



Drawing on a wealth of knowledge and experience, my role is to advise and oversee management from an objective standpoint.

Miharuru Noma
Outside Director



Drawing on a broad range of business experience to monitor business execution across the entire Group.

Nobuyuki Hatakeyama
Audit and Supervisory Committee member

As a professor at the Graduate School of Business Administration of Hitotsubashi University, I have researched financial accounting, corporate valuation, and corporate transformation. A year has already passed since I assumed my position as an outside director of Nihon Chouzai Co., Ltd. in June 2021. Over the past year, I feel that the Board of Directors has undergone major changes.

When I first took the position, discussions at Board meetings included detailed matters related to business execution. Fundamentally, I believe the Board of Directors should discuss critical issues such as management strategies aimed at sustainable growth and the longer-term improvement of corporate value. Based partly on my advice, the Group decided to introduce an executive officer system in April 2022.

This made it possible to better separate the business execution function from management decision-making and oversight functions, which has changed the quality of discussions at Board meetings and led to faster decision-making and business execution. There has also been a change in directors' awareness: I feel directors are shifting from the perspective of individual company managers toward a perspective that encompasses the entire Nihon Chouzai Group.

I see my role as an outside director on the Board as working to enhance corporate governance and reinforce the Board's role as a monitoring board. I also believe I can advise and oversee management by drawing on knowledge gained from my academic background to actively speak up at Board meetings.

Moreover, given that Nihon Chouzai has shareholders with a controlling interest, taking the principle of shareholder

equality for granted, I believe in general that having a third-party perspective and drawing attention to the protection of minority shareholder interests is a key role of an outside director. If a conflict of interest should arise between shareholders, I see it as my duty to express my opinion from the standpoint of minority shareholders. In this way, as an outside director, I seek to provide appropriate feedback and take part in constructive discussions.

The Nihon Chouzai Group faces three issues in terms of enhancing corporate value over the longer term. The first is how to move ahead with digital transformation of healthcare. I think it is essential to consider ways of harnessing the various data obtained from subscribers to the *Okusuri Techo Plus* electronic medication notebook. The second issue is how to connect high-quality pharmacists, one of Nihon Chouzai's competitive strengths, with digital technology in a way that meets the needs of patients and medical institutions. The third issue concerns reforms targeting further growth in the generic drug manufacturing and sales business. The Nihon Chouzai Group will grow dramatically if it can deal with these three issues.

Nihon Chouzai's growth is supported by pharmacists and other personnel in the healthcare field. It is vital to create an environment in which they can shine in their work. This feeds into customer satisfaction, which ultimately provides shareholder satisfaction. I hope all of the Group's stakeholders will look forward to the long-term growth of Nihon Chouzai as a company that "gives people the closest possible support."

It has been 35 years since I joined Nihon Chouzai as a salesperson. Although I started out in sales, I was later able to experience various other departments. Drawing on this experience, I am currently making use of the Group's internal control system to carry out audits, as well as monitor the execution of duties by directors, all from the perspective of our stakeholders. I am constantly collaborating and exchanging information with the in-house Audit Office and monitoring the further establishment of internal controls that make the occurrence of compliance violations difficult.

Above all, an Audit and Supervisory Committee member is expected to monitor and oversee the business from the standpoint of appropriateness and legality, always asking whether the execution of duties by directors is in keeping with corporate bylaws and any laws and regulations, as well as whether it is reasonable and efficient in light of corporate policy. I also participate in decision-making, voting on the Board of Directors while seeking to carry out monitoring and oversight of directors' execution of duties. I recognize the importance of proper disclosure to stakeholders through the exercise of these functions and by preparing and publishing year-end audit reports.

We are pursuing initiatives to achieve more robust corporate governance, including further enhancing internal controls, appointing outside directors, further augmenting the in-house audit department, and developing a risk management framework. We have established a rigorous framework for monitoring violations of the bylaws or laws and regulations. In April, we also introduced an executive officer system to separate management decision-making and business execution. I am confident that this will help in enhancing corporate value.

In terms of issues for the Group, I think it is crucial to ensure that the internal controls, various committees, and frameworks involved in group governance are fully functional, and given even more extensive reach and effectiveness.

I also think we should consider building a Group management framework centered on Nihon Chouzai as the parent company, promote personnel exchanges, and set up a management department that oversees the entire Group.

To ensure the effectiveness of the Board of Directors, we conducted a 31-item questionnaire to assess various aspects of the Board and had the results evaluated and analyzed by a specialist agency. The results were shared with the Board and discussed freely and openly. Since the Board of Directors functions as both decision-making and supervisory body, I would like to see Board discussions focus even more on key management and business strategies, as well as steps to establish even more effective group governance.

Efforts to achieve sustainability management that encourages business activities grounded in the Nihon Chouzai Group's newly stated philosophy—"to give people the closest possible support"—are indispensable. I also believe it is important to monitor the strong commitment of each Board member to sustainability-conscious management.

Finally, as Nihon Chouzai Group moves toward its goal of 1 trillion yen in Group sales in FY2030, I would like to see every member of the Group take pride in being people deeply involved in healthcare and be able to move forward resolutely supported by rigorous compliance, integrity toward people and society, and an unflinching commitment to propriety.

Board of Directors (as of June 23, 2022)



Yosuke Mitsuvara
President and CEO

NC

Having served as General Manager of the Corporate Planning Department, Subsidiary Director, Managing Director, and Senior Managing Director, Mitsuvara 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 Johns Hopkins University Bloomberg School of Public Health, he is contributing to management from both management and medical perspectives. From December 2021, Mitsuvara chairs the Sustainability Committee.



Toshiyuki Koyanagi
Director and Senior Executive Officer

Pharmacist. Koyanagi joined Nihon Chouzai after working in a hospital. He has since served as Manager and General Manager of the Pharmaceutical Department, General Manager of the Purchasing Department, and in other capacities. In addition to overseeing the Dispensing Pharmacy Business, his responsibilities include pharmacy staff training, drug planning, marketing, generic drug promotion, purchasing, at-home care, healthcare promotion, pharmacy branch management, quality control, systems, and business development. 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.



Yoshihisa Fujimoto
Director and Senior Executive Officer

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 Committee, and the Risk Management and Compliance Committee.



Naoto Kasai
Managing Director and Managing Executive Officer

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 Management Department in charge of new pharmacy openings for Nihon Chouzai, he sets policy for pharmacy openings, acquisitions, and pharmacy development, and manages business operations. Kasai has also been in charge of Public Relations and Sustainability since June 2022.



Noriaki Miyata
Director and Senior Executive Officer

Pharmacist. Real Estate Transaction Specialist. 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.



Kazunori Ogi
Director and Senior Executive Officer

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 accounting, finance, and affiliated companies. 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. Since October 2021, he has also served as President and CEO of Choseido Pharmaceutical Co., Ltd. and Director of Nihon Generic Co., Ltd.



Keiso Masuhara
Director and Senior Executive Officer

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.



Yoshimitsu Onji
Outside Director

Outside Independent NC

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.



Nobuyuki Hatakeyama
Director

Audit

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.



Shio Harada
Outside Director

Outside Independent NC Audit

Attorney. Harada has a wealth of experience and insight regarding legal affairs as a whole, including as a lecturer in the area of civil affairs at the Legal Research and Training Institute. In addition to serving as outside director of another listed company, she has extensive knowledge of sustainability management centered on gender diversity.



Mikiharu Noma
Outside Director

Outside Independent NC

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.



Arata Toyoshi
Outside Director

Outside Independent NC Audit

Certified public accountant and licensed tax accountant. Holds a 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.

NC Nomination and Compensation Committee
Audit Audit and Supervisory Committee member

Skill Set Distribution of Directors	Mitsuvara	Kasai	Miyata	Koyanagi	Ogi	Fujimoto	Masuhara	Onji	Noma	Hatakeyama	Toyoshi	Harada
								Outside	Outside		Outside	Outside
General management	●	●			●			●	●			
Financial accounting and finance	●	●			●			●	●		●	
Legal affairs and compliance						●		●			●	●
Expertise in corporate management				●			●			●		
Administration (including medical and pharmaceutical affairs)	●		●	●								
Sustainability	●					●			●			●
IT and digital transformation (development)	●				●							
Management oversight and feedback								●	●		●	●
Knowledge of Group businesses												
Dispensing Pharmacy	●		●	●	●		●	●		●		
Pharmaceutical Manufacturing and Sales	●				●							
Medical Professional Staffing and Placement	●				●			●			●	
M&A and pharmacy network strategy	●	●			●			●		●	●	
Risk management and compliance	●			●	●	●		●		●	●	●
Attendance (times) (FY2021)												
Board of Directors	14/15	15/15	15/15	15/15	15/15	15/15	15/15	15/15	11/11 ^{*1}	15/15	15/15	- ^{*2}
Nomination and Compensation Committee								4/4	3/3 ^{*1}		4/4	
Audit and Supervisory Committee										15/15	15/15	- ^{*2}

*1 Number of meetings attended since appointment as outside director in June 2021.

*2 Shio Harada was appointed as an outside director at the general meeting of shareholders held in June 2022.

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.

Corresponding materiality group

Strengthening governance to fulfill social responsibilities

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

- 1 Strengthen the Risk Management and Compliance Committee
- 2 Established an audit office at Nihon Generic to strengthen the group's audit function
- 3 Establishment of Nomination and Compensation Committee
- 4 Introduction of executive officer system

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 nine 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 comprises three

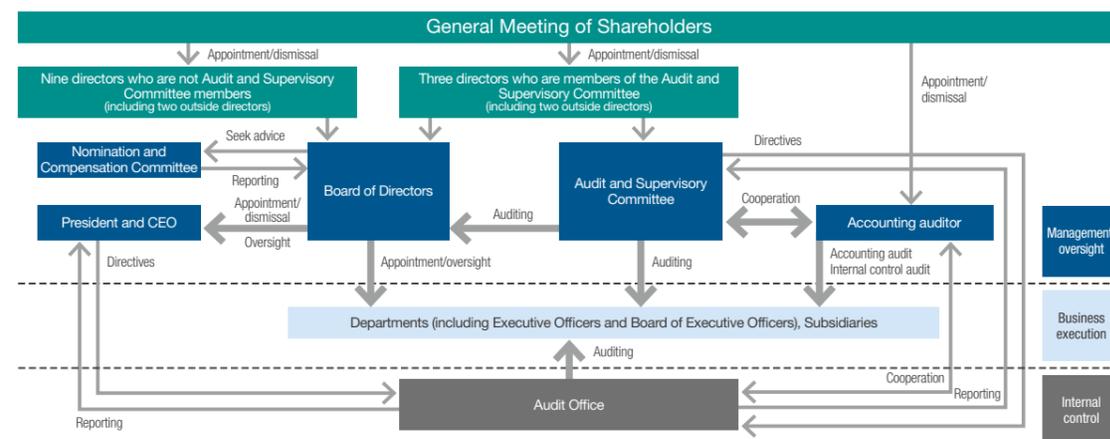
directors, including two outside directors. They carry out their oversight functions by exercising their voting rights at meetings of the Board of Directors, as well as auditing the performance of duties by directors and preparing audit reports. Moreover, Deloitte Touche Tohmatsu LLC was appointed to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

Corporate Governance Framework (as of June 23, 2022)

Board of Directors*	Directors: nine (including two outside directors/ independent officers)
Audit and Supervisory Committee	Directors: three (including two outside directors/ independent officers)

*Excluding directors who are Audit and Supervisory Committee members

Corporate Governance Framework (as of June 23, 2022)



Analyzing and Evaluating the Effectiveness of the Board of Directors

Process of Evaluating the Board's Effectiveness

At least once a year, the Board of Directors conducts an evaluation and makes improvements to improve its effectiveness. Again in FY2021, 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, and carried out training on a wide range of themes essential to management.



Initiatives to Address Issues

The Group considered one of its challenges to be developing an appropriate framework for reporting compliance issues. The framework should allow employees and associates of Group companies to share information or grave concerns about illegal or inappropriate acts and disclosure without any disadvantage. It should also allow reported information and concerns to be objectively verified and acted upon appropriately. Making sure all employees were familiar with the framework was another challenge. To this end, the boards of directors of each Group company revised their internal reporting framework regulations to provide for: (1) newly establishing an external reporting hotline in addition to existing internal reporting hotlines; (2) permitting anonymous reporting in addition to existing named reporting; (3) prohibiting efforts to seek out reporting persons or the sharing of information beyond the scope of the reporting framework that could be used to determine their identity, in addition to existing prohibitions against the disadvantageous treatment of such persons. Meanwhile, we are working to ensure that all employees are fully informed of internal and external reporting hotlines, contact information, etc. by means of explanations at important internal meetings and internally circulated communications. In addition, periodic reports are made to the Compliance Committee and Board of Directors on the status of the reporting framework so that these bodies can oversee its operation.

Issues to Be Carefully Considered and Addressed

1. Sustainability Issues

The Group took several actions in December 2021 to promote sustainability management, including: (1) formulating a Basic Sustainability Policy, (2) establishing a Sustainability Committee, and (3) identifying material issues. In June 2022, we also set out initiatives and key performance indicators to address these issues.

Moreover, as part of our response to climate change issues, in June 2022, we disclosed Scope 1 and Scope 2 CO₂ emissions, which are key issues in sustainability management. Meanwhile, we endorsed the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). Going forward, we will work to calculate Scope 3 emissions, deliberate on appropriate climate-related risks and opportunities, and perform scenario analysis to consider the impact of various risks and initiatives on financial forecasts. In these ways, we will strive to enhance corporate value over the long term.

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.

Board of Directors Operations

Activities in FY2021

The Board met 15 times from April 1, 2021 to March 31, 2022. 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.

Board of Directors Meetings and Key Topics of Deliberation

Frequency	In principle, once a month or as needed
Meetings Held	15 (April 1, 2021–March 31, 2022)
Key Topics of Deliberation	Medium-term management plan; budget and financial results; fund procurement; director nomination and compensation; pharmacy openings, closings, mergers and acquisitions; acquisition and disposal of assets; personnel and labor affairs; regulatory changes; organizational changes; group governance; risk management framework; digital transformation strategy; sustainability; etc.

Cross-Shareholdings

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
FY2020	Number of issues	1	-
	Issue amount* (millions of yen)	13	-
FY2021	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

Purpose
To strengthen the fairness, transparency, and objectivity of procedures related to the nomination and compensation of directors and executive officers, and to further enhance the corporate governance framework.

Related departments
Human Resources Department, General Affairs Department

Committee operation
Four meetings were held in FY2021 (April 2021 - March 2022). The committee consists of three or more members who are directors or executive officers, the majority of whom are independent outside directors. As an advisory body to the Board of Directors, the committee considers Board composition, reasons for appointing directors and executive officers, the appropriateness of individual compensation, and other matters from multiple perspectives, and reports to the Board of Directors.

Compliance Committee

Purpose
To ensure thorough compliance by defining basic matters related to compliance actions and constructing and properly managing a compliance framework.

Related departments
Risk Management and Compliance Office, General Affairs Department, System Headquarters, Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department), Accounting Department, Human Resources Department, Public Relations Department, Audit and Supervisory Committee, etc.

Committee operation
In principle, meets once every three months. In addition to monitoring and reviewing the development and operation of the compliance framework, the committee takes up matters related to the planning and execution of compliance programs aimed at promoting compliance throughout the Group. Specifically, the committee considers the response to relevant business laws, the internal reporting framework, and training programs aimed at fostering employee compliance awareness. Subsidiaries hold similar meetings.

Sustainability Committee

Purpose
To contribute to the creation of a sustainable society through Group business activities, as well as to achieve sustainable growth and enhance the corporate value of the Group over the longer term.

Related departments
Sustainability Supervision Office, Corporate Planning Department, General Affairs Department

Committee operation
In principle, meets twice a year. The committee supervises and evaluates the progress of initiatives to address the material issues the Group has identified, builds these issues into corporate and business strategies, and deliberates on observance of international guidelines and participation in global initiatives, reporting to the Board as needed.

Risk Management Committee

Purpose
To be aware of risks that may significantly impact the attainment of management goals and corporate sustainability, and to promote more sophisticated risk management to support appropriate judgments and responses to risks.

Related departments
Same as Compliance Committee

Committee operation
In principle, meets once every three months. Based on the risk management policy, the committee work to develop and appropriately operate Group-wide risk management. Specifically, it identifies and examines risks based on the internal and external business environment, takes measures in response, conducts regular monitoring, and takes necessary action based on circumstances. Subsidiaries hold similar meetings.

Information Security Committee

Purpose
To promote information security management, including implementing information security measures and disseminating policy, and constructing and operating a Group-wide information security framework.

Related departments
System Headquarters, Pharmaceutical Headquarters, General Affairs Department, Human Resources Department, Risk Management and Compliance Office, etc.

Committee operation
In principle, meets once every three months. The committee shares information on measures based on the Security Guidelines for Medical Information Systems published by the Ministry of Health, Labour and Welfare and related laws and guidelines, assesses whether there are any information security violations, examines examples of cyber security incidents, etc., while holding discussions on countermeasures.

Medical Safety Committee

Purpose
To promote appropriate medical safety management and contribute to the safe provision of healthcare.

Related departments
Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department, Quality Control Department), Risk Management and Compliance Office, General Affairs Department, Audit and Supervisory Committee

Committee operation
The Medical Safety Committee discusses all events related to medical safety management. It also discusses the revision of measures to prevent the recurrence of safety incidents and improve safety.

Formulation and Dissemination of Rules and Regulations

To ensure the appropriateness of the Group's business operations, Nihon Chouzai has formulated various internal rules, operation flow charts and manuals, 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.