

# Sustainability

## Nihon Chouzai's Approach to Sustainability

### Helping to bring about a sustainable society through business activities grounded in our philosophy

Since Nihon Chouzai's establishment in 1980, guided by a philosophy of "achieving true separation of drug prescribing and dispensing services," we have sought to carry out the ideal functions and roles demanded of pharmacies that support healthcare in Japan, and have

conducted business with the aim of solving issues facing society and healthcare. Our role and our commitment remain unchanged as we strive to bring about a sustainable society and contribute to the communities we serve through our core businesses.

## Corporate Philosophy

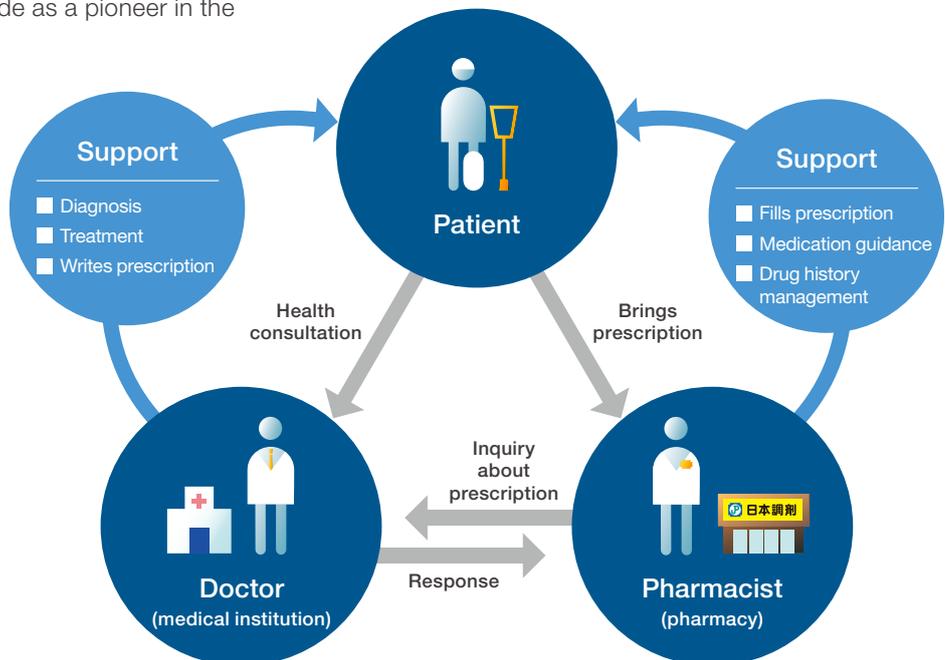
### Achieving true separation of drug prescribing and dispensing services

True separation of drug prescribing and dispensing services indicates the healthcare system in Japan in which doctors and pharmacists assume a clear division of roles based on their respective areas of expertise, and work together closely as a team to support patient care. This is considered to be the indispensable framework for realizing a healthcare system patients can trust. Since its founding, Nihon Chouzai's Corporate Philosophy has consistently been "Achieving true separation of drug prescribing and dispensing services." The Group has grown nationwide as a pioneer in the pursuit of this ideal healthcare system.

Although Japan has come a long way in creating a structural separation of drug prescribing and dispensing services, much remains to be done to fully realize the functions originally envisioned for this system.

Although the division of professional roles and functions is an essential aspect supporting the healthcare of people in Japan, this division has not yet been fully realized. The COVID-19 pandemic caused

many people to recognize once again the importance of achieving this division. The mission of pharmacies in supporting the healthcare system in Japan is to become a needed presence for patients, their families, and the community, and to make meaningful contributions to Japanese healthcare and society. This is what Nihon Chouzai is striving to accomplish, and what we mean by "achieving true separation of drug prescribing and dispensing services."



**SDG Initiatives**

Our Group supports the UN's Sustainable Development Goals (SDGs). Of the 17 SDGs, Goal 3 is "Good health and well-being." This means ensuring healthy lifestyles for all people of any age, and promoting the well-being of society. We are convinced that pursuing our core businesses and realizing sustainable growth is the means by which the Group will help to achieve the SDGs.

As a company listed on the First Section of the Tokyo Stock Exchange, Nihon Chouzai creates significant economic value. We have also invested the earnings generated by our sustained growth back into the development of healthcare in Japan. We will continue to fulfill our core calling as a healthcare company as we help address the issues facing society. At the same time, we will meet stakeholder expectations by steadily moving forward with investments from a long-term perspective, and returning value and profits in a variety of forms.



**Priority Issues**

The Group categorizes its priority issues based on stakeholder group and specifies key initiatives needed to address these issues.

We have positioned these initiatives as the Sustainability Strategy in our long-term vision, and view them as the goals we need to achieve in realizing the vision.

To help bring about a sustainable society through our business activities, we have established priority issues and are undertaking key initiatives to address them.

We are broadening our initiatives with regard to relevant SDGs.

Stakeholders	Initiatives	Relevant SDGs
Patients Consumers	<p><b>Engagement with Stakeholders</b></p> <ul style="list-style-type: none"> <li>Providing high-quality healthcare services that allow patients to undergo treatment without worry</li> <li>Addressing pre-symptomatic illness and disease prevention to sustainably support healthy lifestyles</li> <li>Promoting generic drugs, etc. to lessen the burden of healthcare expenses</li> </ul>	
Employees	<p><b>Recruiting and Training</b></p> <ul style="list-style-type: none"> <li>Recruiting diverse human resources needed to support business growth and providing a range of opportunities for active participation</li> <li>Fostering personnel who have expertise and can partner with others</li> <li>Fostering personnel who can function autonomously and improve themselves</li> </ul>	
	<p><b>Diversity and Inclusion</b></p> <ul style="list-style-type: none"> <li>Enabling a wide range of working styles</li> <li>Promoting health management</li> <li>Empowering women in the workplace</li> <li>Employing people with disabilities</li> </ul>	
Medical Institutions	<p><b>Strengthening Collaboration with Medical Institutions</b></p> <ul style="list-style-type: none"> <li>Raising the quality of healthcare services through more robust collaboration with medical institutions</li> <li>Supporting outpatient treatment by following up after medication guidance</li> <li>Feedback of useful information to medical institutions through tracing reports, etc.</li> </ul>	
Regional Society	<p><b>Providing Value to Local Communities</b></p> <ul style="list-style-type: none"> <li>Bringing about a society where everyone can receive healthcare without worry</li> <li>Securing a resilient drug delivery system in times of crisis</li> <li>Energy-saving buildings and equipment, use of company cars</li> <li>Ensuring proper drug use to prevent duplicate prescriptions or harmful drug interactions</li> <li>Enhancing healthcare and long-term care systems in the community through multidisciplinary collaboration</li> </ul>	

# Human (human resources, culture, organization)

At Nihon Chouzai, we view our employees as an essential management resource and aggressively invest in them. We are working to strengthen our human resources, culture, and organization with the aim of achieving our long-term vision for 2030 and dramatically expanding the business to a scale of Group sales of 1 trillion yen.



**Be Active** **Commitment** **Professionalism**

Our recruitment and development of human resources are informed by three concepts: Be Active, Commitment, and Professionalism.

## Recruitment

To be able to provide high-quality pharmacy services and hone our competitive strengths to expand the organization, we are actively recruiting pharmacists and staff in various other disciplines.

## New pharmacist graduates

Of the duties of a pharmacist, the importance of interpersonal work—whether in the family pharmacist system, at-home medical care, or consultations about drug therapies in various specialized fields—is gaining attention. Securing excellent human resources is the most critical issue for realizing the growth strategy we need to survive ongoing reorganization of the pharmacy sector in Japan. To this end, we are taking steps to recruit talented new pharmacist graduates.

**505** new hires

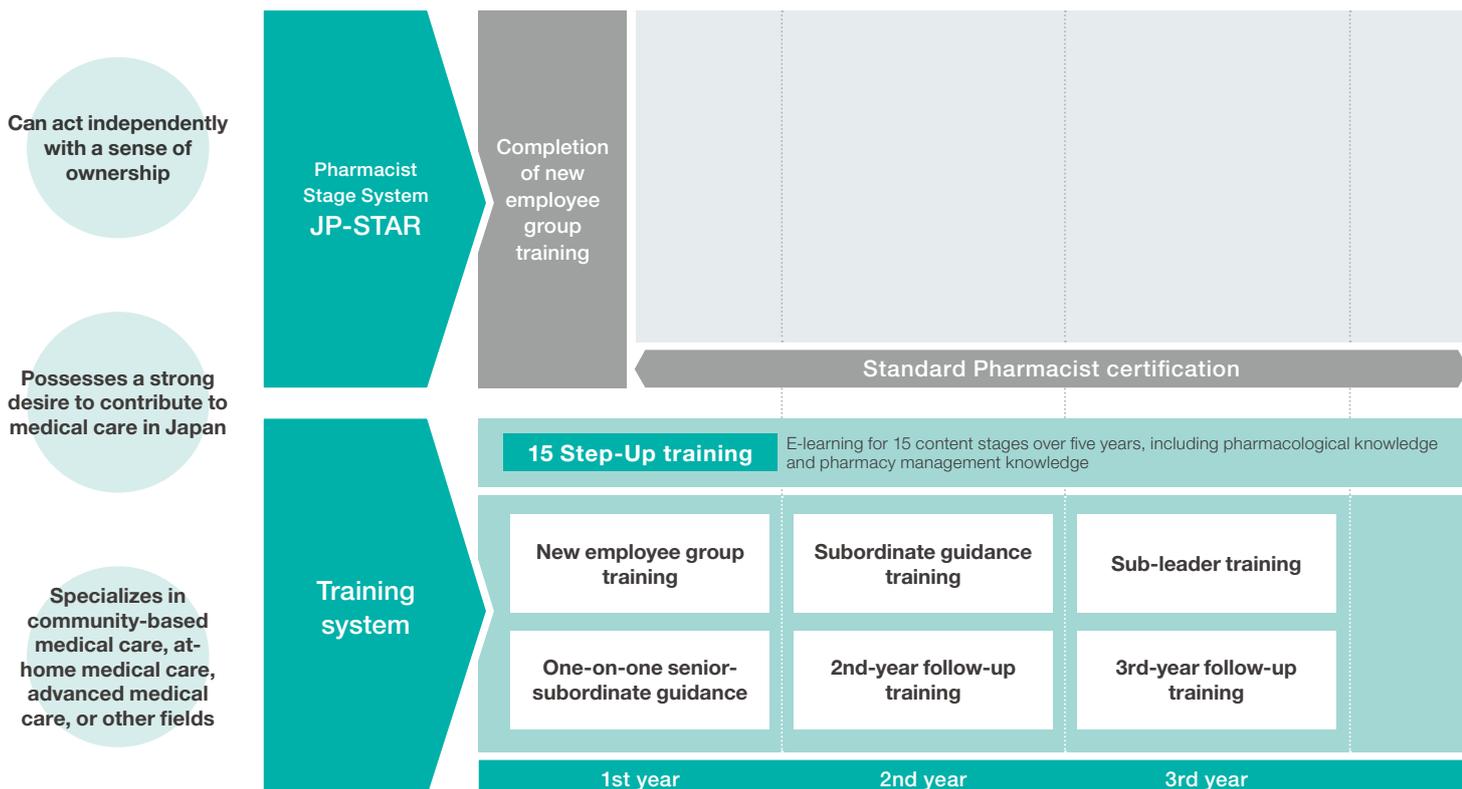
Nihon Chouzai ranked No. 1 in the industry in three categories

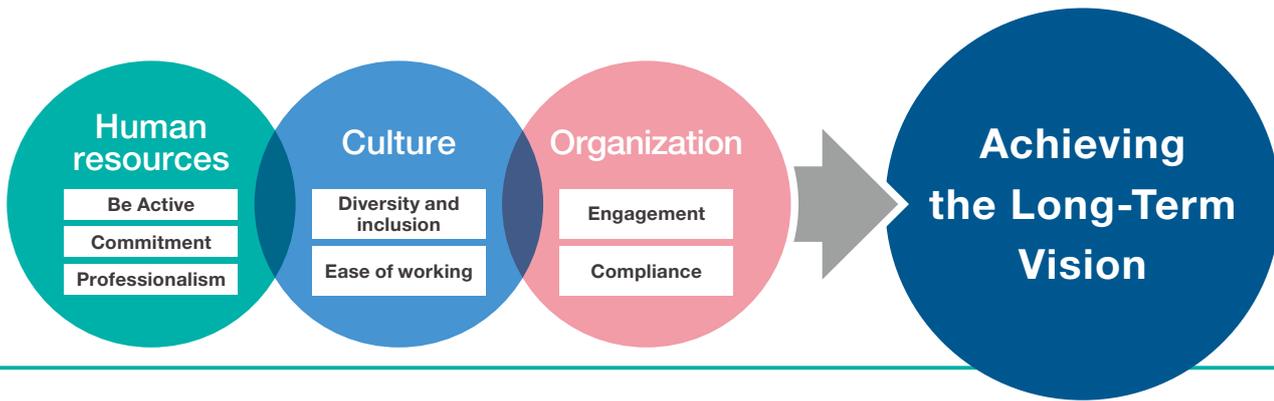
**Company popularity ranking among job-seeking university graduates**  
Mynavi/Nikkei survey 2022

Chemistry/pharmacy majors	<b>1st place</b> <small>(last year: 6th place)</small>
Science majors overall	<b>24th place</b> <small>(last year: 43rd place)</small>
Female science majors	<b>8th place</b> <small>(last year: 15th place)</small>

## The ideal Nihon Chouzai pharmacist and career possibilities

We seek pharmacists who can contribute to the true separation of drug prescribing and dispensing services, as expressed in three concepts: Be Active, Commitment, and Professionalism.





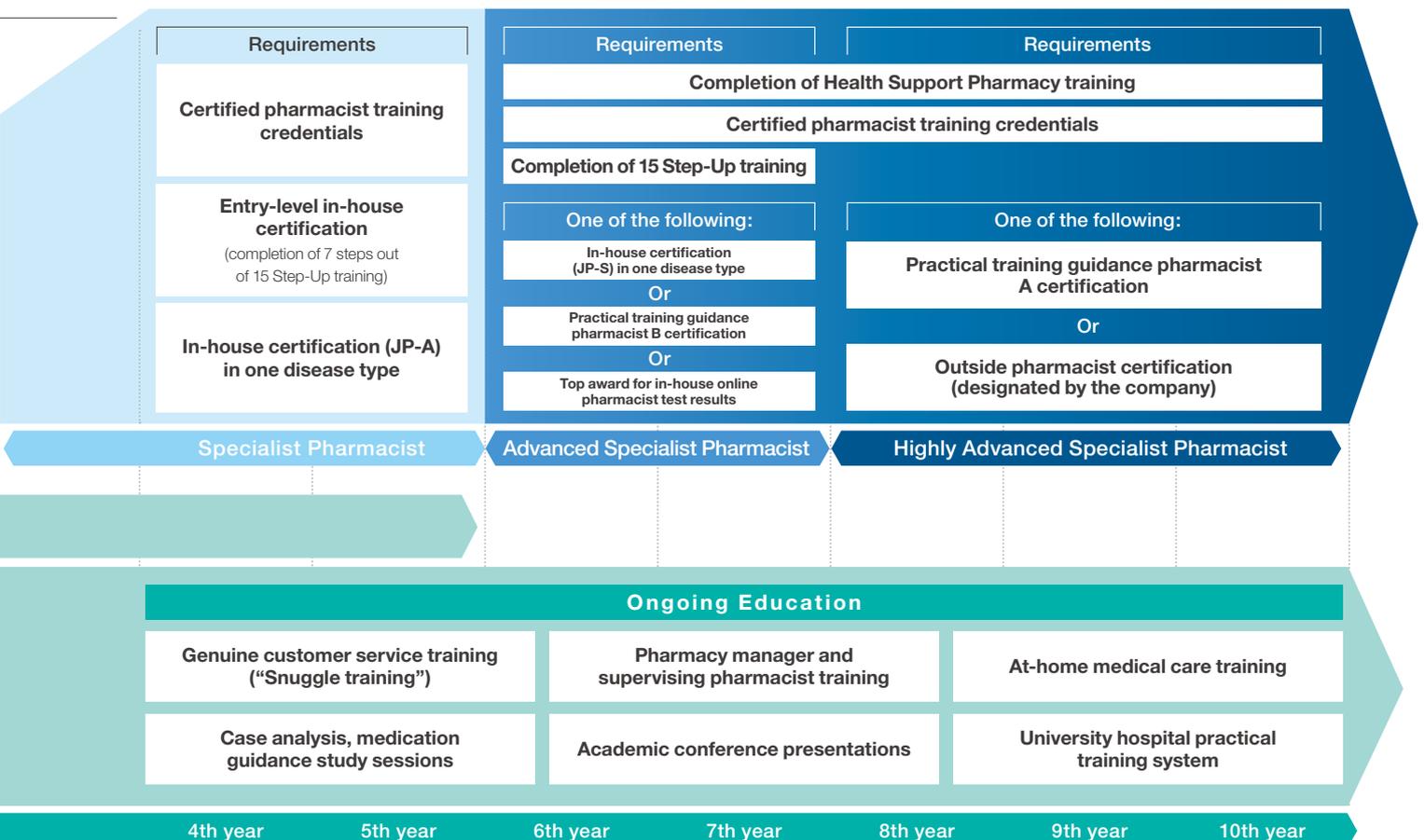
### Managerial resources

We are also strengthening the recruitment of personnel in managerial positions who are capable of mapping out solid strategies for future growth, including new business generation and new operating frameworks. We are capitalizing on a wide range of recruiting channels to attract both new graduates and mid-career personnel, with the aim of securing the best talent in each discipline, from HR and business development to marketing and engineering.



### Personnel development

We provide opportunities for all employees to acquire the knowledge and skills they need in their fields, including theme-based training and career development measures, with training grouped by job description and level in the company.



## Raising up next-generation leaders

Nihon Chouzai has two training tracks to develop the next generation of managers.

### Management seminars

In this next-generation leader development program, each participating team delves into issues facing the company and makes specific proposals to management. Under the direction of Kunio Ito, Professor in the School of Business Administration of Hitotsubashi University, we are fostering the growth of next-generation leaders by instilling an awareness of issues and engaging in repeated exchanges of opinions.



### Coaching

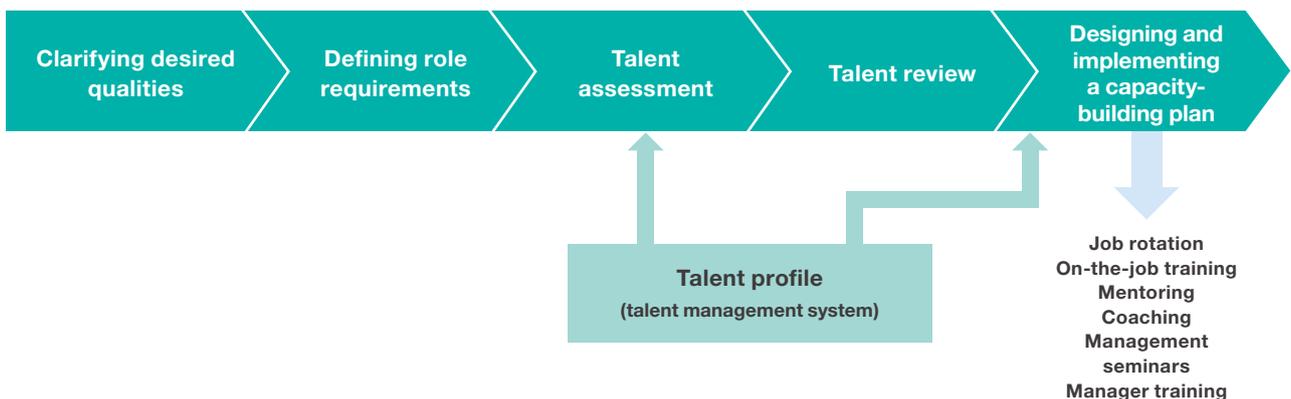
In 2017, we implemented a coaching program with the help of an outside specialist firm to promote one-on-one guidance for selected managers. The results of the program are shared and brought to bear not only in relation to stakeholders but also in offering guidance to subordinates.



## Talent management

We are preparing a talent management program to further develop a cadre of next-generation leaders. As Nihon Chouzai expands its business to achieve the long-term vision for 2030, the need for leaders is growing. We are working to build up a pipeline of employees who can operate from a management perspective, planning to be able to assign needed

personnel to key positions at any time. After clarifying the ideal qualities and qualifications demanded of a next-generation leader, we will assess, review, and identify talented employees, and implement a capacity-building plan to generate leaders who can assume responsibility for the future of Nihon Chouzai.



## Culture

Diversity and inclusion

Ease of working

We aim to foster a culture in which diverse human resources can play an active role.

### Empowerment of women in the workplace

About 60% of Nihon Chouzai employees are pharmacists, and about 70% of these pharmacists are women. Given this reality, we recognize that, to grow the company, it is essential that we create a framework that allows women to reach their full potential and to provide opportunities for the active participation of every employee regardless of gender. This thinking guides our efforts to build a working environment conducive to ease of working.

Female employee ratio

**73.7%**

FY2020

Number of people using reduced working hour system for childcare

**426**

FY2020

Rate of return from childcare leave

**97.0%**

FY2020

- Pre- and postnatal leave
- Childcare leave: 1 year (if enrolling the child in day care is impossible, can be extended up to 2 years)
- One-time childbirth allowance
- Reduced working hours for childcare (can shorten up to 2 hours/day, in 30-minute increments, until the child's entry into elementary school)
- Child nursing leave system (taking leave to nurse a sick child or provide the child with vaccinations or health check-ups)
- Spouse childbirth leave system (a separate system from paid leave, to encourage male employees' participation in childcare)

#### Balanced life support training for child-rearing female employees

Nihon Chouzai offers career design training to female employees who are raising young children. The training seeks to help employees take a more positive view of the life stage of child-rearing.

Our hope is that women who have gone through the training program will gain a clearer sense of direction for their career vision and be able to form a support network with other female employees who are raising children. In turn, we hope these employees can exert a positive influence on their various departments and further develop as role models for other employees.



### Outside recognition (diversity and inclusion)

Nihon Chouzai has been recognized for its ongoing efforts to foster an environment which makes it easier for women to work and to create opportunities for the active participation of all employees regardless of gender. These efforts have earned the company the following certifications from the Ministry of Health, Labour and Welfare.



#### Eruboshi

**Empowering the participation of women in the workplace**  
Obtained in 2018



#### Kurumin

**Support for parenting**  
Acquired in 2021



#### Tomonin

**Support for long-term care providers**  
Acquired in 2021

### Active participation of people with disabilities

Nihon Chouzai is promoting various initiatives to enable diverse human resources to play an active role in business operations.

Nihon Chouzai currently employs 110 staff with disabilities, representing 2.35% of all employees (as of June 2021). This exceeds the statutory employment rate. We are actively seeking to hire more employees with disabilities while broadening the scope of potential job positions.

#### Broadening the scope of job positions

In addition to existing jobs, such as pharmacy work, medical office work, and clerical work, we are expanding the scope of potential job positions, such as serving as a driver for pharmacists conducting home-visiting services.

#### Sign language to deal with customers and give medication guidance

Hearing-impaired pharmacists at some pharmacies communicate with customers using sign language. Moreover, in-house e-learning content is available to all Nihon Chouzai pharmacists teaching the sign language and other considerations needed to deal with hearing-impaired pharmacy customers.

### Promotion of health management

In order for Nihon Chouzai to provide the best possible medical services to the communities we serve, health management aiming to maintain and improve the health of our own employees is a priority.

We have issued a Declaration of Health and established performance indicators striving to promote health, improve productivity, retain staff, and recruit talented employees. We have also built an organizational framework to allow industrial physicians to be involved in our health promotion from a professional standpoint. We are creating a system in which all employees are conscious of their own health and can contribute to fostering a vibrant workplace culture.



#### Declaration of Health

In order to realize the health and well-being of people, Nihon Chouzai declares that its employees will be conscious of their own health and will promote efforts to foster a vibrant Be Active workplace culture.

#### Performance indicators

- Hypertension, obesity, anemia
- Smoking rate
- Rate of secondary health examinations and consultations
- Eligibility for specific health guidance
- Rate of mental health leave taken/days
- Rate of paid leave taken
- Cancer screening rate



\* Kenkokeiei® is a registered trademark of the Nonprofit Organization Kenkokeiei.

## Organization

### Engagement

### Compliance

We aim to be an organization that realizes high employee engagement while ensuring rigorous compliance.

## Engagement

We place great importance on employee engagement as the basis for increasing corporate value.

### Survey

**Target**  
All Group  
companies

**Number of  
questions**  
About 150

**Response  
rate**  
96.8%

The Nihon Chouzai Group believes that greater engagement between the company and its employees is essential to increasing corporate value by generating and drawing on group synergies.

We carried out our first engagement survey for the entire Group in 2021. Survey scores in areas regarding the future of the company were extremely high compared to survey data for other companies. This result represents a significant advantage for the Group in terms of achieving stable, ongoing growth.

We will continue to conduct regular surveys, and take steps across the Group to improve employee engagement.

### In-house workshop

As part of our efforts to foster a corporate culture that elicits employee engagement, we held an online in-house workshop drawing participants from across various businesses and administrative departments, including Group companies. In addition to grasping the current situation for employees quantitatively through surveys, we also sought to understand employee attitudes and concerns by means of discussions on the unique characteristics and issues of the Group, as well as engage in dialogue about the future direction of the organization. The workshop enabled a lively exchange of ideas on how to create an organization that can provide customer-oriented value, and how to foster a culture that encourages the autonomous growth of each individual.

We will continue taking action to enhance the effectiveness of the organization and the cohesiveness of the Group, based on the fruits of such discussions as well as an analysis of findings from engagement surveys.

## Compliance

- E-learning on insider trading regulations
- Compliance education for new employees
- Starting June 2021: Compliance lectures held as part of training for newly appointed pharmacy managers
- Distribution of compliance learning materials on a monthly basis, monitoring of learning compliance
- Compliance education using case studies of industry misconduct at the Pharmacy Department managers' meeting
- Use of a finger vein authentication system



New employee compliance training



Finger vein authentication system

# Social (Together With Local Communities)

As a comprehensive healthcare company supporting healthcare in Japan, the Nihon Chouzai Group will actively contribute to the development and growth of society and healthcare.

## Pharmacists Cooperate in COVID-19 Mass Vaccination Efforts

Based on requests from local governments, pharmacist associations, and other organizations nationwide, the Nihon Chouzai Group joined in helping to carry out the mass COVID-19 vaccination efforts that are underway across the country. As of June 8, 2021, a total of 604 Nihon Chouzai pharmacists had taken part in vaccination programs set up in 23 prefectures (including scheduled cooperation).

As mass vaccination efforts got underway nationwide,

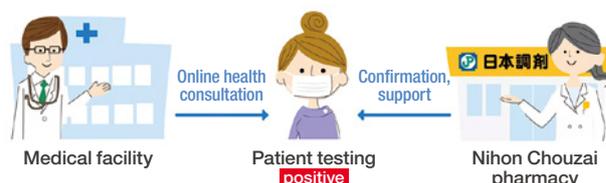
issues such as a shortage of medical staff to take charge of vaccinations became apparent. Various regional government bodies have responded by building frameworks to move forward with vaccinations quickly and accurately. Government departments responsible for the vaccination efforts in various regions in Japan have reached out to Nihon Chouzai, requesting the cooperation of pharmacists.

## SocRTes PCR Testing Offered at 74 Health Check-Up Stations

The Group collaborated with Keio University School of Medicine on research into building a PCR testing framework for COVID-19 using saliva samples, which was accepted for a program grant from the Japan Agency for Medical Research and Development, and moved forward with building screening infrastructure. Based on the infrastructure developed by this research, Nihon Chouzai began rolling out a PCR testing service on April 12, 2021. As of June 2021, 74 Health Check-Up Stations nationwide are providing the service.

The main purpose of the “SocRTes” (from “social testing”) PCR testing is to determine whether or not a person is

infectious. In other words, the test mainly seeks to protect other people, and as such, is highly useful as a PCR test that can be carried out prior to encountering important persons, such as before participating in events, attending important ceremonial occasions, joining in business discussions, or visiting elderly relatives or other family.



## Group-Wide Initiatives to Prevent COVID-19 Infection

Nihon Chouzai is implementing various measures across the Group to prevent the spread of COVID-19 infection. Major initiatives are summarized below. As a company that provides healthcare, we are reinforcing initiatives to ensure that no one from within the Group gets infected or infects others.

### Major Initiatives to Prevent Infection in Pharmacies

- Regular disinfecting, mainly in pharmacy areas with a lot of contact, such as automatic door buttons, customer prescription counters, and seats; seating that incorporates social distancing
- All employees wear masks, register daily body temperatures and attendance status online; confirmed by supervisors
- Acrylic and vinyl partitions installed at reception and medication guidance counters to prevent droplet transmission

### Major Initiatives to Prevent Infection in Administrative Departments (Head Office, Branches)

- Revised working days and hours; working from home and flexible working hours; work systems distributed across multiple locations
- Cancellation of internal meetings; shift to online meetings; cancellation of welcome/farewell parties and social gatherings
- All employees wear masks; daily temperature measurement and attendance reports
- Cancellation of customer visits, business trips; introduction of video conferencing systems; securing laptops
- Shift from group training to online training



## Health Check-Up Stations

Nihon Chouzai has been actively establishing Health Check-Up Stations in its pharmacies since fiscal 2016. As of the end of June 2021, the number of Stations nationwide has increased to 76. Health Check-Up Stations provide various services for pre-symptomatic diseases and disease prevention for community residents. In addition to hosting a variety of health-related events and drug consultation services open to the public, registered dietitians provide nutrition-related consultation and other services at our main pharmacies to help community residents stay healthy and improve their daily lives.



Pharmacies  
with Health Check-Up  
Stations

76

(as of June 30, 2021)

## Certified Nutrition Care Stations

As of September 1, 2021, 25 Nihon Chouzai pharmacies have been designated Certified Nutrition Care Stations.

Certified Nutrition Care Stations are facilities certified by the Japan Dietetic Association as community-based hubs where registered dietitians and nutritionists provide nutrition-related care. By providing nutritional care support and guidance, registered dietitians and nutritionists aim to create local communities where residents can lead productive, fulfilling, and healthy lives. Certified Nutrition Care Stations take a multifaceted approach to supporting community health promotion. In collaboration with medical institutions, Station

staff visit residences to offer nutrition consultation for people undergoing medical diets or who have difficulty going to the hospital. They also run cooking classes and devise menus for local governments, health insurance associations, companies, and healthcare institutions, and provide specific health guidance and a range of other nutrition-related services. Further reinforcing collaboration with medical institutions and long-term care facilities, the Group will heighten its focus on health promotion for community residents as well as long-term care and preventive healthcare.

Pharmacies  
with Certified  
Nutrition Care Stations

25

(as of September 1, 2021)

## Sending Prescriptions through Okusuri Techo Plus Helps to Prevent COVID-19 Infection

One of the Group's efforts to prevent COVID-19 infection involves our electronic medication notebook, *Okusuri Techo Plus*. To minimize waiting times in the pharmacy, the application offers a feature that allows patients to send prescriptions to pharmacies in advance. This makes it possible to deliver medications promptly when the patient arrives. This feature was used more than 1.28 million times in FY2020, and, in conjunction with the Group's other infection prevention measures, helped to establish a framework that puts priority on protecting patients and staff from infection.

The Group's initiatives drawing on our electronic medication notebook *Okusuri Techo Plus* were posted as a model example for pharmacies on a website\*, established through a collaboration led by the Distribution Economics Institute of Japan, that features various examples of efforts to prevent the spread of the pandemic.

\*<https://distribute-dei-taisaku.jp> (Japanese only)

Okusuri Techo Plus  
subscribers

850,000

(as of August 31, 2021)



## Building an End-to-End, Non-Face-to-Face Healthcare Provision System

Following the lifting of restrictions on online medication guidance in Japan in September 2020, moves to build an end-to-end online healthcare provision system based on non-face-to-face interactions are accelerating. To promote this development, Nihon Chouzai in October participated in trial flights to transport medications by drone to Japan's outlying islands. The trial flights are associated with the remote healthcare and online medication guidance initiatives being undertaken by Chita Kosei Hospital in Aichi Prefecture.

In addition, in collaboration with delivery locker operator Fulltime System Co., Ltd., Nihon Chouzai in November 2020 launched trials of a prescription delivery service that does not involve person-to-person contact. In July 2021, in collaboration

with leading convenience store chain operator FamilyMart Co., Ltd., we also started trials of a prescription delivery service utilizing pick-up boxes equipped with an authentication function that are installed at FamilyMart convenience stores. Trials began with three stores in Yokohama, in Kanagawa Prefecture.

By making use of non-face-to-face delivery formats, patients can receive prescriptions safely, without interpersonal contact and at any time, even outside pharmacy business hours. This is expected not only to reduce the risk of COVID-19 infection but also heighten convenience.



# Environment (Environmental Initiatives)

At Nihon Chouzai, we are working to lower our environmental footprint by creating environmentally aware pharmacies, reducing the number of unused medications, and designing environmentally friendly production facilities. We will continue to make investments and take initiatives to reduce our impact on the environment.

## Dispensing Pharmacy Business

In the Dispensing Pharmacy Business, we are working to lower our environmental impact by creating environmentally aware pharmacies, promoting the use of personal shopping bags, and reducing unused medications. While considering convenience for the patients who visit our pharmacies, we will comply with all environmental laws and regulations and take proactive measures to protect the environment, while striving to make effective use of resources across all of our business activities.

### Creating Environmentally Aware Pharmacies

The Group is taking the following initiatives to create environmentally aware pharmacies.

- Reducing electric power consumption through the use of LED lighting and sensor-based lights and adopting natural ventilation
- Lowering dependency on air conditioning through the use of heat blocking film in windows
- Using flooring materials that comply with the Green Purchasing Law
- Adopting wooden building structures that use less energy in manufacturing and generate less CO<sub>2</sub> emissions during construction
- Reducing water usage by adopting water-conserving bathroom facilities

### Promoting the Use of Personal Shopping Bags

After the revised Containers and Packaging Recycling Law went into effect on July 1 2020, there is now a mandatory charge on plastic shopping bags in Japan. At Nihon Chouzai pharmacies, to protect the environment, we have transitioned to plastic shopping bags containing 30% plant-derived biomass materials. We do not pass on the plastic shopping

bag charge to customers, who are free to use these bags to take home prescriptions and other products as before.

However, stickers are posted at each pharmacy asking for customers to bring their own personal bags, requesting their cooperation in reducing waste and protecting the environment.



### Reducing Unused Medications

If patients receive a new prescription while still having unused medications at home, they may confuse the new and unused medications and use them incorrectly. Likewise, they may take unused medications without realizing they are past their expiration date. There is a chance that this will interfere with the correct use of medications at the correct dosage.

Reducing unused medications is not only necessary to ensure that patients use drugs properly, but also leads to fewer drugs being thrown away.

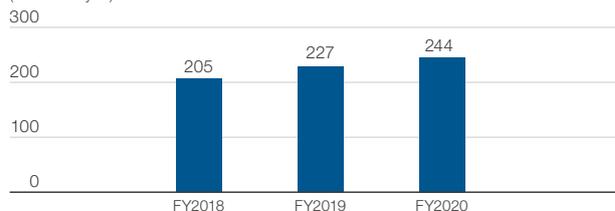
At Nihon Chouzai pharmacies, pharmacists can confirm the status and number of medications and contact the prescribing doctor to have them adjust prescription lengths.

Pharmacists are also seeking to reduce unused medications by preparing memos explaining the situation for patients to give to the doctor directly at their next visit.

Pharmacies also collect medications to be disposed of.

#### Amount of Unused Medication Adjustments

(Millions of yen)



### Other Environmental Initiatives

- Collection of needles for insulin and other self-injected medications and proper disposal as medical waste
- Gradual transition of company car fleet to hybrid models
- Rolling out an in-house workflow system to allow paperless operations

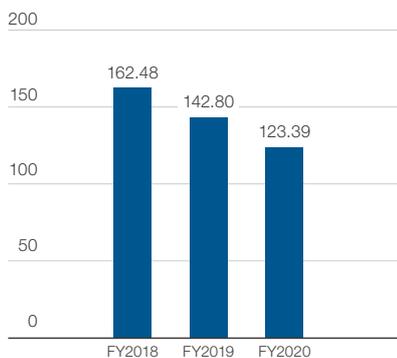
## Pharmaceutical Manufacturing and Sales Business

The Pharmaceutical Manufacturing and Sales Business renovates the production facilities it acquires, installing the latest equipment to ensure low CO<sub>2</sub> emissions, fresh-water usage, and electrical power usage. Newly constructed plants are designed from the planning stages to be environmentally friendly. We will continue to make investments and take initiatives to reduce our impact on the environment.

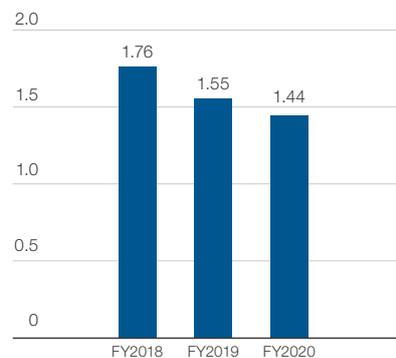
### Initiatives in the Manufacturing Division

- Reducing power consumption at Nihon Generic Tsukuba No. 2 Plant and Choseido Pharmaceutical Headquarters No. 2 Plant by lowering dependency on chillers through the use of mist spray cooling using plant wastewater
- Shifting to LED lighting at Nihon Generic Tsukuba Plant and Tsukuba No. 2 Plant and the Tokushima Research Institute of Choseido Pharmaceutical
- Lowering dependency on air conditioning load by adopting a low air flow draft chamber at Nihon Generic Tsukuba No. 2 Plant
- Adopting ultra-high-rate transformers capable of cutting power loss by about 35% versus top-runner transformers at Nihon Generic Tsukuba No. 2 Plant
- Introducing a heat pump system for simultaneous heating and cooling at Choseido Pharmaceutical
- Reducing LP gas by lowering dependency on chillers through the use of mist spray cooling using plant wastewater
- Installing solar panels at Choseido Pharmaceutical
- Reducing the amount of external electrical power through the use of power generated on-site

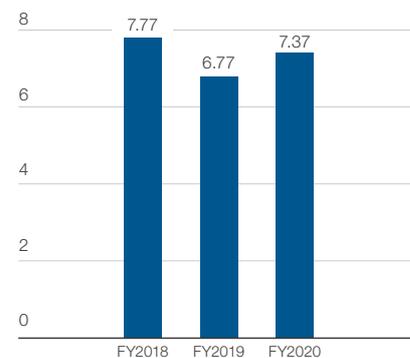
**Municipal Gas Usage**  
(thousands of square meters)  
(per 100 million tablets produced)



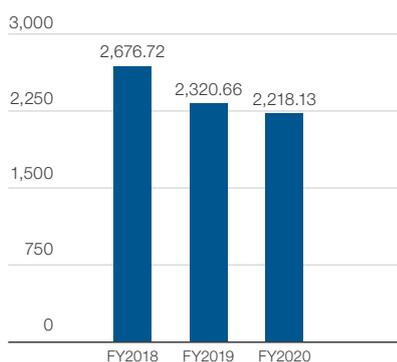
**CO<sub>2</sub> Emissions**  
(thousands of tons)  
(per 100 million tablets produced)



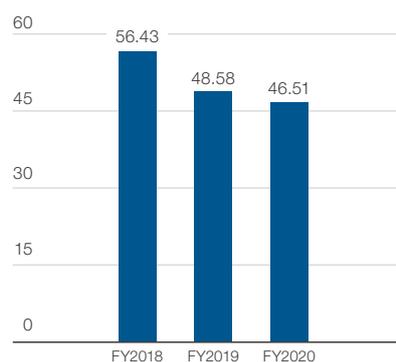
**Freshwater or Water Consumption**  
(thousands of square meters)  
(per 100 million tablets produced)



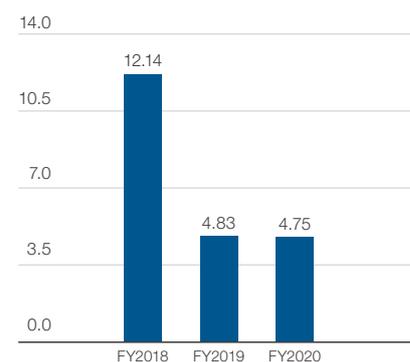
**Electric Power Consumption**  
(thousands of kilowatt hours)  
(per 100 million tablets produced)



**Total Waste Generated**  
(tons)  
(per 100 million tablets produced)



**Amount Recycled**  
(tons)  
(per 100 million tablets produced)



(As of June 24, 2021)



**Yosuke Mitsuhashi**  
President and CEO

Having served as General Manager of the Corporate Planning Department, Subsidiary Director, Managing Director, and Senior Managing Director, Mitsuhashi became President and CEO of the Company in 2019. With thorough knowledge of ICT, he spearheaded development of the Company's electronic medication notebook and has implemented company-wide digital transformation initiatives. With an MBA from Waseda University Graduate School and a master's degree from John Hopkins University Bloomberg School of Public Health, he is contributing to management from both management and medical perspectives.



**Katsuhiko Fukai**  
Managing Director

Pharmacist. Joining Nihon Chouzai after having worked in a hospital, Fukai developed the Company's 15-step-up training program. After working as Branch Manager in the Pharmaceutical Department, he was in charge of Medical Care Cooperation, where he sought to improve the quality of pharmacists, and then drew on his knowledge of systems from his time in the hospital while in charge of Business Development. His experience of working in hospitals and pharmacies gives him a thorough knowledge of medical administration. Among his accomplishments, he established a hospital training program and has helped pharmacists get certified in outpatient cancer treatment.



**Naoto Kasai**  
Managing Director

At Mitsubishi UFJ Trust and Banking, Kasai was Manager of the Human Resources Department, Manager of the Corporate Planning Division, and a Branch Manager. As General Manager of the Sales Promotion Department in charge of new pharmacy openings for Nihon Chouzai, he sets policy for pharmacy openings, acquisitions, and pharmacy development, and manages the department.



**Noriaki Miyata**  
Director

Pharmacist. Real Estate Transaction Agent. Since he first joined the Company, Miyata has been consistently engaged in the development of the pharmacy network, drawing on his knowledge of real estate and extensive experience in the pharmaceutical industry to grow the network. Over his many years of sales activities, he helped to open hospital-front pharmacies, pharmacies serving medical centers, and pharmacies located on hospital premises. He also helped expand the network of Nihon Chouzai's unique hybrid pharmacies.



**Toshiyuki Koyanagi**  
Director

Pharmacist. Koyanagi joined Nihon Chouzai after working in a hospital. He has since served as General Manager of the Pharmaceutical Department, Branch Manager, at Pharmaceutical Headquarters, and in other capacities. He is in charge of the Dispensing Pharmacy Business as a whole. His responsibilities include personnel training, marketing, generic drug promotion, purchasing, at-home care, healthcare promotion, and pharmacy branch management. With a wealth of experience in pharmacy management and thorough knowledge of medical administration, he has contributed to the expansion of the Dispensing Pharmacy Business by taking the lead in addressing changes in the operating environment, including medical service fee revisions.



**Kazunori Ogi**  
Director

Before joining Nihon Chouzai, Ogi worked for a leading bank and was involved in finance and MBO projects for major companies. After joining the Company, he was a Manager of the Finance Department. Currently, as Director and General Manager, he is in charge of settlement of accounts, budget, medium- and long-term corporate planning, investor relations, and systems. In terms of the Group as a whole, he helps to identify management issues for the Company and its subsidiaries and formulate management strategies to address them.



**Yoshihisa Fujimoto**  
Director

Fujimoto is responsible for corporate governance, working style reform, empowering women in the workplace, recruitment, and corporate branding, as well as serving as Chief Security Officer (CSO). He contributes to the governance of the entire company, including serving on the Information Security, and Risk Management, and Compliance Committees.



Pharmacist. As Director of the Department of Pharmacy at St. Marianna University School of Medicine Hospital, Masuhara was the first person in Japan to create generic prescriptions and formularies based on pharmaceutical care concepts. He is in charge of Nihon Chouzai's FINDAT Business Department. He launched FINDAT, Japan's first advanced online drug information platform, and has used the platform to support drug information management in hospitals and to help achieve drug cost reductions.



Onji has experience as a company president and chairman. Prior to joining Nihon Chouzai, he was involved in starting up a staffing firm and in numerous corporate acquisitions, as well as being responsible for financial strategy. As a manager with a wealth of experience in funding and M&A transactions, he is helping to oversee management of the Company and provides feedback as an outside director.



As a professor in the Graduate School of Business Administration of Hitotsubashi University, Noma has specialized knowledge in financial accounting and corporate valuation. Since 2013, he has been chair of the Corporate Reporting Lab set up by the Ministry of Economy, Trade and Industry, and is well-versed in building corporate value, investor engagement, and ESG management.



Since the early days of Nihon Chouzai's founding, Hatakeyama has held a wide range of key positions, including Sales Manager, Branch Manager, General Manager of the Operational Audits Department, and Director. With a wealth of experience and knowledge in pharmacy development and pharmacy operations in the Dispensing Pharmacy Business, in addition to his auditing role as an Audit and Supervisory Committee member, he also oversees management and provides appropriate feedback.



Attorney. Urabe is well-versed in corporate law and legal affairs as a whole. He has a wealth of experience and insight into the management of general meetings of shareholders and general corporate law, and has many years of experience as an outside auditor of listed companies. As an Audit and Supervisory Committee member, he helps to oversee and give feedback on the operation of the Board of Directors, focusing on various legal issues on the agenda.



Certified public accountant, licensed tax accountant, Master of Business Administration. As part of a leading auditing firm, Toyoshi gained extensive knowledge of manufacturing, IT, finance, distribution, as well as of public enterprises. He also has experience as a director of human resources management at the headquarters of a company. As an Audit and Supervisory Committee member, he helps to oversee and provide feedback on the management of the Board of Directors, with an awareness of the perspectives of various stakeholders.

### Skill Set Distribution of Directors

	Mitsuhashi	Fukai	Kasai	Miyata	Koyanagi	Ogi	Fujimoto	Masuhara	Onji	Noma	Hatakeyama	Urabe	Toyoshi
									Outside	Outside		Outside	Outside
<b>Expertise in corporate management</b>	General management	●	●						●	●			
	Financial accounting/finance	●	●			●			●	●			●
	Legal affairs/compliance						●		●			●	●
	Administration (including medical and pharmaceutical affairs)	●	●	●	●			●			●		
	Sustainability	●						●			●		
	IT/digital transformation (development)	●	●				●						
	Management oversight, feedback									●	●		●
<b>Knowledge of Group businesses</b>	Dispensing Pharmacy	●	●	●	●	●		●	●		●	●	
	Pharmaceutical Manufacturing and Sales	●				●							
	Medical Professional Staffing and Placement	●	●			●			●			●	●
	M&A/pharmacy network strategy	●		●		●			●		●	●	●
	Risk management/compliance	●				●	●	●	●		●	●	●

In addition to its Dispensing Pharmacy Business, which is one of the largest in Japan, with pharmacies in all 47 prefectures nationwide, Nihon Chouzai has expanded into the Pharmaceutical Manufacturing and Sales Business, the Medical Professional Staffing and Placement Business, and the Information Provision and Consulting Business. It is a truly comprehensive

healthcare company, contributing to medical care in communities throughout Japan. Because Nihon Chouzai is active in such a large sphere of operations, we feel the roles and responsibilities required of the Company's outside directors and Audit and Supervisory Committee members are increasing daily.

## I want Nihon Chouzai to seek to be number one in quality in each category.



Outside Director  
Independent  
Yoshimitsu Onji

Nihon Chouzai's outside directors include specialists, such as an attorney and a certified public accountant, but I am the only one who has actual management experience. Being in top management is a lonely job; you have to take final responsibility for everything your company does. In my work as an outside director for the Nihon Chouzai Group, I draw on my experience of heading up various projects at an owner-run company, Daiei, as well as my experience in completing numerous M&A deals and of running a company.

From my perspective as an outside director, I feel that the Group takes an extremely straightforward approach to its businesses. It is a company that values the Corporate Philosophy—"achieving true separation of drug prescribing and dispensing services"—

and my role is to monitor operations so that the Company does not deviate from that philosophy. To that end, what is important is improving the quality of each business. If the Company strives to be number one in each category, such as the Dispensing Pharmacy Business, the Pharmaceutical Manufacturing and Sales Business, and the Medical Professional Staffing and Placement Business, the scope of its business is certain to grow even further.

My hope going forward is that the Board of Directors will take up more fundamental matters for discussion, such as business strategy and management strategy. For example, I think there is a way to create a project team within the Company that could draft a medium-term business plan, and then bring that plan to the Board of Directors for discussion.

## Auditing business execution drawing on a wide range of knowledge as a generalist Acting as a conduit helping to share information with outside directors



Director  
Audit and Supervisory Committee member  
Nobuyuki Hatakeyama

Having joined Nihon Chouzai in 1987, I gained experiences in each department of the Company, as a generalist rather than a specialist, so I have a broad and deep understanding of the Group's business activities as a whole. To meet the expectations of stakeholders, especially shareholders, the Board of Directors and the Audit and Supervisory Committee work from the standpoint of monitoring and oversight to prevent fraud, violations, and conflicts of interest.

I seek to communicate the ideas of each director to our outside directors and actively share information with them. The other two members of the Audit and Supervisory Committee are experts in law and accounting, so we have a system in place for them to approach their roles from their own perspectives, and consult and offer advice as appropriate.

In Board meetings it is becoming more common for directors to speak their minds freely when the president asks for opinions,

and I feel that meetings have become even more open than before. Until now, Board meetings were dominated only by elements coming from within the Group. Over the past year or two, though, the direction of the Board has shifted toward considering external elements as well, including our response to SDGs and ESG issues, which society is demanding more and more.

What makes Nihon Chouzai different from other pharmaceutical companies is that we are honestly aiming to "achieve true separation of drug prescribing and dispensing services." Nihon Chouzai will not move away from the world of medical care, its core business, just because of the lure of other highly profitable businesses. It has been 41 years since the Company was founded, and I feel that it is the duty of the Nihon Chouzai Group to continue contributing to and giving back to medical care in Japan through our areas of specialty for the next 50 years, 100 years, and beyond.

## Checking on issues related to corporate legal affairs from the perspective of corporate governance

As a lawyer who handles a lot of corporate legal affairs, mainly in civil law, I am in a position to check on important matters of the Company and discussions of the Board of Directors from the perspective of compliance and corporate governance. Taking advantage of my experience as a corporate legal expert, I point out potential legal problems and exercise my authority to prevent and contain them.

At recent Board meetings, management matters are presented in considerable detail, and we hold thorough discussions, such as on numerical analysis, comparisons with other companies, and forecasts. Regarding matters related to the opening and closing of new pharmacies and corporate acquisitions, I consider the economic impact on the Company from my standpoint as an Audit and Supervisory Committee member.

I think one advantage of the Company lies in its ability to make flexible management

decisions in the rapidly changing healthcare industry. The Company also benefits from its involvement in the Pharmaceutical Manufacturing and Sales Business for generic drugs, which have been earmarked as being effective in controlling medical costs. Today, in an era when the “true separation of drug prescribing and dispensing services” has become commonplace, I believe the Company will be able to provide unprecedented medical services to patients, using the medical equivalent of digital transformation. That question, among others, is something I would like to discuss at future Board meetings, in terms of concrete ways of achieving this. It is essential to develop a well-balanced business from a long-term perspective, without being bound by short-term results, and I hope to contribute to this.



Outside Director

Independent Audit and Supervisory Committee member

Tadashi Urabe

## Building a well-balanced earnings base while remaining responsive to the changing needs of society

From my standpoint as a certified public accountant and licensed tax accountant, I see my role as covering areas such as disclosure, financial accounting, internal control, and compliance. The Board actively discusses a fairly wide range of issues, including short-, medium-, and long-term management plans and development of the pharmacy network and pharmacy operations, as well as occasional incidents and risk awareness. Discussions are not limited to Nihon Chouzai; we also consider the situation of affiliates.

The Audit and Supervisory Committee is tasked with strengthening governance, collaborating with the Audit Office, and conducting interviews with officers as needed. In addition, the committee, led by full-time director Nobuyuki Hatakeyama, reports on day-to-day business audits and provides feedback on these.

In terms of financial aspects such as the earnings base and cash flow, my sense is that Nihon Chouzai is in an even more solid position now than before I became a director. As a pharmacy operator and as a manufacturer of generic drugs, the Group handles pharmaceutical products and deals with a wide range of business partners, including medical institutions. Because it directly affects the lives of patients, the medical industry operates under various regulations. So, the key is to conduct business in accordance with the various regulations and the social welfare system established by the Ministry of Health, Labour and Welfare while considering the optimal structure needed to generate profits. My hope is that employees and management will share the same vision of the future and move forward together in dialogue with a wide range of stakeholders.



Outside Director

Independent Audit and Supervisory Committee member

Arata Toyoshi

# Corporate Governance

With the aim of becoming a company that is indispensable to society, Nihon Chouzai is constantly working to reinforce its corporate governance to achieve sustainable growth and build corporate value.

## Nihon Chouzai's Concept of Corporate Governance

- |  |                          |  |
|--|--------------------------|--|
| 1 Improving management transparency and clarifying management responsibilities | 2 Speedy decision-making | 3 Strengthening management oversight functions |
|--|--------------------------|--|

These three elements are essential to responding effectively to changes in the business environment, ensuring the ongoing soundness of the company, and further enhancing corporate value. Particularly as a corporate group operating in fields that are governed by various laws and regulations, Nihon Chouzai recognizes the critical importance of maintaining robust corporate governance and strict compliance. We are pursuing

various measures based on this recognition. Given the scale and nature of our businesses, we determined that being a company with an Audit and Supervisory Committee was the most appropriate organizational form to enable Nihon Chouzai to fulfill its audit and oversight functions and corporate governance responsibilities.

## Actions to Strengthen Corporate Governance

Internal Control System	May 2006 Formulated policy on creation of an internal control system	June 2016 Revised policy	January 2021 Revised policy
Internal Reporting System	March 2011 Established an internal reporting system, Nihon Chouzai Hotline		
Information Security Committee	April 2012 Established an Information Security Committee		
Corporate Code of Conduct	February 2014 Formulated a Corporate Code of Conduct	April 2018 Revised the Code	
Code of Ethics	February 2014 Established a Code of Ethics	April 2018 Revised the Code	June 2019 Revised the Code
Compliance Committee	February 2014 Established a Compliance Committee		
Medical Safety Committee	October 2014 Established a Medical Safety Committee		
Outside Directors	June 2015 Brought in an outside director		
Risk Management Committee	March 2016 Established a Risk Management Committee		
Company with Audit and Supervisory Committee	June 2016 Transitioned from a company with a board of corporate auditors to a company with an Audit and Supervisory Committee		
Privacy Mark	November 2016 Acquired Privacy Mark business certification.		
Business Continuity Plan	May 2017 Established a business continuity plan.		
Risk Management and Compliance Office	April 2020 Established a Risk Management and Compliance Office.		

# Corporate Governance Framework

At the 36th General Meeting of Shareholders held on June 28, 2016, Nihon Chouzai resolved to transition from being a company with a board of corporate auditors to a company with an Audit and Supervisory Committee. It also determined that the Board of Directors is made up of 10 directors (excluding directors who are Audit and Supervisory Committee members, and including two outside directors) and three directors who are Audit and Supervisory Committee members (including two outside directors). The role of the Board is to decide on important matters stipulated by laws and regulations and oversee the performance of duties by executives.

The Audit and Supervisory Committee is made up of three directors, including two outside directors. They

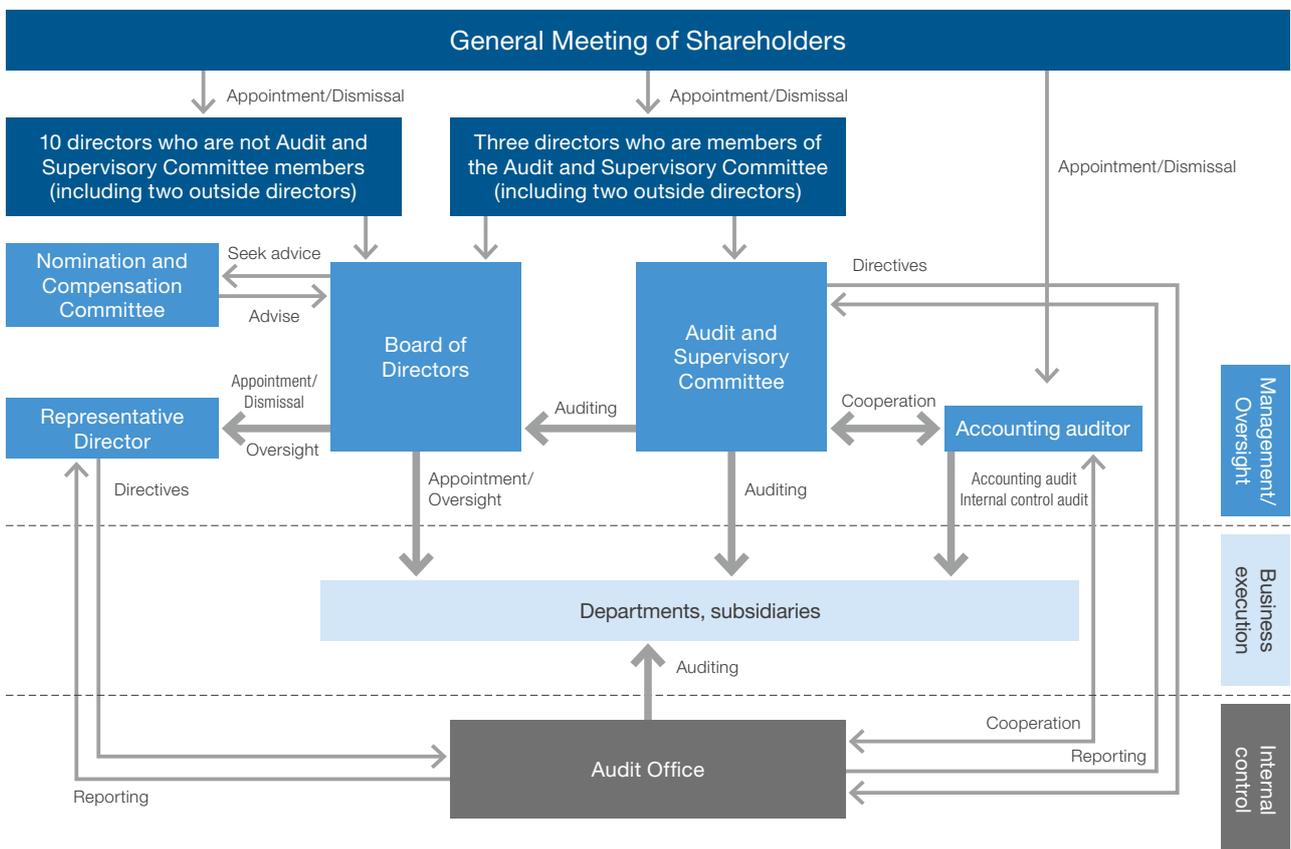
carry out their oversight functions by exercising their voting rights at meetings of the Board Of Directors, as well as auditing performance of duties by directors and preparing audit reports. Moreover, Deloitte Touche Tohmatsu LLC was appointed to be the accounting auditor for the company to ensure proper accounting and management transparency.

## Corporate Governance Framework (as of June 24, 2021)

<b>Board of Directors*</b>	<b>Directors: 10</b> (including two outside directors/independent officers)
<b>Audit and Supervisory Committee</b>	<b>Directors: 3</b> (including two outside directors/independent officers)

\*Excluding directors who are Audit and Supervisory Committee members

## Corporate Governance Framework (as of June 24, 2021)



## Responsibilities of the Board of Directors

The primary responsibilities of the Board of Directors are to promote the sustainable growth of the company and the improvement of corporate value over the medium and long term, as well as enhance profitability and capital efficiency. The Board carries out the following measures to achieve these ends.

- 1 Carefully manage the progress of corporate strategies.
- 2 Foster an environment in which senior management can take appropriate risks.
- 3 Effectively monitor the company's management team and directors from an independent, objective standpoint.

# Analyzing and Evaluating the Effectiveness of the Board of Directors

## Process of Evaluating the Board’s Effectiveness

Again in FY2020, the company evaluated and took measures to improve the effectiveness of the Board of Directors. The Board set aside sufficient time for meetings to allow for more thorough deliberation on critical issues, such as how to enhance reporting on matters before the Board and share the results of analyses. We also secured adequate time for training with officers as needed.

### Addressing Issues before the Board

A range of issues have been identified as necessitating training for the company’s management team, including management methods, legal affairs, labor and personnel, and crisis management. In FY2020, we held lectures on themes ranging from branding and risk management to compliance, accounting, and auditing. Separate training for employees other than officers aimed at deepening understanding across the company and shoring up the organization.

### Issues to Be Carefully Considered and Addressed

#### 1. Sustainability Issues

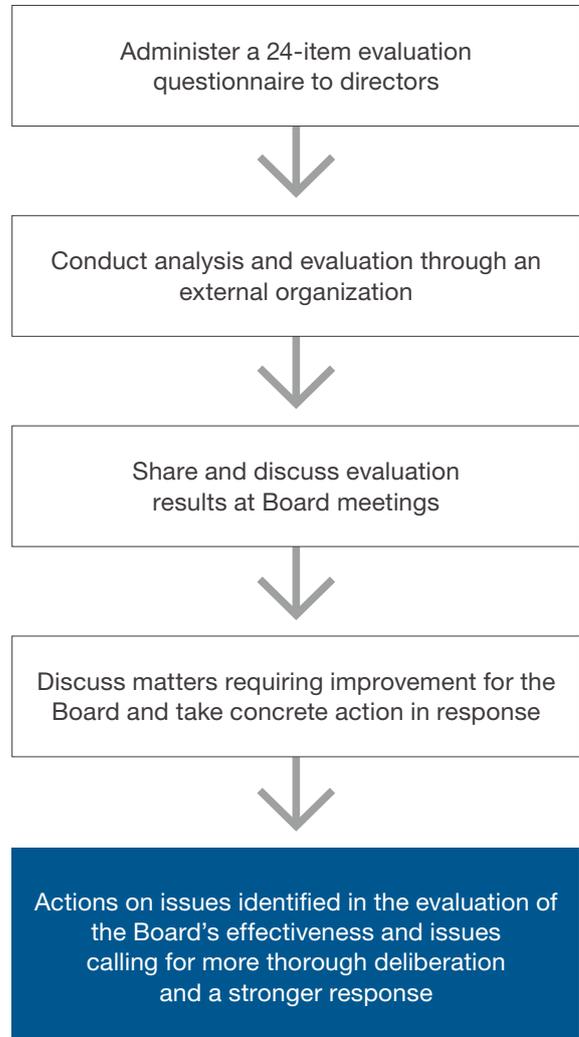
Recognizing that addressing social and environmental issues and other matters related to sustainability is a critical task for management, Nihon Chouzai is taking forward-looking, proactive steps to respond appropriately. By setting sustainable development goals, we are committed to achieving longer-term improvements in corporate value while striking a balance between economics, the environment, and society.

#### 2. Issues Involving Corporate Governance

Having reaffirmed the importance of both “offensive” and “defensive” governance in terms of group management, we will build an optimal business portfolio across the group, and improve overall corporate value.

### Enabling More Lively Board Discussions

To facilitate lively, productive discussions and exchanges of opinions, including problem areas pointed out by outside directors, we deliver Board meeting materials in advance to all directors, including outside directors, along with the annual schedule for Board meetings.



## Board of Directors Operations

### Activities in FY2020

The Board met 14 times from April 1, 2020 to March 31, 2021. In principle, Board meetings are held once a month, or as needed. Officers from Nihon Chouzai also sit in on the Board meetings of group companies and take other actions to reflect the group as a whole in

Board discussions. Audit and Supervisory Committee meetings are held separately.

We also conduct follow-up training with officers as needed after meetings of the Board of Directors.

Name	Title	Responsibilities and significant concurrent positions	Board Meeting Attendance
Yosuke Mitsuhashi	Representative Director	Overall management	14 out of 14
Katsuhiko Fukai	Managing Director	Medical collaboration, business development	14 out of 14
Naoto Kasai	Managing Director	Sales management, development, corporate information	14 out of 14
Noriaki Miyata	Director	General Manager of Sales Promotion Department. Sales promotion, Medical Center and Mentaio (pharmacies near stations and in shopping districts) sales	14 out of 14
Toshiyuki Koyanagi	Director	General Manager of Pharmaceutical Headquarters. Pharmaceutical administration and promotion, education and information, generic drug promotion, purchasing, at-home care, healthcare promotion, marketing, pharmaceutical planning, pharmacy management	14 out of 14
Kazunori Ogi	Director	General Manager of Finance Department. Accounting, finance, systems, corporate planning	14 out of 14
Yoshihisa Fujimoto	Director	General Manager of Administration Department. General affairs, personnel, Pharmaceutical Recruitment Center, public relations, private health insurance, risk and compliance management, Chief Security Officer	14 out of 14
Keiso Masuhara	Director	General Manager of FINDAT Business Department. FINDAT web business	14 out of 14
Yoshimitsu Onji	Outside Director	Outside Director of Tokyo Tatemono Co., Ltd., Outside Auditor of United Foods International Co., Ltd., Outside Director of Sotetsu Holdings, Inc.	14 out of 14
Nobuyuki Hatakeyama	Audit and Supervisory Committee member Director	Audit and Supervisory Committee member	14 out of 14
Tadashi Urabe	Audit and Supervisory Committee member Outside Director	Outside Director (Audit and Supervisory Committee member) of the Company, attorney, Partner of Meitetsu Law Offices	14 out of 14
Arata Toyoshi	Audit and Supervisory Committee member Outside Director	Certified Public Accountant, Licensed Tax Accountant, Auditor-Secretary of Seikei Alumni Association, Auditor-Secretary of the Yuumi Memorial Foundation for Home Health Care, Substitute Audit & Supervisory Committee Member of Japan Private REIT Inc., Outside Corporate Auditor of SMC Corporation	14 out of 14

### Board of Directors Meetings and Key Topics of Deliberation

Frequency	Meetings Held	Key Topics of Deliberation
In principle, once a month or as needed	14 (April 1, 2020-March 31, 2021)	Director nomination and compensation, pharmacy openings, acquisitions, budget, financial results, personnel and labor, fund procurement, formulation of rules, organizational changes, corporate governance code, acquisition and disposal of assets

### Board of Directors Meetings and Key Topics of Deliberation

The company may hold, as cross-shareholdings, shares of companies that it deems necessary for maintaining and strengthening business relationships. The Board of Directors meets annually to carefully examine whether the purpose of owning individual cross-shareholdings is appropriate and whether the benefits and risks associated with these holdings are commensurate with the cost of capital, among other considerations, in this way verifying the suitability of cross-shareholdings. The company's policy is to exercise voting rights pertaining to cross-shareholdings from the perspective of whether or not such exercise will contribute to enhancing the corporate value of the company invested in, along with due consideration of the purpose of the holding.

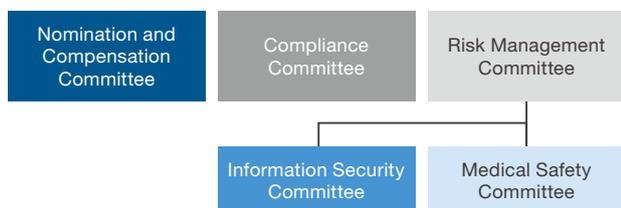
		Unlisted shares	Shares other than unlisted shares
Shares held in FY2019	Number of issues	1	-
	Issue amount* (millions of yen)	13	-
Shares held in FY2020	Number of issues	1	-
	Issue amount* (millions of yen)	13	-

\*Aggregate amount recorded on the balance sheet.

## Organization and Activities of Internal Control System

### Committee Organization

The purpose, related departments, and activities of each committee are as described below.



Nomination and Compensation Committee	
<b>Purpose</b>	To strengthen the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors, and to further enhance the corporate governance framework.
<b>Related departments</b>	Human Resources Department, General Affairs Department
<b>Committee activities</b>	Meets at least once a year.

Information Security Committee	
<b>Purpose</b>	To protect all information assets held by the Nihon Chouzai Group and to build an information security framework to gain customer satisfaction and the trust of society by complying with laws, regulations, and other rules.
<b>Related departments</b>	Same as Compliance Committee
<b>Committee activities</b>	In principle, the Information Security Committee meets once every three months. Nihon Chouzai's information security policy sets out the conditions for ensuring security as defined in the Security Guidelines for Medical Information Systems published by the Ministry of Health, Labour and Welfare. The committee reports and shares information on the information management activities of each department, such as any intentional or negligent information security violations by employees or cyber security incidents.

Medical Safety Committee	
<b>Purpose</b>	To promote appropriate medical safety management and contribute to the safe provision of healthcare.
<b>Related departments</b>	Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department), Risk Management and Compliance Office, General Affairs Department, Audit and Supervisory Committee
<b>Committee activities</b>	The Medical Safety Committee discusses all events related to medical safety management. It also discusses the revision of measures to prevent recurrence of safety incidents and improve safety.

Compliance Committee	
<b>Purpose</b>	To ensure thorough compliance and gain the greater trust of society by defining basic matters related to compliance actions and constructing and properly managing a compliance framework.
<b>Related departments</b>	Risk Management and Compliance Office, General Affairs Department, System Departments I and II, Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department), Accounting Department, Human Resources Department, Public Relations Department, Audit and Supervisory Committee
<b>Committee activities</b>	In principle, the Compliance Committee meets once every three months. It reports and shares information, such as on compliance activities and upcoming plans, compliance education, measures to comply with the Act on the Protection of Personal Information, labor compliance, and the internal reporting system. Subsidiaries hold similar meetings. To raise employee awareness of compliance, the committee publishes a monthly "Compliance Education" corner on the corporate intranet as well as distributing a newsletter and email magazine.

Risk Management Committee	
<b>Purpose</b>	To implement risk management for the Nihon Chouzai Group.
<b>Related departments</b>	Same as Compliance Committee
<b>Committee activities</b>	In principle, the Risk Management Committee meets once every three months. It reports and shares information, such as on the progress of risk management and upcoming plans, and business continuity plans. Subsidiaries hold similar meetings.

### Formulation and Dissemination of Rules and Regulations

To ensure the appropriateness of the Group's business operations, Nihon Chouzai has formulated various rules, operation flow charts and manuals, a Mission Statement & Compliance Card for all employees, a Mission Statement & Compliance Policy, business continuity plans, and a disaster response pocket manual. It seeks to ensure employee awareness of these matters by circulating materials and posting them on the corporate intranet.

