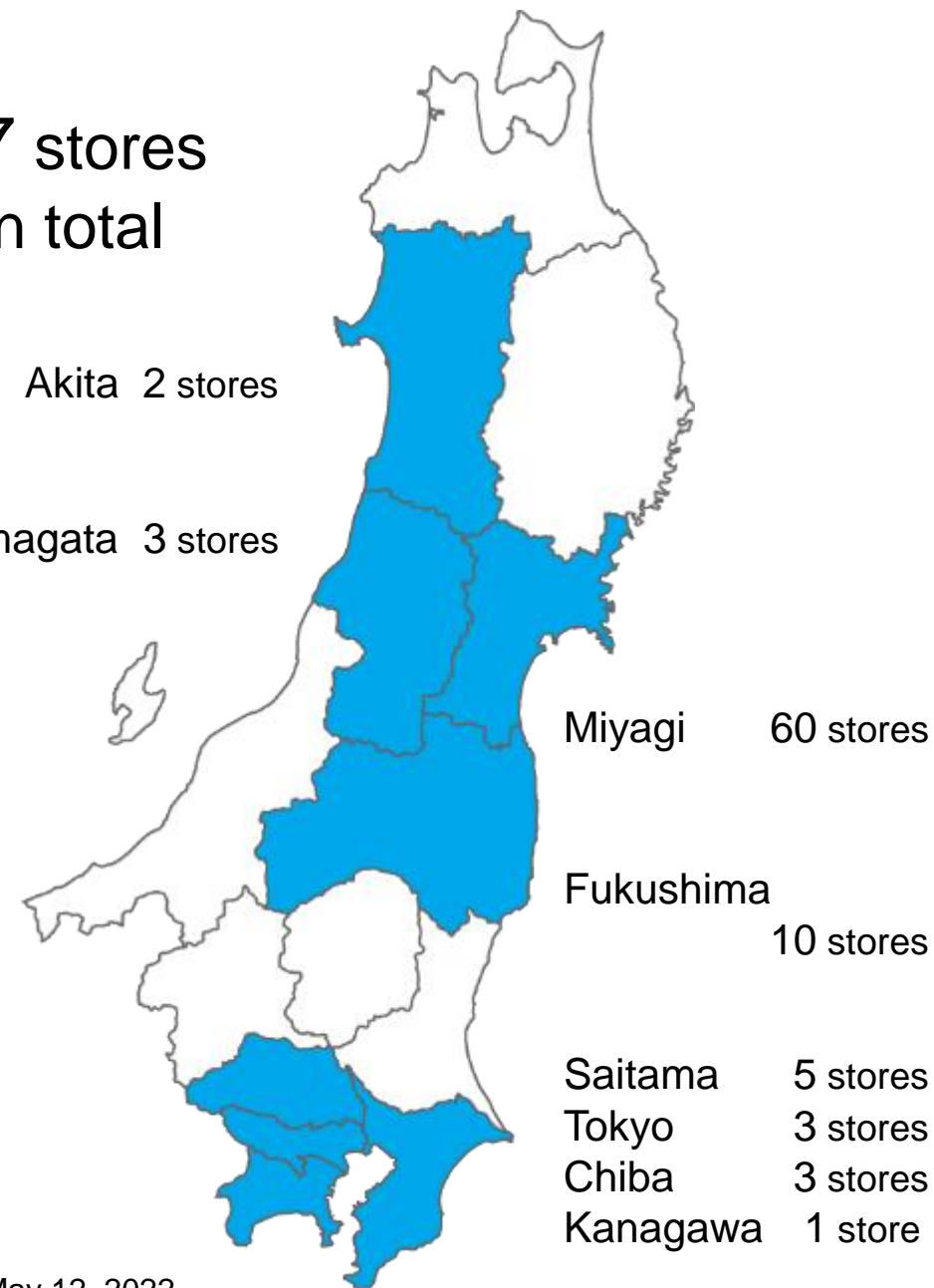
* As of May 12, 2022



Further enhancement of pharmacy services and promotion of **supply chain** optimization and **DX**

87 stores
in total

Akita 2 stores
Yamagata 3 stores



* As of May 12, 2022

Further Enhancement of Patient Services



Compliance with Pharmaceuticals and Medical Devices Act amendments



Online drug administration guidance



Completion of **clean bench**



Installation of Miyagi Prefecture's first **medicine locker**

Promotion of Supply Chain Optimization and DX Among Wholesalers and Pharmacies



Improved efficiency through **predictive ordering system**



Alleviation of workload through **packaged delivery**



Thoroughgoing **mechanization**




Utilization of **tablet-based drug history**

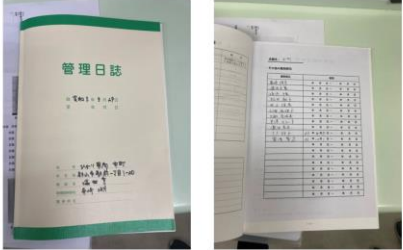
Thoroughgoing Compliance

July 2021 Establishment of **Pharmaceutical Affairs Audit Office** Conducts audits of each store and seeks to ensure compliance

処方箋 レジジャーナル・生保調剤券



管理日誌 (1) 管理日誌 (2: 薬剤師一覧)



管理帳簿 (麻薬 覚醒剤原料 向精神薬 毒薬 高度管理医療機器)

麻薬：オキシコドンTR錠 10mg 数量223錠に対して実数223錠
オキノーム散 2.5mg 数量34包に対して実数34包

覚せい剤原料：エフビーOD錠 2.5mg 数量144錠に対して実数144錠

毒薬：ウブレチド錠 5mg 数量288錠に対して実数288錠

向精神薬：フルニトラゼハム錠 2mg 「アメル」 数量274錠に対して実数274錠
コンサータ 2.7mg 数量49錠に対して実数49錠

錠剤棚、保冷庫、麻薬金庫、要指導医薬品・1類医薬品保管場所

錠剤棚 保冷庫




麻薬金庫 要指導医薬品・第一類医薬品販売チェックシート




要指導医薬品・1類医薬品保管場所



コロナ対策

毎日の検温は徹底している。
 休憩の際は密状態を回避している。

投薬カウンター等に飛沫防止シートを設置



サーキュレーターを店舗入り口に設置



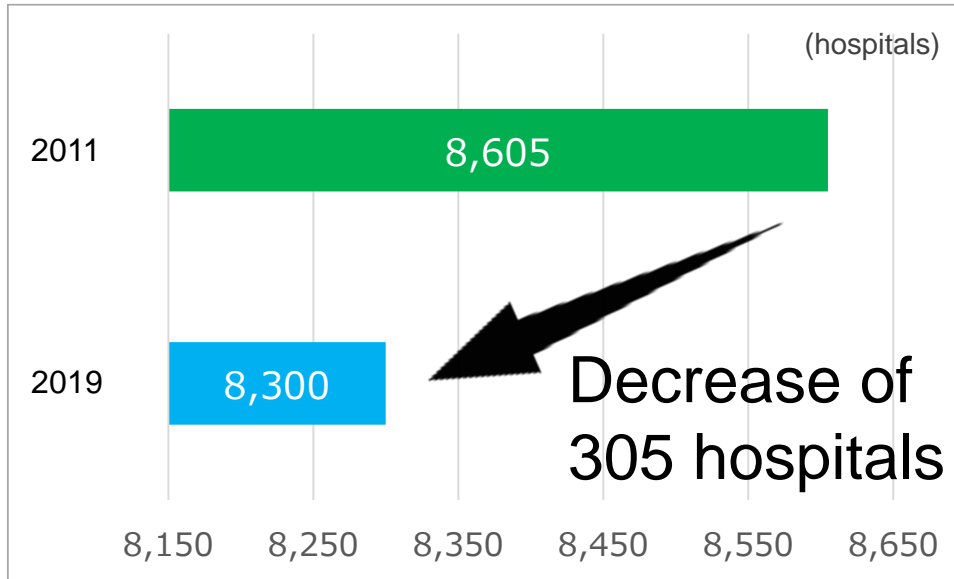


Priority measure (3)

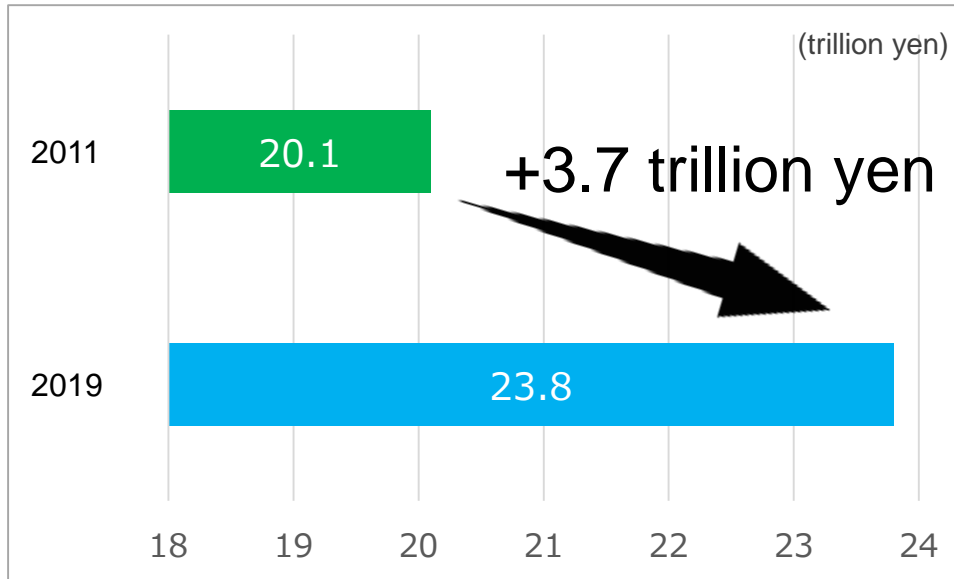
Enhancement of sales structure
for **hospital market**

Growing Hospital Market

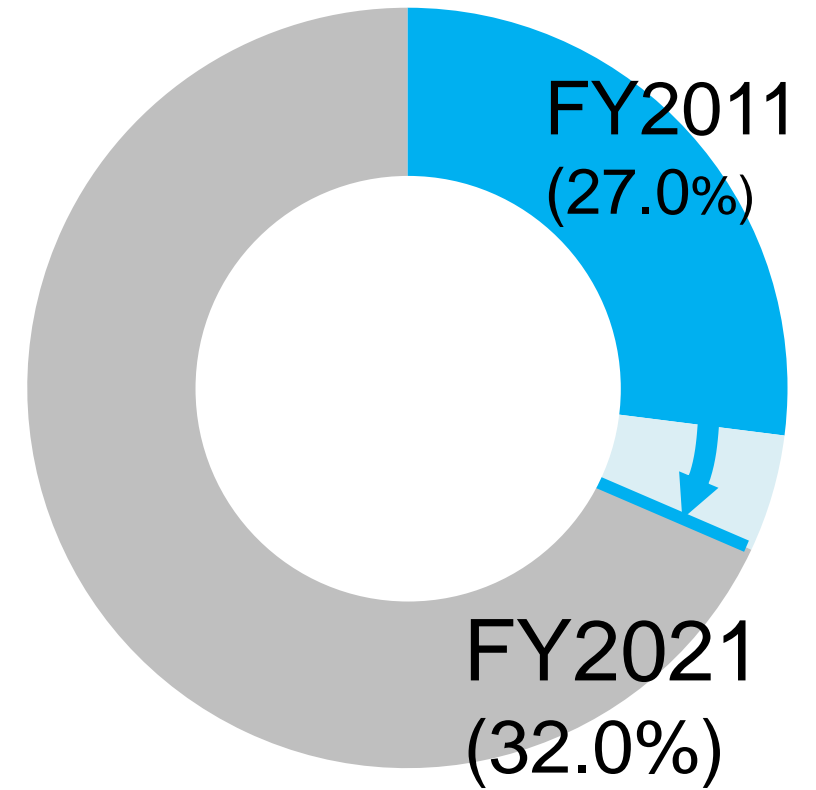
Trend in number of hospitals



Trend in hospital medical expenses



Hospitals' share of our sales

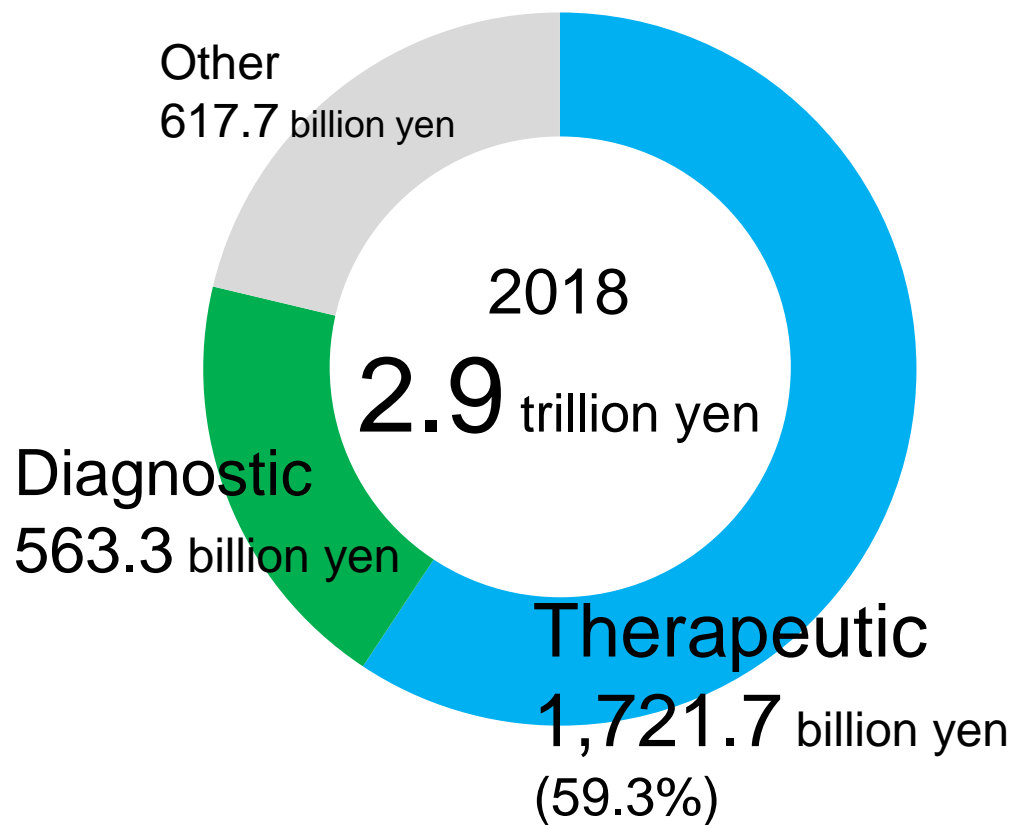


Source: Survey on the Trend of Medical Care Expenditures and Survey of Medical Institutions published by Ministry of Health, Labour and Welfare

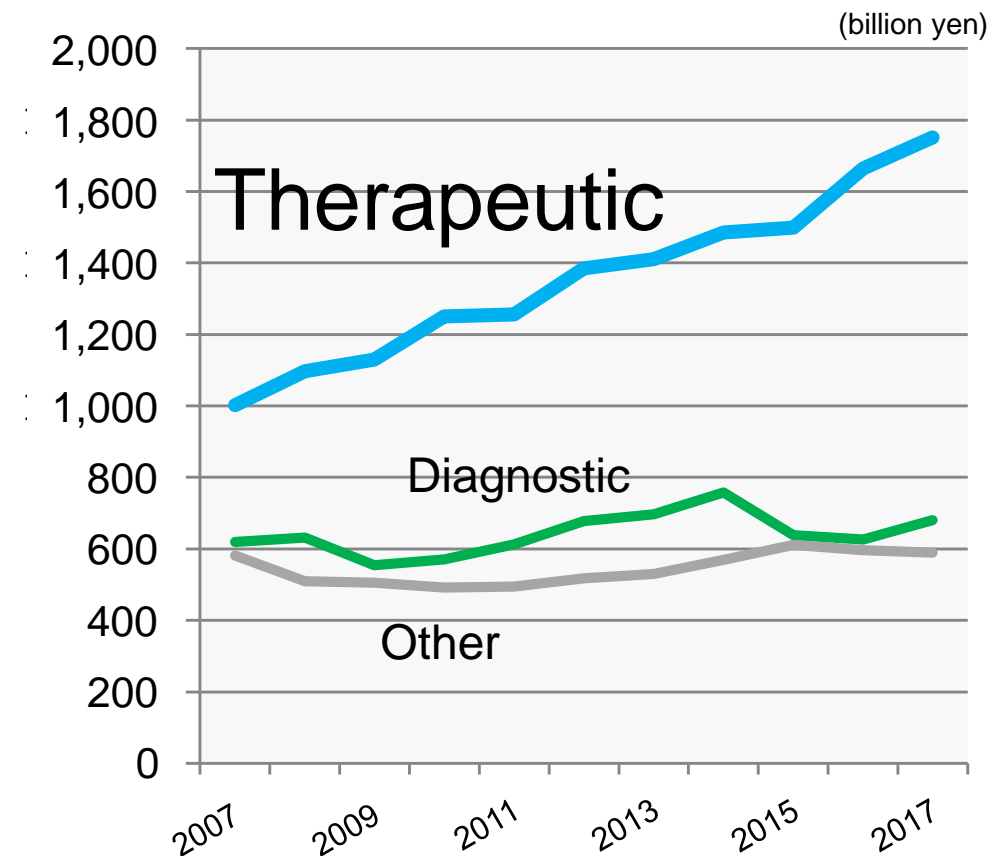
Continuously Growing Therapeutic Devices Market

Source: Statistics of Production by Pharmaceutical Industry System published by Ministry of Health, Labour and Welfare

Sales composition

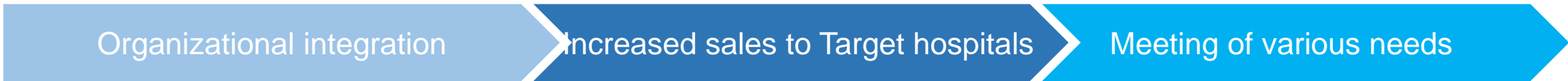


Market trend



Establishment of MAPs (Medical Assist Partners)

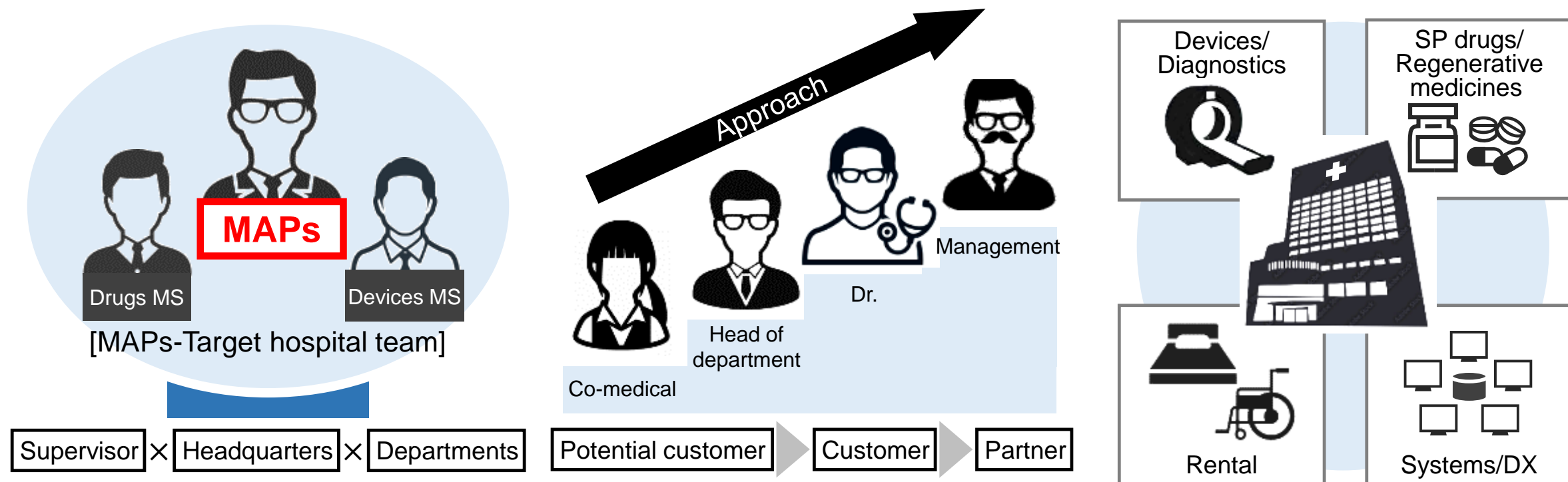
Professionals who are experts in hospital treatments, drugs, devices, diagnostics, etc.



Formation of team

Approaches at every level

Meeting of multifaceted needs





Priority measure (4)

Group Management Strategies

Strengthening of Financial Base and Enhanced Corporate Governance

1. Financial strategy

(1) ROE **5%** or more

(2) Implementation of appropriate shareholder return policy: Ensure dividend payout ratio of **25% or more**

(3) Reduction of cross-shareholding stocks

2. Consideration and development of enhanced corporate governance

3. Further enhancement of corporate communication

Profit Plan Under Fifth Medium-Term Management Plan

(Million yen, %)

| | FY3/2023 (FY2022) | | | FY3/2024 (FY2023) | | | FY3/2025 (FY2024) | | |
|---|-------------------|--------|------|-------------------|--------|-------|-------------------|--------|-------|
| | Plan | Margin | YoY | Plan | Margin | YoY | Plan | Margin | YoY |
| Net sales | 563,300 | - | 97.6 | 568,000 | — | 100.8 | 566,000 | — | 99.6 |
| Operating profit | 2,300 | 0.41 | 78.1 | 3,200 | 0.56 | 139.1 | 3,700 | 0.65 | 115.6 |
| Ordinary profit | 4,900 | 0.87 | 84.0 | 5,800 | 1.02 | 118.4 | 6,200 | 1.10 | 106.9 |
| Profit attributable to owners of parent | 4,500 | 0.80 | 94.3 | 5,100 | 0.90 | 113.3 | 5,400 | 0.95 | 105.9 |

| | | | |
|---------------------|--|--|---|
| Key external events | <ul style="list-style-type: none"> - Medical fee revision - NHI drug price revision - Review of market segments - Enactment of Amended Companies Act - House of councillors elections | <ul style="list-style-type: none"> - Off-year drug price revision | <ul style="list-style-type: none"> - Simultaneous revision of medical fees and long-term care fees - NHI drug price revision - Launch of 8th Medical Plan - Doctors' workstyle reform |
|---------------------|--|--|---|