



## Sustainability

The Nihon Chouzai Group recognizes sustainability as a key element of its management strategies for enhancing corporate value over the longer term. Informed by dialogue and in collaboration with all of our stakeholders, we will build a fair and highly transparent management foundation, respecting human rights and taking environmental conservation into consideration. Also, through our business activities, we will work to address social issues in the medical and healthcare fields and pursue the sustainability of society.



# 06

## Sustainability

Basic Policy, Framework

Material Issues

Initiatives

CSR Roundtable Discussion

WHO we are

CEO Message

The Future We Want to Create

Shoring up the Sustainable Management Foundation

Business Strategy

Sustainability

Corporate Governance

Data

## Sustainability Strategy

The Nihon Chouzai Group positions sustainability as a key part of its management strategies for enhancing corporate value over the longer term and is taking action to help bring about a sustainable society.

We took action to help bring about the sustainability of local communities together with stakeholders in FY2024. Efforts included converting pharmacies to LED lighting and reducing our environmental footprint through the mechanical recycling of resources such as discarded blister packs and sludge generated in the Pharmaceutical Manufacturing and Sales Business, and promoting solar power generation at our drug manufacturing plants. We also pursued CSR activities in collaboration with medical institutions and NPOs to support better health in local communities.

Longer-term actions will include setting performance indicators to help achieve sustainable growth and enhance corporate value, as well as further sustainability initiatives for the environment and in other areas, starting with measures to address climate change and contribute to a circular economy.

As a healthcare group whose mission is to give people the closest possible support, we will continue to help address social issues while realizing corporate growth from a long-term perspective to meet stakeholder expectations.

### Sustainability Goals in Long-Term Vision 2035

Challenge	Target	Measures	FY2024 results
Climate change response	CO <sub>2</sub> reductions	<p><b>Scope 1, 2 intensity (compared to FY2020) by FY2030</b></p> <p><b>Dispensing Pharmacy Business:</b> 30% reduction per pharmacy</p> <p><b>Pharmaceutical Manufacturing and Sales Business:</b> 30% reduction per 100 million tablets produced</p> <p><b>Carbon neutral by FY2050</b></p>	<p><b>Dispensing Pharmacy Business</b></p> <ul style="list-style-type: none"> <li>Converting pharmacies to LED lighting</li> <li>FY2024: 202 pharmacies</li> <li>FY2025: 100 pharmacies (planned)</li> </ul> <p><b>Pharmaceutical Manufacturing and Sales Business</b></p> <ul style="list-style-type: none"> <li>Solar panel installation</li> <li>Introduction of carbon neutral utility gas</li> </ul> <p>CO<sub>2</sub> reductions Per 100 million tablets: 16.0% reduction</p>
	Switch to renewable energy	<b>Increase ratio of renewable energy</b>	<p><b>Pharmaceutical Manufacturing and Sales Business</b></p> <ul style="list-style-type: none"> <li>In-house power generation</li> <li>Switch to renewable energy</li> </ul> <p>Ratio of renewable energy: 6.8%</p> <p><b>Pharmaceutical Manufacturing and Sales Business</b></p>
	Waste recycling	Expanding recycling targets	<p>Collecting, recycling, and reusing waste</p> <ul style="list-style-type: none"> <li>Blister packs</li> <li>Sludge</li> <li>Fiber drums</li> </ul> <p>Treated waste volume/total waste volume</p> <ul style="list-style-type: none"> <li>Blister packs: 26.3%</li> <li>Sludge: 48.9%</li> </ul>

## Sustainability framework

We pursue sustainability management in line with our basic sustainability policy. The Board of Directors makes decisions regarding material sustainability issues. We have also formed a Sustainability Committee that reports directly to the Board of Directors. Chaired by the President, this committee meets at least twice a year in principle to sum up and evaluate the progress of initiatives for identified material issues, incorporates these issues into business strategies, ensures compliance with international guidelines, discusses taking part in sustainability initiatives, and reports and makes recommendations to the Board of Directors as appropriate. We have also clearly defined various departments responsible for sustainability initiatives, including within Group companies, which are spearheading progress. The Sustainability Supervision Office is tasked with taking action on sustainability issues. Under the supervision of the executive officer in charge of sustainability, the office has established a framework to steadily move ahead with initiatives in conjunction with the various departments.



## Sustainability Committee Activities

Activities in FY2024
• Number of meetings: 3
• Main topics of discussion
➢ Calculation, disclosure of Scope 1, 2, and 3 emissions
➢ Consideration of CO <sub>2</sub> reduction measures
➢ Consideration of a review of material issues
➢ Human capital management, HR strategies
➢ CSR activities that help to foster sustainability

## Sustainability disclosure framework

We publish a Sustainability Data Book for the purpose of comprehensively disclosing sustainability information to stakeholders.

For details on our sustainability management, including our basic sustainability policy and promotion framework, please refer to the following.



# 06

## Sustainability

- Basic Policy, Framework
- Material Issues
- Initiatives
- CSR Roundtable Discussion

Shoring up the Sustainable Management Foundation

Business Strategy

Sustainability

Corporate Governance

Data

## Material Issues

### ► Six materiality groups Nihon Chouzai Group is addressing

The Nihon Chouzai Group has identified an array of material issues that will help us contribute to a sustainable society and continuously enhance corporate value. We broadly divided these issues into six materiality groups. Based on the issues, we are pursuing actions from the perspectives of both contributing through our business activities and strengthening our management foundation.

Please visit our sustainability website for information on the 21 material issues and the process of identifying them.

<https://www.nicho.co.jp/en/sustainability/materiality/>

Materiality Group	Approach	Aim	Overview
A Healthcare quality and accessibility	Contributing through business activities	To build a society where everyone has access to high-quality medical care	We are working to strengthen pharmacy functions. Specifically, we aim to support advanced healthcare and regional healthcare as well as illness prevention and pre-symptomatic illness, contribute to social security by ensuring proper drug use, respond to disasters and ensure medical safety, leverage digital transformation to promote online healthcare and create new businesses, and engage in surveys and research.
B Quality and stable supply of pharmaceuticals		To build a society where everyone can use drugs without worry	We will research, develop, manufacture, and ensure the stable supply of high-quality, safe pharmaceuticals.
C Resolving human issues at medical institutions		To provide society with talent to support advanced healthcare	We aim to provide human resources to support high-quality healthcare services, and to support occupational health and health in general through the placement of occupational doctors.
D Contributing to a carbon neutral, circular economy		To ensure a sustainable natural environment for future generations	We will reduce waste and engage in recycling, lower CO <sub>2</sub> emissions through the use of more efficient energy and renewable energy, and build environmentally and socially aware supply chains that ensure outstanding transparency.
E Fostering and utilizing a diverse workforce	Strengthening our management foundation	To foster a corporate environment where all employees thrive	We will work to secure human resources to support the growth of the Group and put HR systems in place to further hone their capabilities. We will also promote respect for human rights, the empowerment of women in the workplace, and DE&I, establishing a workplace environment that enhances employee health and motivation.
F Strengthening governance to fulfill social responsibilities		To become a socially responsible healthcare group	We will support the healthcare and welfare fields, such as for intractable diseases and disabilities, strengthen corporate governance and make transparent disclosure, stress compliance and prevent corruption, and create opportunities by appropriately assessing and responding to risks.

### ► Map of Materiality Priorities

Materiality Group
A Healthcare quality and accessibility
B Quality and stable supply of pharmaceuticals
C Resolving human issues at medical institutions
D Contributing to a carbon neutral, circular economy
E Fostering and utilizing a diverse workforce
F Strengthening governance to fulfill social responsibilities



# 06

## Sustainability

Basic Policy, Framework

### ● Material Issues

Initiatives

CSR Roundtable Discussion

Who we are

CEO Message

The Future We Want to Create

Shoring up the Sustainable Management Foundation

Business Strategy

Sustainability

Corporate Governance

Data

## FY2024 Highlights

### ► Recycling at drug manufacturing plants

#### Material issue 12

Reduce waste materials and increase the efficiency of resource usage, especially at pharmacies and plants

#### FY2024 results

Blister packs: 84.50 tons (26.3% of the total)  
Sludge: 41.33 tons (48.9% of the total)

#### Targets for FY2025 and beyond

Expand number of participating plants

Nihon Generic is promoting the mechanical recycling of unneeded blister packs and sludge discharged from plants. Nihon Generic's Tsukuba Plant No. 2 generated the equivalent of 31.29 tons of discarded blister packs in FY2024, all of which will now be targeted for recycling. Compared to a conventional incineration method, this approach is expected to reduce CO<sub>2</sub> emissions by around 90%. In FY2024, we also began the mechanical recycling of a portion of the sludge generated during the drug manufacturing process. Of the 28.57 tons of sludge generated by Tsukuba Plant No. 2 in FY2024, 21.08 tons of residue were recycled after being incinerated. This resulted in no incineration ash or fly ash being generated and zero waste disposed of in landfills, and all of the waste was recycled.



Mechanical recycling of blister packs



Mechanical recycling of sludge

### ► Converting pharmacies to LED lighting, generating solar power at drug manufacturing plants

#### Material issue 13

Reduce CO<sub>2</sub> emissions by increasing energy usage efficiency and promoting the use of renewable energy

#### FY2024 results

202 pharmacies converted to LED lighting

#### Targets for FY2025 and beyond

Convert around 100 pharmacies that have not yet switched to LED lighting

#### Converting to LED lighting

Seeking to reduce CO<sub>2</sub> emissions per pharmacy by 30% by FY2030 compared to FY2020, Nihon Chouzai began converting its pharmacies to LED lighting in FY2023. Of the approximately 460 pharmacies that were using fluorescent lighting, 97 pharmacies switched to LED lighting in FY2023, followed by 202 pharmacies in FY2024. We are making steady headway toward completing the conversion of the pharmacy network by FY2025.



A pharmacy that has installed LED lighting

#### Solar power generation

Nihon Generic and Choseido Pharmaceutical are pursuing the use of renewable energy through solar power generation. Nihon Generic's Tsukuba Plant has installed solar power generation equipment under a donation-based corporate power purchase agreement with Tokyo Century and Kyocera Communication Systems. The use of renewable energy in the form of electricity generated by this solar power equipment will cut CO<sub>2</sub> emissions by roughly 347.1 tons-CO<sub>2</sub> per year.



Solar power generation facility at Tsukuba Plant No. 2

## Efforts to shape the supply chain

### Scaling down number of wholesale deliveries

In April 2023, Nihon Chouzai began coordinating with drug wholesalers to scale down the number of drug deliveries to pharmacies. We have harnessed the strengths of our pharmacy chain to conduct more streamlined inventory management, reducing the number of deliveries from two or three times a day to once a day, thus achieving lower CO<sub>2</sub> emissions and more efficient operations. We will continue to engage with business partners to optimize the supply chain.

### SDGs Radio supports children's learning

Nihon Chouzai is broadcasting SDGs Radio, educational content provided by out-of-home content operator Keson, to children and students across Japan. As a healthcare Group that supports people's health, we offer ten types of program content that convey the importance of correctly using medications, the role of pharmacists in society, and the importance of managing one's own health in an easy-to-understand way.



#### Now "on air"

- Supporting people's health through reasonably priced medications
- For people suffering from menstrual pain
- Generic drugs: a wonderful asset shared across society
- How to avoid wasting leftover medications
- A "medicine" professional who helps keep us healthy
- Does the most powerful medicine in the world exist?
- Try your hand working as a pharmacist!
- Are you keeping a record of the medications you take?
- How can I become a pharmacist?
- Let's stop dieting too hard



### Further instilling sustainability across the Group

In FY2024, we began initiatives to instill the concept of sustainability within the Group, seeking to encourage every employee to take ownership of our mission to give people the closest possible support and to raise awareness of the need to contribute to the sustainability of society. We started off with an engagement survey to gauge and analyze how aware employees currently are about sustainability, and are exploring measures to instill awareness in the Group in a way that is suited to where employees stand. In FY2024, we published a series of online in-house newsletters (10 in total). Using a quiz format, the newsletters enabled employees to learn basic knowledge about sustainability. They also showcased sustainability initiatives that the Nihon Chouzai Group is undertaking, with the goal of increasing employee engagement with the Group's efforts.



# 06

## Sustainability

Basic Policy, Framework

Material Issues

### ● Initiatives

CSR Roundtable Discussion

Who we are

CEO Message

The Future We Want to Create

Shoring up the Sustainable Management Foundation

Business Strategy

Sustainability

Corporate Governance

Data

## Starting by doing what you can for the person right in front of you. The Frontline of Sustainability in the Nihon Chouzai Group

The Long-Term Vision 2035 we formulated in 2024 sets out the vision for the Nihon Chouzai Group to become the most trusted partner in healthcare. Employees are engaging in CSR activities at pharmacies nationwide, adopting approaches to social issues that go beyond their job descriptions. As they do so, what do they feel, how do they engage in these activities, and what value do they find in them? Three people taking part in CSR activities in different positions talked about insights they have gained from their day-to-day practices.



### Cultivating the ability to engage with people even beyond pharmacy walls

**Ichikawa** When I was working at the Fujisawa Station Pharmacy, my manager at the time suggested that I participate in a local event for people with hearing impairments. That's how I started my involvement in CSR activities. I actually got interested in the world of people with hearing impairments after watching a movie when I was a student. So, coming from this background, before giving too much thought to what I could do as a pharmacist at the event, I honestly thought I would first just go and see things firsthand.

**Michishita** That was a really nice opportunity. I started activities as a CSR leader around 2022. I've been working on a few initiatives, including at the welfare center for the hearing impaired in Kanagawa Prefecture and with a program to give pharmacists hands-on experience in providing support for the siblings of sick or disabled children\*. When I first started out, though, the term CSR itself wasn't yet really well-known within the Group, and so my first worry was about how to communicate CSR concepts to pharmacists in the field. But when people on the front lines like Mr. Ichikawa already have an interest in these issues and are naturally motivated to get involved, activities often build outward from there, and I find that really rewarding.

**Sakurai** That kind of proactive involvement on the part of each employee is extremely encouraging

from the Group's perspective as well. Since the late 2010s, the Nihon Chouzai Group has been in discussions about how to move forward with sustainability management. The thinking behind our mission, which is grounded in the Group Philosophy of giving people the closest possible support, is for every employee take on a role in society that goes beyond the scope of simply a healthcare professional. My sense is that it highly significant that CSR activities are beginning to function within the Group—I see this as a first step in the right direction.

### Gaining greater insight, moving from work on the front lines to involvement in society

**Ichikawa** When I actually took part in the event, I went with a colleague who could use sign language, who taught me how to say simple greetings and introduce myself to the hearing-impaired attendees. They were a lot more pleased by my attempts than I anticipated. I was taken aback by the fact that my willingness simply to connect with people received such a hearty response. At the same time, coming into contact with people I normally wouldn't meet at the pharmacy gave me a new perspective on my work. I think this experience gave me the opportunity to think about how to interact with the local community, not only in terms of healthcare.

**Michishita** Yes—it's exactly those kind of insights gleaned in the field that can become a springboard

\*1 A program targeting the siblings of children who are sick or disabled, aiming to support healthy child development by accompanying them in any anxieties and loneliness they may experience, as the attention of parents tends to focus on the sick or disabled child.

# 06

## Sustainability

Basic Policy, Framework

Material Issues

Initiatives

● CSR Roundtable Discussion

Who we are

CEO Message

The Future We Want to Create

Shoring up the Sustainable Management Foundation

Business Strategy

Sustainability

Corporate Governance

Data



Takuya Sakurai

Sakurai joined the company in 2000 as a pharmacist. After gaining a variety of experience, including working in pharmacies, as a branch manager, and in head office departments, he is currently an executive officer and head of the Group Corporate Planning Department. Believing that "employees taking initiative and contributing to society underpin the credibility of a company," he supports initiatives on the front lines from a management perspective.

for other activities. For example, through my activities, I've learned that some people with hearing impairments have difficulty taking their medications, but can't communicate this effectively at the pharmacy. If you're aware of the issues involved, you can make suggestions about how to address them at the pharmacy, such as grouping multiple medications to be taken together in a single package\*. Also, taking advantage of online medication guidance makes it possible to connect patients with pharmacists who can communicate in sign language even from remote locations. It's important not just to provide accurate information about medications but also to make sure that the person you're talking with feels reassured that they gotten their message across. That experience was a good reminder of that. In fact, when pharmacists who can use sign language have helped a patient, we often hear them being thankful about how helpful it was.

**Sakurai** That's a really good example of bringing together expertise and a consideration for others to address issues in the field. Thinking about CSR as a

Group, it's not just about systems and frameworks. I think the valuable thing is seeing all of our employees on the front lines thinking about the question, "What can I do for the person right in front of me?" and acting accordingly.

**Michishita** In my work with sibling support, I see a lot of siblings of children with disabilities who have the sense that there's nothing they can do to help. When you ask kids like that, "Hey, would you like to try your hand at working as a pharmacist?" their eyes begin to light up. Among the children taking part in the program, some have said things like, "I want to work in the pharmaceutical industry in the future," and "When I grow up, I want to cure my brother." It's heartwarming. Even if it's just a brief experience, if it gives children the opportunity to think that there is actually something they can do, the experience begins to instill hope and confidence in them. I always feel the gravity of being able to witness such moments of growth.

**Ichikawa** You know, these kinds of CSR activities started up because some of our employees on the front lines were saying that various kinds of support hadn't gone far enough yet, and were asking themselves if there was anything they could do. When you actually take part in the activities, you find that you learn more yourself than you accomplish for the other person. That has really struck me.

**Sakurai** I feel like the learning and feedback we get from the field spills over to other locations within the Group. CSR activities aren't something only particular people do—instead, it's about each employee thinking about what they themselves can do as a healthcare professional in their local community and in society, and then acting on that. And this is precisely the attitude that is bound to shape the value of the Nihon Chouzai Group down the road. It seems to me that this isn't just limited to CSR activities, but it's a way of looking at things that applies to all sorts of measures.

### Both inside and outside the Group, change plants the seeds of new value

**Michishita** As I continued to take part in these activities, one moment that really stuck with me was when one employee was surprised to find out the

\*2 Single doses of multiple medications to be taken at the same time are consolidated in a single package.



Erika Michishita

Michishita joined the company in 2011 as a medical office worker. After working at pharmacies, she has worked at the head office since 2020. She is currently tasked with the development of dispensing systems and leading CSR activities as a section chief in the Drug Planning Department. She says that CSR activities are where "healthcare that touches hearts" begins, and continues to be attentive to views both inside and outside the Group.

Group was involved in programs like this. Learning about the company's CSR efforts amid his busy daily work made him feel like he had discovered a new side of the company. For him to simply say that gave me a sense of pride and fulfillment. When you're out supporting other people, you naturally begin to think about how to convey your thoughts to them as you observe their understanding and reactions. There are times when it really comes home to me that kind of intentional interaction can tie in to a great sense of security, and I've had lots of experiences that made me realize the true nature of both communicating and being understood.

**Ichikawa** Reaching out to talk with other people in your own words and being attentive to how they react are vital aspects of working in a pharmacy. CSR activities have made me more sensitive to what the person I'm talking to actually wants. Another thing I realized after taking part in the event was that I hadn't had many opportunities to think about action that I could take beyond pharmacy walls. Through my involvement in this local event, I've come to realize that there may be more diverse forms of the work pharmacists do—I feel like my world has gotten a little bigger.

**Michishita** My sense is that if all employees broaden their horizons, that will eventually expand possibilities for the Group. But to be honest, right now, the activities are still mostly limited to our department and a few employees like Mr. Ichikawa. I'm interested in thinking more about how to spread awareness of these activities and insights across the Group.

### Putting the Corporate Philosophy into practice is what fosters a new culture

**Sakurai** I think CSR activities and sustainability management aren't something for just a handful of people think about and engage with. Our Group Philosophy is also not just a slogan—it is something for every employee to put into practice on the front lines. Even in the course of employees' day-to-day work, the desire to do something that is of help to the people in front of them gives rise to spontaneous action. This is precisely an approach to sustainability that is distinctive of the Nihon Chouzai Group. Going forward, I will continue to create opportunities for numerous employees to gain an interest in sustainability and ways for them to get involved. I will also foster an environment in which employees can capitalize on the experience they gain while steadily building trust with society. Valuing the way each employee puts in place our mission of giving people the closest possible support, I want to help them do this at a deeper level in the community and pass this approach on to the next generation.

### Featured Activity in FY2024



TOPIC

#### Hands-On Pharmacist Event for Siblings of Sick or Disabled Children

In August 2024, in cooperation with an NPO that focuses on supporting the siblings of sick or disabled children, we held an event to give these children the chance to experience the work of a pharmacist. The event involved the children visiting a dispensing room together with their parents and experiencing what it is like to dispense drugs, creating an opportunity for children who grow up normally dealing with a variety of difficult emotions to have fun and gain a deeper understanding of healthcare.

# 06

## Sustainability

Basic Policy, Framework

Material Issues

Initiatives

● CSR Roundtable Discussion

Who we are

CEO Message

The Future We Want to Create

Shoring up the Sustainable Management Foundation

Business Strategy

Sustainability

Corporate Governance

Data