

3

Base that supports Nihon Chouzai

- 51 Human
Environment*
- 59 Social
- 61 Governance
- 67 Board of Directors
- 69 Nihon Chouzai's Corporate Governance from an Outside Director's
and Audit Committee Member's Point of View

* See page 44 for examples of environmental initiatives

Human

At Nihon Chouzai, we consider the people who underpin a company as critical resources for management, and we actively invest in their recruitment, training, evaluation and engagement. Among these initiatives is our effort to strengthen training and organizational strength with an eye toward achieving the dramatic business expansion set forth in our long-term vision for 2030.



To realize a virtuous cycle with human resources and the organization's management, we are undertaking a range of initiatives in support of dramatically expanding the Dispensing Pharmacy Business, one of the key issues of our long-term vision for 2030.

Recruitment

Recruiting human resources, starting with pharmacists, is critical. These are the people that offer high-quality pharmacy services and heighten our competitive capabilities, thus leading to the organizations' expansion. We are striving to strengthen our ability to recruit pharmacists, certified dietitians, medical administrators and administrative department personnel, both as new graduates and mid-career hires, making concerted efforts to recruit people essential to respective organizations. In this way we will be able to respond to changes in the external environment such as revisions to laws and industry restructuring.

Strengthening Recruitment of Newly Graduated Pharmacists

Person-to-person work is becoming an increasingly common part of the duties performed by pharmacists, whether it is family pharmacists, for at-home medical care, or throughout the range of specialized fields. We realize that a key issue to surviving as the industry undergoes reconstruction is to secure high-quality human talent that enables us to implement our growth strategy. Consequently, as a result of our efforts to recruit newly graduated pharmacists, we have once again hired a record number of new ones and have achieved the top level of hiring of pharmacists in the dispensing pharmacy and drugstore industry.

No.1 in the dispensing pharmacy and drugstore industry

398 hires

(Recruited number of pharmacists for fiscal 2019)

* Research by Jiho, Inc.
Number of pharmacists entering main chain store companies in the spring of 2019, and target number of hires for spring 2020

Conveying Workplace And Career Information

We created a recruitment website for each occupational category and provide abundant information with regard to employee interviews and careers. Also offered is a rich variety of contents, such as movies, that clearly demonstrate the daily routine of employees. We also offer an official LINE (popular social media app) account that works to proactively convey information to pharmacy students.



Internship

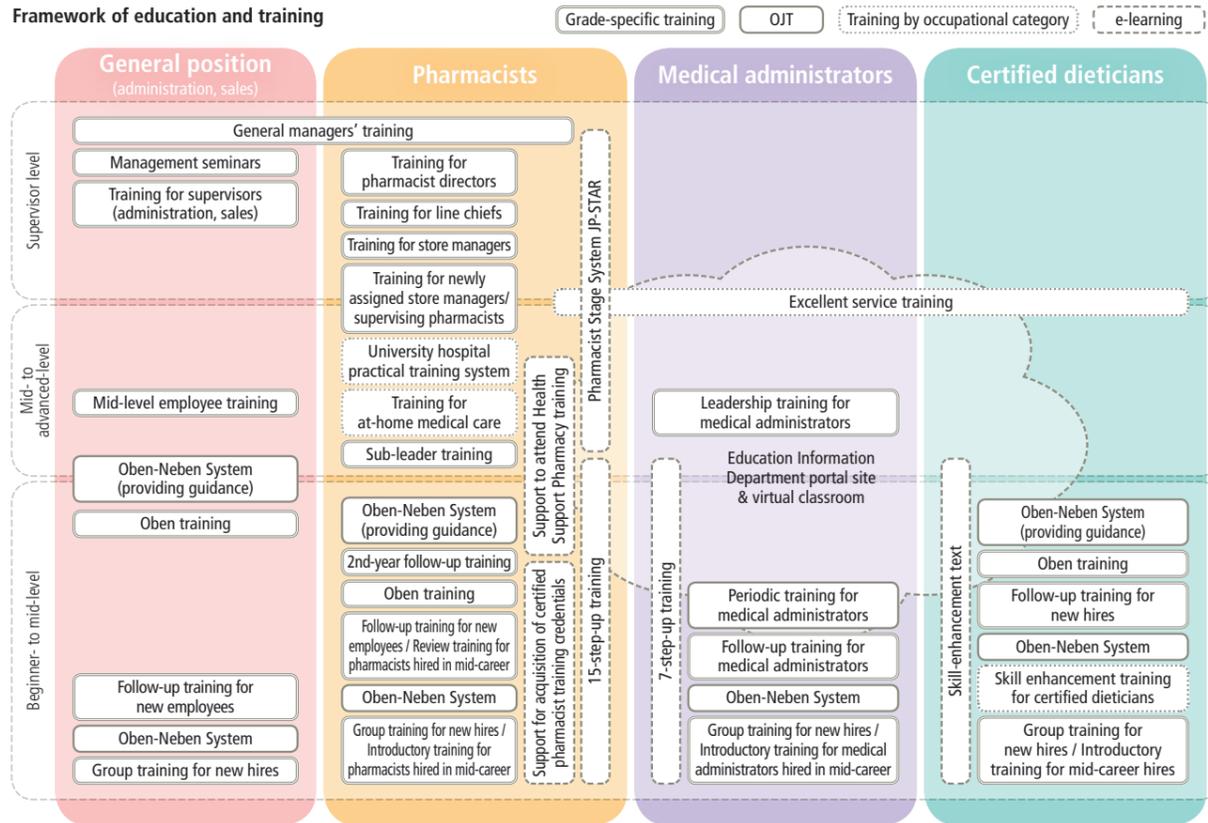
We offer internships in all of our occupational categories, providing opportunities for interns to experience working and career opportunities at Nihon Chouzai, by respective job type. This also provides a venue where interns can interact with employees. A total of over 1,200 people participate in this internship program for pharmacist students.



Development of Human Resources

Regardless of what position a person fills, at the heart of Nihon Chouzai's stance on human resources is the "medical professional." These are individuals that possess a keen awareness of responsibility to provide medical care and a sense of mission, while responding to the growing medical needs that confront an ultra-aging society. We aim to develop human resources that aggressively work to find solutions to social issues, such as keeping medical costs in check, thereby becoming an essential presence for patients, their families and the local community while contributing to healthcare in Japan and to society. Conducted by job type as well as grade seniority, we offer training by individual topic and career planning, and we provide opportunities for each and every employee to acquire necessary knowledge and skills.

Framework of education and training



Training for New Hires

We endeavor to provide new employees with meaningful training that will form their foundation as members of society and medical professionals. Training programs offer practical content and focus on role playing and discussions, and seek to sharpen the knowledge and skills needed in each occupational category.



Leadership Training

We actively work to nurture leaders, from store managers tasked with the management of their businesses to the human talent who will become the next generation of management. We strive to raise the abilities that will be required of leaders, in line with specific grade, covering topics such as leadership, finance, management analysis and marketing. At the same time, we emphasize the building of human relations within the Company.

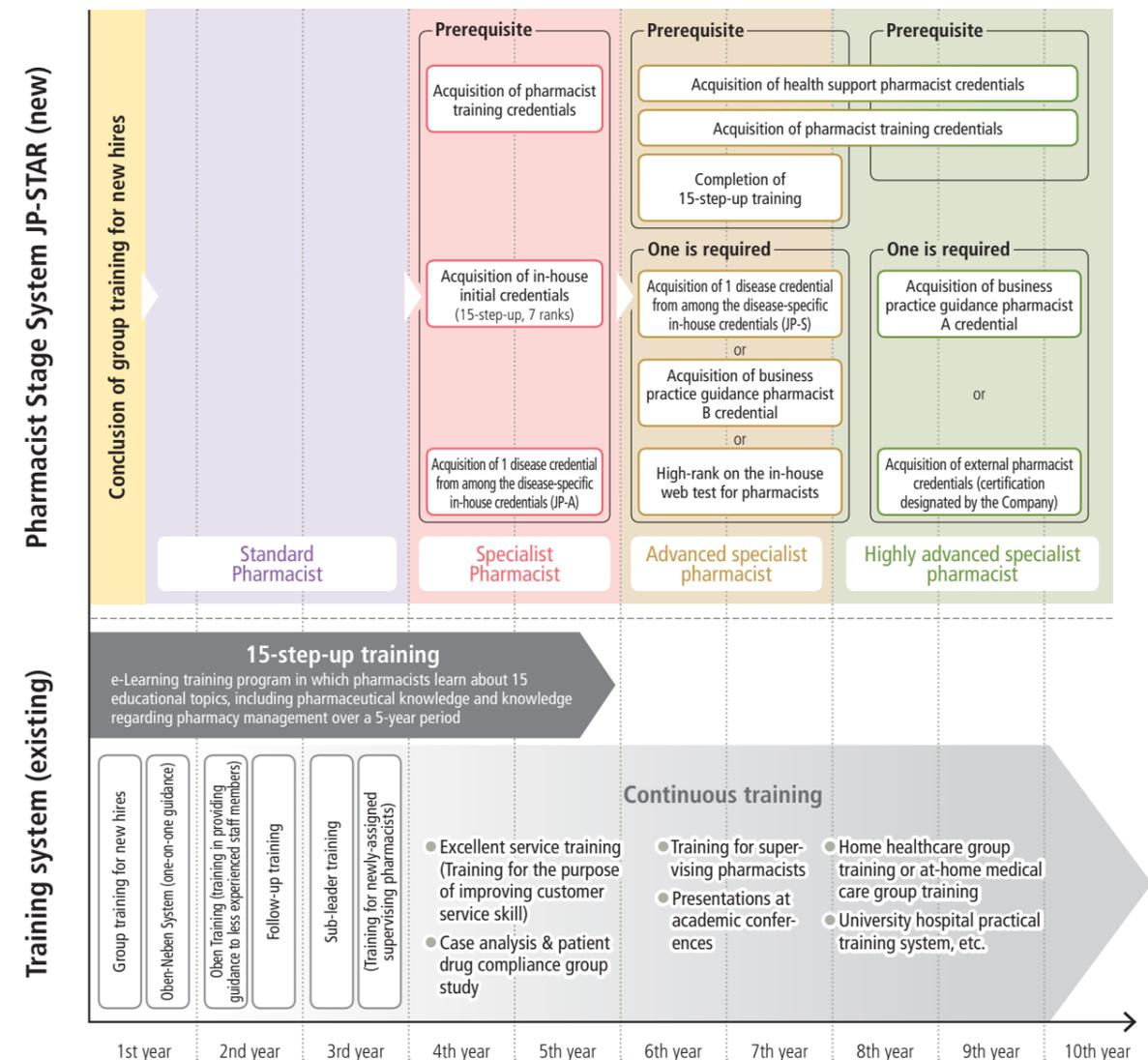


Evaluation

Twice-a-year evaluations and feedback sessions are an opportunity to support Nihon Chouzai employees in their development as talented human resources, and for their own career planning. Given that pharmacists are expected to have ever-higher levels of expertise in line with evolving pharmacist duties and pharmacy functions, we evaluate pharmacists in recognition of their respective stage and according to their knowledge and experience, as well their level of expertise. Also evaluated are the levels of service and care employees provide. Employees are commended based on these evaluations.

Pharmacist Stage System

Nihon Chouzai created the internal Pharmacist Stage System JP-STAR to evaluate and raise the specialized expertise of pharmacists with regard to their knowledge and skills. As requirements to advance to the next higher stage, the pharmacist should acquire disease-specific in-house credentials for the five major diseases the Japanese government targets for priority measures, as well as for palliative care, at-home medical care and dementia. In addition, it will also be mandatory for the pharmacist to obtain certification for the higher stage with external pharmacist credentials, demonstrating a high level of specialized expertise. In addition to education gained through the existing training system, evaluation of the pharmacist's advanced level of knowledge, skills and patient treatment facilitates an increased degree of motivation and enhanced skills.



Evaluation

External Pharmacist Credentials

Given the increasing demand for pharmacists who possess specialized expertise, and looking ahead to collaboration with specialist medical institutions, we evaluate the expertise of pharmacists who have obtained the seven external credentials listed to the right and also furnish them with allowances.

- (1) Accredited Pharmacist of Outpatient Cancer Chemotherapy
- (2) Board Certified Nephrology Pharmacy Specialist
- (3) Nutrition Support Team Professional
- (4) Certified Diabetes Medication Therapy Pharmacist
- (5) Board Certified Pharmacist in Palliative Pharmacy
- (6) Certified Oncology Pharmacist
- (7) Board Certified HIV Pharmacy Specialist

Customer Satisfaction (CS) Award

More than just a high level of expertise to provide outstanding medical services, we believe it vital to offer outstanding care and to communicate with skill. Through the use of customer satisfaction surveys, we select those pharmacies and staff that excel at providing services, and after evaluating their care and service we recognize them with the JP-CS Award, and we provide the JP-CS Role Play Award to those who have demonstrated role playing service to patients. Every year we offer a variety of programs to individual recipients of awards, such as training or actual experience to learn hospitality, which provides an opportunity for them to further enhance their skills.

Best pharmacy of branch

Award for pharmacies that provide superior service

Every year we select and recognize those pharmacies that have provided superior services. This selection is based on our customer satisfaction survey of patient-supplied questionnaires, which are checked by a supervisor who then provides a recommendation. This is followed by a final check from the person in charge of customer satisfaction.

Best service staff

Award for staff who provide superior service

Every year we select and honor staff who have provided superior services. Selected pharmacy staff are primarily those who have been highly rated according to patient questionnaires. The supervisor then performs a "blind" check.

Role-play awards

Award for staff who have superior care capabilities

The Role Play Award selection process consists of a first-round comprised of 100 participants, which is narrowed down to 20 in the main selection. Performances of care giving to patients are judged and awards are provided. Recipients are selected for the Grand Prize, Outstanding Performance Award in the Pharmacist Category, Outstanding Performance in the Operator Category, the Empathy Award, and Proposal Ability Award.

Engagement

Amidst rising expectations placed on pharmacists and pharmacies as providers of sustainable medical care, it is becoming ever more important to put in place an environment in which all employees can exercise their abilities and play a role. Work-style reforms, health management, and diversity and inclusion—it is through these initiatives that we work to support diverse human resources and ways of working and aim to be a highly engaged organization.

Work-Style Reform

Planned paid leave system

We have introduced a system whereby employees can take paid leave in a planned manner. This system works to support the taking of paid leave based on an employee's preferences, and it facilitates the creation of an environment in which paid leave can be taken.

Work-Style Reform Committee

We have established a Work-Style Reform Committee so as to address changes in the law and further enhance workplace productivity. This committee follows up with employees who work long hours and responds to issues of work safety and health.

Health Management

Influenza immunization subsidy

From fiscal 2018 we have strengthened measures with regard to disease prevention. In addition to the health insurance association providing subsidies to those employees who have received their influenza immunization, Nihon Chouzai also grants a subsidy.

Influenza immunization subsidy payment (for the insured)



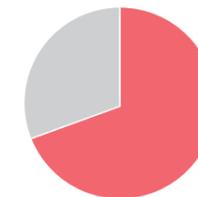
Diversity & Inclusion

Promoting women's advancement in the workplace

More than ever, the pharmacist profession has a high ratio of females, and of the pharmacists employed at Nihon Chouzai 64% are female. For that reason we endeavor to support the careers of female employees and raise awareness among management, and take Company-wide efforts to promote their active participation. The roles female employees play has become an important management issue for corporate growth. We are moving forward on providing opportunities for education, regardless of gender, and nurturing women who will be store managers and supervisors.

Ratio of full-time female employees

Female: **69.5%**
As of March 31, 2019



No. of female store managers

Female store managers: **196**
As of March 31, 2019

Acquisition of the highest level of "Eruboshi" certification

As a result of our ongoing efforts to create opportunities for both men and women to play a role in the Company, and with the development of an easy-to-work-in environment for females, we have obtained Grade 3, the highest level, of "Eruboshi,"* a certification, recognizing excellent companies for the active participation of women, that is based on the Act of Promotion of Women's Participation and Advancement in the Workplace.



Eruboshi mark (Grade 3)

* Eruboshi, or "L Star" (the L represents Lady, Labour and Laudable), is a certification under the Act on Promotion of Women's Participation and Advancement in the Workplace. The Minister of Health, Labour and Welfare (delegated to the Labour Bureau head) grants Eruboshi certification to corporations with an outstanding implementation of their action plan for initiatives to promote the active participation of women. There are five evaluation criteria, namely, recruitment, employee retention, working hours and other work conditions, rate of women in management, and diversity of career progression, with three levels of certification based on the number of criteria met. At Nihon Chouzai we have fulfilled all criteria and have received Grade 3, the highest level of certification.



Honored with the Forbes JAPAN WOMEN AWARD 2018

Engagement

Diversity & Inclusion

Support for work and life balance

We provide support to employees who, having experienced a life event, can continue on with their jobs. This support is provided through a variety of systems and initiatives that facilitate the balance between an employee's work and personal life.

Work-life balance support measures we have introduced

Cooperation with various childcare facilities

- Priority admission for the children of Nihon Chouzai employees
- Admission free-of-charge, other costs subsidized

Corporate contracts with babysitter services

- No initial fee or annual fees
- Subsidy program for employees

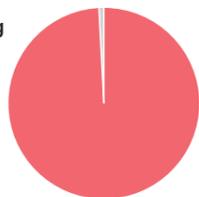
Payment of various subsidies

- Childcare facility vouchers
- Monthly childcare facility subsidies

Retention rate of employees returning from childcare leave

99.2%

FY2018



No. of Users of Working Time Reduction (WTR) System

315

FY2018

No. of Employees Taking Maternity Leave

202

FY2018

Career design training for female employees currently raising children

In February 2019 we provided career design training for female employees working at headquarters and the Yokohama Branch who are currently raising children. The goal of this training was to have participants clarify what direction they saw their careers taking and promote a more forward-looking vision from the current "child-rearing" stage of their lives.



Flexibility of career plans

We have introduced a system that affords employees flexibility in changing their employment contracts so that they can easily shift from a full-time employee status to a contracted or part-time employee status in accordance with life events and changes in their living environments.

Hiring of returnees

We have created a system which will enable employees to smoothly return to the Company after they have retired on account of compelling personal reasons, such as marriage, child-birth, child rearing, caregiving, or the work transfer of a spouse.

Using sign language to provide care and dosage guidance

Pharmacists who are deaf provide service at their pharmacies using sign language. In addition, we provide e-learning contents within the Company so that pharmacists can learn the sign language required for providing the pharmacy services needed to assist deaf people.

Promoting hiring of the disabled

We employ approximately 100 workers with disabilities. Disabled employees account for 2.47% (as of June 1, 2019) of the Company's employees, which is a level that surpasses the statutory employment rate. Presently, while promoting active employment, we also expand relevant occupational areas.

Expansion of occupational categories

In addition to the traditional occupational categories of pharmacist, medical administrator and office worker, the employee who is tasked with being the driver when a pharmacist is making a home visit under the pharmacist home-visit service will also support at-home medical care.

Women's Voice and Leadership

Post-maternity Leave Career Advancement while Child Rearing

Mori, Store Manager and Supervising Pharmacist



I was told about becoming the store manager after having returned to work from maternity and childcare leave, while at the same time I was using the working time reduction system. I felt that it would be a good opportunity that would lead to boosting my career, but on the other hand, I initially had concerns about whether or not as a store manager I would be able to carry out my duties while taking care of my children. However, what pushed me forward was my supervisor saying, "We'll follow up after you go home or if you suddenly need time off." These were powerful words for me. When I was new in the Company I saw with my own eyes my trainer working with great energy, balancing work and home life, and what has also been a big impact are the people around me who created an atmosphere in which I don't need to feel bad when I suddenly need to take time off or leave early to take care of my child, now that I've returned to work.

Since being put in charge of pharmacy management as a store manager, I've come to think a lot about the policies I convey to employees, giving them directions and providing them with feedback. While it's been trial and error, I enjoy the process, and it feels rewarding for all of us to be working toward the same goals.

Sometimes it's a struggle to balance raising a child with work, but being needed by the staff and patients is tied to my own motivation, and it's given me confidence.

In the future, regardless of raising children or short working hours, I'd like there to be an environment in place where all employees, including those raising children, can think it natural to become store managers or management. As for myself, just as my supervisor gave me courage, I'd like to be someone who my juniors can rely on when they are having trouble balancing work with raising a child.

Profile >>>

Joined the Company in 2011 and worked as a pharmacist at pharmacies in Hokkaido and Ibaraki Prefecture. After having twice taken maternity and childcare leave, while using the WTR system, from 2018 has worked as a store manager. Following childbirth, she took an interest in pediatric healthcare and obtained certification as a pediatric pharmacotherapy pharmacist. "I have the opportunity to participate in a recruitment event from a position as a 'pharmacist mom.' When I connect with the students I meet there and after they join, I like to watch them mature, and to see what kind of journey they take."

Leveraging Diverse Experiences to Fulfill a Role in Management

Inoue, Chief and Area Manager



I've been working as an area manager for the past three and a half years. After entering the Company as a pharmacist, I gained experience as a store manager, and following that, I was in charge of branch training. Then, once again, I returned to being a store manager, and later was appointed as area manager. That's the career arc I've had, but more than just advancing with a clear vision of where my career was going, I'm here now, I think, because I was totally absorbed in the opportunities granted to me, and this is where my career took me.

At the time it was determined that I would be appointed area manager, it's not that I wasn't concerned if I would be up to the job, but it's not the kind of job where one can easily get experience, so I took the stance that, since I'm going to do it, I'm going to enjoy myself. Most of my job is management level, looking after the budget and staff at the stores in the area for which I am responsible. But it feels rewarding when the area as a whole meets its goals, or when the staff have relied on me. One of my other joys is when I sense the staff's motivation and growth.

My gender is not something I think about that often, but I do feel that being in a workplace where there are a lot of women makes it easy for us to confide and consult among ourselves. Anyway, there's also an understanding of reading a situation, whether it is if someone wants you to lend an ear, or if they want you to solve a problem, or what they are expecting from you as another woman.

In the future I'd be happy if more female area managers could be turned out from the areas that they themselves are responsible for. I also want to enjoy my work so as to have people feel that the job of an area manager "looks enjoyable," and "you seem motivated."

Profile >>>

After entering the Company in 2002, worked as a pharmacist at a pharmacy in Kanagawa Prefecture. Following experience as a store manager, she was transferred to the Education and Information Division at the Yokohama Branch where she engaged in employee education, primarily for pharmacists. After returning to a pharmacy, where she once again worked as a store manager, she was appointed as area manager. "When I was promoted to chief, as a celebration everyone in the area gave me a bottle of plum liquor with my name on the label. That really impressed me."

Social

Together with Local Communities

Health Check Stations: **63** Stores (as of March 31, 2019)

Nihon Chouzai began actively operating Health Check Stations in its pharmacies in fiscal 2016. In fiscal 2018 we established them in 27 stores, making for 63 stores with these stations nationwide.

Health Check Stations provide services for pre-symptomatic diseases and disease prevention for local residents. In addition to hosting a variety of health-related events and consultation services on drugs, our main pharmacies are also staffed by national registered dieticians who provide nutrition-related consultation and other services to support the improved health and lives of local residents. From prevention prior to becoming sick and pre-symptomatic stages to at-home medical care, as a pharmacy with close ties to the local community, we will continue to support local residents with a wide range of services.



Health Events Held: **1,202** times (April 2018 to March 2019)

While being active with our Health Check Stations, we participate in local events and hold a number of our own health-related events as well. In fiscal 2017 we held events 515 times, and in the one-year period of fiscal 2018, this number jumped significantly, to 1,202 times.

There are also Health Check Stations in our pharmacies staffed by resident national registered dieticians who provide dietary and lifestyle consultation service. We continue to perform in a way that gives us a presence the local community can rely upon and contribute to maintaining health and preventing disease among local residents.

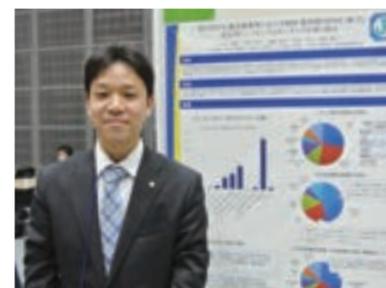
Pharmacist Experience: participation by **40** children (July 2018)

We held our very popular Children's Pharmacist Experience event again in July 2018. This event continues to provide children with valuable information about medications, including the importance of taking medicine safely and how pharmacists contribute to maintaining the health of local residents through easy-to-understand "pharmacist experience" activities.

In 2018, 40 children participated, exceeding the previous year's number. Using tempting candies that stood in for actual drugs, the children experienced putting together dosages of pills and powder medications, and blending ointments. As a company that offers medical services, Nihon Chouzai will continue to actively create opportunities that provide information on medications and health management to local communities.



Conference Presentations: **61** presentations delivered at **15** academic conferences (April 2018 to March 2019)



At the 56th Annual Meeting of the Japan Society of Clinical Oncology held in October 2018, a Nihon Chouzai pharmacist presented "Telephone Follow-ups between Consultations, and their Results, According to Protocol-Based Pharmacotherapy Management (PBPM) Provided through Insurance Pharmacies."

The contents of the presentation details included the results of telephone follow-up calls made in accordance with guidance that Nihon Chouzai's outpatient oncology-certified pharmacists had given to such patients and confirmed that it was possible to determine the severity of side effects by listening to the patient and to maintain uniform quality, regardless of which pharmacist was responding. In addition, with severe side effects from anti-cancer medication, or minor side effects where the patient was experiencing them at home but was having trouble coping, it was possible to discover and address such issues early.

* Period: April 2018 to March 2019

Together with Shareholders and Investors

General Meeting of Shareholders

The 39th General Meeting of Shareholders was held on June 26, 2019. The 39th Period, or fiscal 2018, was the year in which drug prices and dispensing fees were revised, and the revision to prescription dispensing fees that went into effect in April 2018 had a significant impact on our business results. On the other hand, having absorbed the cost burden associated with getting a large-scale plant up and running, we secured earnings that were higher than initially anticipated in the Pharmaceutical Manufacturing and Sales Business, and we feel that this was a fiscal year that set us on a course for continued growth. In such a period of major change, investing in human resources and other actions that lead to growth has influenced future management policy. We also submitted seven proposals, which were all approved.



Rehearsal for the General Meeting of Shareholders



Results Briefing

The Results Briefing for fiscal 2018 was held on May 9, 2019, with over 100 people attending, including institutional investors, and those from financial institutions and the media. We briefed these participants on our management strategy to deal with disruption to the business environment, demonstrating our commitment to addressing major changes, including systemic changes such as the Revision to the Pharmaceutical and Medical Device Act, and to transforming our own corporate character. We also explained how being actively involved in and aggressively promoting the spread of formularies through the Formulary Business Promotion Division, newly established in April, will lead to enhanced control of medical costs. Furthermore, investment in human resources is another area we discussed, as well as the progress of the different measures we are taking to prepare for major changes in the future.

Investor Relations

In April 2018, the Nihon Chouzai Group announced its Long-Term Vision for 2030. Under this Vision, it is anticipated that we will move forward on more initiatives, at a faster pace than ever before given systemic changes to medical care and the pharmaceutical industry, as well as rapid-fire government policies. Traditionally, the Group has formulated and disclosed medium-term management plans that covered a three-year period. In light of current conditions with the medical care and pharmaceutical industry expected to go through major changes, we have announced the Long-Term Vision for 2030. It portrays our vision of the Group after successfully emerging from a period of great transformation.

Since announcing this Vision, we have received numerous questions from investors, both in and outside of Japan. Through a variety of IR activities we are providing clear explanations, including with regard to the background of the Vision's formulation. In fiscal 2018 we held meetings with institutional investors in London, Edinburgh, and New York, mainly providing explanations of the Group's overall management strategy and long-term vision. Each of these meetings was characterized by vigorous exchanges that helped deepen investors' understanding of the Nihon Chouzai Group. Moreover, against the large cost burden associated with getting Tsukuba Plant No. 2 online, the Pharmaceutical Manufacturing and Sales Business outperformed initial projections and the better-than-expected operating profit garnered much interest and many questions from investors.

The initiatives below are implemented as needed

- Company briefings for individual investors
- Small meetings with institutional investors
- Individual meetings with institutional investors (domestic and overseas)
- Conference calls with institutional investors (domestic and overseas)
- Conferences held for institutional investors

Governance

Corporate Governance

Nihon Chouzai continually works to enhance its corporate governance to sustain growth and raise corporate value with the aim of becoming a company that society needs.

Basic concept of corporate governance*

1
Increase management transparency and clarify management responsibility

2
Speedy decision-making

3
Strengthen management oversight function

The above three points are essential to respond on-target to changes in the business environment, ensure the continued soundness of the Company and further raise corporate value. Moreover, because the Group operates its business in a field that is strictly governed by various regulations, it is fully aware that the enhancement of corporate governance and the strengthening of compliance are extremely important matters, and it has implemented a wide range of measures based on this understanding.

Given the Company's scale and its type of business operations, Nihon Chouzai has determined that a company that uses an audit and supervisory committee is most suitable for enhancing the Company's audit and oversight functions and for corporate governance.

* Corporate governance is a mechanism to assist a company in transparent, fair, speedy, and decisive decision-making whilst taking into account the positions of the company's shareholders as well as customers, employees, members of the community at large, and others.

Initiatives for stronger corporate governance

Internal control system	May 2006 Established basic policy on creation of internal control system	June 2016 Revised the basic policy
Internal reporting system	March 2011 Established "Nihon Chouzai Hotline" internal reporting system	
Information Security Committee	April 2012 Established Information Security Committee	
Corporate conduct code	February 2014 Established corporate conduct code	April 2018 Revised the conduct code
Ethical conduct guidelines	February 2014 Established ethical conduct guidelines	April 2018 Revised the guidelines
Compliance Promotion Committee	February 2014 Established Compliance Promotion Committee	
Medical Safety Committee	October 2014 Established Medical Safety Committee	
Outside directors	June 2015 Brought in an outside director	
Risk Management Committee	March 2016 Established Risk Management Committee	
Company with an audit and supervisory committee	June 2016 Switched from a company with a board of corporate auditors to a company with an audit and supervisory committee	
Privacy Mark	November 2016 Privacy Mark certified business	
Business continuity plan	May 2017 Established business continuity plan	

Corporate governance structure (As of June 27, 2019)

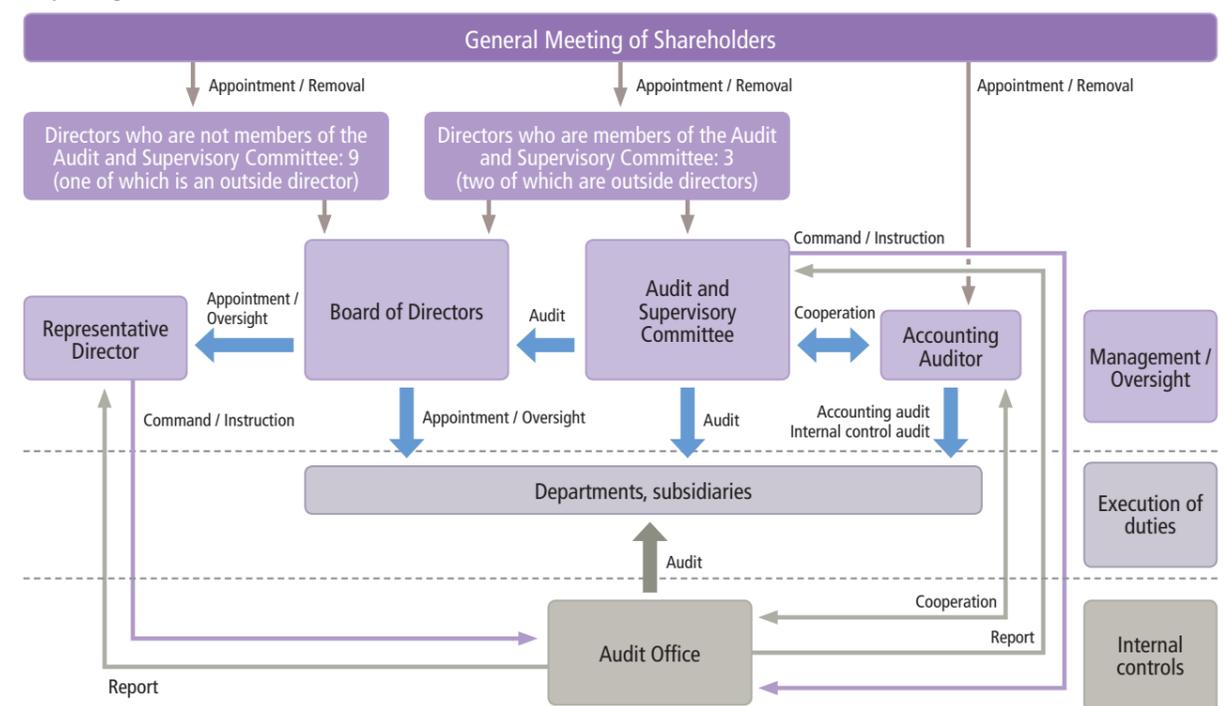
Directors	9 directors
	one of which is an outside director (independent officer)
Audit and Supervisory Committee	3 directors
	two of which are outside directors (independent officers)

At the 36th Ordinary General Meeting of Shareholders held on June 28, 2016, Nihon Chouzai switched from a company with a board of corporate auditors to a company with an audit and supervisory committee. The Board of Directors consists of 9 directors (excluding the Audit and Supervisory Committee members), one of which is an outside director, and three other directors that serve as the Audit and Supervisory Committee members, two of which are outside directors, and it determines important matters stipulated by laws and provides oversight of the directors' execution of their duties.

In addition, the three directors, which include the two outside directors, make up the Audit and Supervisory Committee and fulfill their oversight function through such methods as exercising their right to vote in the Board of Directors meetings, auditing the directors' execution of their duties, and preparing audit reports.

The Company has appointed Deloitte Touche Tohmatsu LLC as an audit company to perform accounting audits to ensure proper accounting procedures and management transparency.

Corporate governance structure (As of June 27, 2019)



Management status of the Board of Directors

Convening of Board of Directors meeting	In principle, once a month or as necessary
Number of times convened	14 times (April 1, 2018–March 31, 2019)
Matters discussed	<ul style="list-style-type: none"> Closing or opening pharmacies / M&A Budget / Results Personnel / Labor Fund procurement Establishment of rules Organizational changes Corporate governance Others

Status of Corporate Governance Code Practice

Japan's Corporate Governance Code is a collection of principles designed to contribute to the effective corporate governance practice. We believe that the application of these principles in Company activities not only contributes to sustained growth and greater corporate value over the medium- to long-term, but also to its customers, employees, and local society at large. Below is a description of the ways the Corporate Governance Code is appropriately applied in various Company activities.

Ensuring Shareholder rights

In order to practically ensure the rights of Company shareholders such as voting rights at the General Meeting of Shareholders, the Board of Directors, at the conclusion of the General Meeting of Shareholders, conducts an annual analysis of votes against Company-proposed resolutions and explores the possible need to engage shareholders in discussion and/or take other action as necessary.

Exercise of shareholders' rights in General Meetings of Shareholders

The Company recognizes that the General Meeting of Shareholders is a place for constructive dialogue with the shareholders, and has made efforts to build an appropriate environment related to the exercise of shareholders' rights from the perspective of the shareholders. This includes the early notice of the General Meeting of Shareholders, use of the Company website, TDnet and other electronic methods for electronic disclosure, and use of the electronic voting rights exercise platform.

Strategic shareholding

The Company may possess as cross-shareholdings companies' shares deemed necessary for maintaining and strengthening business relationships. Every year, the Company holds meetings of the Board of Directors to examine in detail whether the purpose of ownership for individual cross-shareholdings is appropriate, whether the benefits and risks associated with these holdings are commensurate with the cost of capital, etc., to verify the suitability of cross-shareholdings. This year, at the Board of Directors meeting in June, after clarifying the number of shares, acquisition prices, book values and market prices for each issue, the Company, having deliberated on the suitability of cross-shareholdings from the above viewpoints, and having taken into consideration the significance and rationality of these holdings, it was decided to sell, in light of the timing of such transactions, the cross-shareholdings for which the rationale for holding them had weakened. For the exercise of voting rights pertaining to policy-holding stocks, the Company's policy is to make decisions based on its viewpoint regarding how votes would contribute to the enhancement of the corporate value of the company invested in, combined with due consideration of the purpose of the holding.

Transactions between the Parties Concerned

When the Company conducts a transaction (Transaction between the Parties Concerned) with the directors or major shareholders, etc., the Company makes the Transaction between the Parties Concerned the matter to be discussed in the Board of Directors meeting in the "Regulations on the Board of Directors Meeting" to make sure that the transaction will not harm the interests of the Company and common interests of the shareholders. The actual individual transactions will be approved in the Board of Directors meeting or oversights through the receipt of the report. In the resolution by the Board of Directors meeting concerning the Transaction between the Parties Concerned, legal check will be implemented by the department in charge of legal affairs.

Establishment of management philosophy as the foundation for medium- to long-term enhancement in corporate value, and establishment and practice of company codes of conduct

After establishing a corporate conduct code and ethical conduct guidelines in February 2014, the Company, in consideration of revisions to the Keidanren's (Japan Business Federation) Charter of Corporate Behavior (delivering on the SDGs through the realization of Society 5.0) and revisions to various laws, has revised its own corporate conduct code and ethical conduct guidelines as of April 2018. The Board of Directors oversees the forming of a corporate culture and environment that keeps these codes in high esteem and, if necessary, discusses methods for rectifying any lack thereof.

Sustainability issues, including social and environmental problems

The Company is engaged in a number of initiatives to fulfill the responsibility assumed by the Group to contribute to the realization of a sustainable society in the interests of the planet's future. These include (1) strict adherence to garbage separation rules, (2) establishment of managerial standards defining guidelines for oversight of rational use of energy, drafting of regular reports on energy use status, and election of an Energy Management Control Officer and Energy Management Planning Promoter, all based on the Act on Promotion of Global Warming Countermeasures and the Act on the Rational Use of Energy, and (3) corporate contributions to the Keidanren Nature Conservation Fund.

Internal Reporting System

In keeping with the Whistleblower Protection Act, the Company has established the Internal Reporting System Operation Regulations and the Nihon Chouzai Hotline for accepting reports and consultations about improper activity within the organization, and provided all employees with contact information for reporting via the Mission Statement & Compliance CARD and the Compliance Newsletter monthly circular issued by the Compliance Promotion Committee.



Mission Statement & Compliance CARD

Roles of corporate pension funds as asset owners

The Company has implemented a defined contribution company pension plan as of October 2011. It provides educational opportunities on a yearly basis for employees to learn about selection of pension fund managers and investment vehicles, as well as asset management. It also provides new hires with presentations on the defined contribution company pension plan.

Improvement of information disclosure

(1) **What the Company is aiming for (management philosophy, etc.), management strategy, and management plan**
The Nihon Chouzai Group's corporate philosophy, management strategy, and management plan are disclosed mainly on the Company's website and transmitted by using mediums such as the Shareholder Report and Securities Report. Please refer to this Corporate Report for more details.

(2) The policy and procedures when the Board of Directors determines the directors' remunerations

At the Company, the upper limit of remuneration for the directors (excluding directors who are Audit and Supervisory Committee members) and directors who are Audit and Supervisory Committee members is resolved at the General Meeting of Shareholders. Each director's degree of contribution, goal achievement level, etc. will be comprehensively considered in regard to individual amount of remuneration and its calculation method. The amounts will be decided upon deliberations by the Board of Directors in the case of the directors (excluding directors who are Audit and Supervisory Committee members), and for the directors who are the Audit and Supervisory Committee members, the amounts will be decided upon deliberations by the Audit and Supervisory Committee.

(3) Policy and procedures in appointing and designating the directors (excluding the Audit and Supervisory Committee members) and the directors who are the Audit and Supervisory Committee members

The Company has a policy to appoint human resources who, as directors (excluding directors who are Audit and Supervisory Committee members and the same shall apply hereafter), respond to the entrustment of the management from the shareholders, have abundant experience with distinguished insight for management, and can fulfill the directors' duties and responsibilities as candidate directors. Based on this policy, the representative director prepares a draft on the candidate directors and proposes it to the Board of Directors, and the candidate directors are decided by the Board of Directors.

As for the directors who are the Audit and Supervisory Committee members, the Company has the policy to appoint human resources who understand the importance of the functions of audit in the management and the Audit and Supervisory Committee and can fulfill the Audit and Supervisory Committee members' duties and responsibilities as the candidates for the directors who are the Audit and Supervisory Committee members. Based on this policy, the representative director prepares the draft on the candidate directors and proposes it to the Board of Directors after gaining agreement with the Audit and Supervisory Committee, and the candidate directors are decided by the Board of Directors.

(4) Explanations on the appointment/designation of individual directors

The Company lists the reasons for choosing the candidate directors (excluding directors who are Audit and Supervisory Committee members) and directors who are the Audit and Supervisory Committee members in the notice of the General Meeting of Shareholders and discloses the said reasons on its website.

Role and responsibility of the Board of Directors

The Company judges/decides the management policy/strategy and important matters in the execution of duties in the Board of Directors meeting in accordance with the laws and regulations, Articles of Incorporation, and Board of Directors Regulations. The matters to be delegated to the management have been stipulated in the Regulations on Administrative Authority and Regulations on Segregation of Duties and the Board of Directors receives reports on the status

of the execution of duties to ensure the oversight function.

Furthermore, the Company believes that it is important to cultivate successor candidates for its management team, and hold management seminars and coaching programs by guest lecturers for these candidates under the oversight of the Board of Directors.



Cultivating human resources for the next generation through management seminars

Standards for determining the independence of the independent outside directors and their qualification

The Company appoints the independent outside directors who have excellent character and insight and can provide appropriate advice and oversight to the Company's management while meeting the Tokyo Stock Exchange's standards for independence.

Preconditions to ensure the effectiveness of the Board of Directors

i. In order to effectively fulfill the execution of duties and the management oversight function, the Company's Board of Directors consists of those who are familiar with and have a high level of competence for company management and the economic environment, those who have in-depth knowledge of and experience in the Company's business environment, and those who have knowledge of accounting, financial, legal and personnel affairs, etc. and give consideration to the balance as a whole and diversity.

In addition, the Board of Directors consists of 9 directors (excluding directors who are Audit and Supervisory Committee members) and three other directors that serve as Audit and Supervisory Committee members.

ii. The Company keeps the number of additional posts held by the directors within the reasonable range in order to appropriately fulfill their roles and duties and the status of the additional posts is written in the notice of General Meeting of Shareholders.

iii. The Company carried out a questionnaire survey on 21 items concerning the evaluation of the effectiveness of the Board of Directors such as the "Structure and Operation of the Board of Directors," etc. among directors between May and June 2019 based on the opinions of an outside consultant and analyzed and evaluated the effectiveness of the entire Board of Directors in the Board of Directors meeting. An outline of the results showed good conclusions in the evaluation of all items as with the last fiscal year, and the effectiveness of the Board of Directors has been judged to be excellent. Compared with the last fiscal year, utilization of independent outside directors somewhat improved while additional constructive opinions were presented; therefore, the Company will continuously strive to improve the effectiveness of the entire Board of Directors based on the evaluation results at this time.

Directors' training

The Company provides appropriate explanations on the directors' duties, etc. to the inside directors in a timely manner and provides opportunities to take training or seminars by third parties as needed of which the costs will be incurred by the Company. For the outside directors, with a view to deepen their understanding on the Company's business descriptions and business challenges, the Company provides opportunities to visit each Group company's major bases such as stores, plants, offices, etc. and receive explanations on the business descriptions, business challenges, etc. from the management or each department.

Status of Corporate Governance Code Practice

Policy for constructive dialogues with shareholders

The Company actively, fairly, rightly, and timely discloses information on the Company's business and financial conditions to the shareholders and investors, aims for the proper formation of the share price, and organizes the investor relations (IR) activity promotion structure as follows:

(1) The department mainly in charge of the dialogues with shareholders and the director who supervises the department

Dialogues with shareholders in the Company are undertaken by the Corporate Planning Department, which is the department in charge of IR and is supervised by the director in charge of corporate planning.

(2) Measures to cooperate with the departments concerned

At the Company, the Corporate Planning Department, which is the department in charge of IR, strives to share information with and collect information from the General Affairs Department, Public Relations Department, Accounting Department, Finance Department, other departments, and our subsidiary companies, and organizes the cooperative structure.

(3) Efforts other than individual interviews

By implementing the General Meeting of Shareholders, Results Briefings, Business Briefings, plant tours, and information disclosure on the Company's website, the Company conducts activities to deepen understanding of the Company's management strategy and business environment.

(4) Measures to provide feedback to the management and Board of Directors

The Company has built a structure to regularly report the contents of suggestions from our shareholders and investors to the director in charge, etc. and provide feedback to the management.

(5) Measures to manage insider information

As a structure to prevent insider trading in IR, the Company sets a quiet period in regard to our financial result information from the day following the final day of the fiscal year to the day of the announcement of financial results. The Company has also established the Internal Information Management Regulations and improved the information management structure.



Fiscal 2018 Results Briefing

Basic Concept of Internal Control System and Its Development Status

Standards for determining the independence of the independent outside directors and their qualification

There are three outside directors. In our view, the function and role to be played by an outside director in corporate governance is to monitor management decision-making from an outside, objective point of view in decisions pertaining to the execution of the Company's duties. Further, to ensure their independence, we recognize the importance of their having no vested interest in the Company.

The Company appoints the independent outside directors who have excellent character and insight and can provide appropriate advice and oversight to the Company's management while meeting the Tokyo Stock Exchange's standards for independence.

Status of internal audit and audit committee audit

We have established an Audit Office within the Company as an internal auditing body, and it is positioned as an organization with a direct reporting line to the president. It conducts internal audits according to each year's internal audit schedule to monitor the effectiveness of the internal audit. The office consists of one office head and one staff, but if additional personnel are required based on internal audit rules, a support system that assigns personnel from other departments to the internal audit has been established with the approval of the Representative Director.

The Audit and Supervisory Committee currently consists of three members, two of which are outside directors. Regular meetings are held once a month. Each member is a law and corporate

auditing professional who strictly and productively monitors the directors' execution of their duties from their individual perspectives.

Progress in establishment of risk management system

Based on the risk management rules established by each company, the Group regularly convenes the Risk Management Committee to understand and manage individual risks and establish a system to prevent risks. In the event that a risk appears, executives and employees report it to the Risk Management Committee, which immediately responds.

The Audit Office, which reports directly to the president, periodically audits the status of risk management in each division, reviews the appropriateness of the risk assumed and the risk management method, and has adopted a system to regularly report to the Board of Directors.

Basic concept of internal control system

By dividing the business and management functions into pre-defined departments and rigorously complying with rules for business and authority, the Company ensures the separation of authority and internal control in its business operations. In an effort to build an internal control system, a resolution on instituting a basic policy for building an internal control system was passed at the Board of Directors meeting of May 26, 2006 (the policy was partially revised at the Board of Directors meeting of June 28, 2016). Based on the Companies Act, the Company's policies for the following 12 matters have been stipulated:

- (1) The structure concerning the storage and management of information on the directors' execution of their duties
- (2) Regulations and other structure concerning the management of Nihon Chouzai Group's risk of loss
- (3) The structure to ensure that the Group's directors' execution of their duties has been efficiently conducted
- (4) The structure to ensure that the Group directors' and employees' execution of their duties has conformed to the laws and regulations as well as the Articles of Incorporation
- (5) The structure to report matters concerning our subsidiary company directors' and others' execution of their duties to the Company
- (6) Matters concerning the directors and employees who should assist the Audit and Supervisory Committee's duties
- (7) Matters concerning the securing of independence of the directors and employees who should assist the Audit and Supervisory Committee's duties from other directors (excluding the directors who are the Audit and Supervisory Committee members) as well as the securing of the effectiveness of the instructions given to the said directors and employees
- (8) The structure for the directors (excluding the directors who are the Audit and Supervisory Committee members) and employees to make a report to the Audit and Supervisory Committee and the structure for reports to the Audit and Supervisory Committee
- (9) The structure for our subsidiary company directors, auditors, etc. and employees or those who received reports from these persons to make a report to the Company's Audit and Supervisory Committee
- (10) The structure to ensure that those who made a report to the Audit and Supervisory Committee will not receive unfair treatment on the grounds of making the said report
- (11) Matters concerning the procedures for making an advance payment or reimbursement of the cost generated in executing the Audit and Supervisory Committee members' duties (limited to the ones concerning the Audit and Supervisory Committee's execution of their duties) and the policy concerning other costs or debts generated in executing the said duties
- (12) The structure to ensure that the Audit and Supervisory Committee's audit will be effectively conducted

Development and operation status of internal control system

- (1) Establishment of rules and their dissemination
To ensure that the Group operates properly, we have established measures such as rules, operation flowcharts and manuals, Mission Statement & Compliance CARD, business continuity plan (BCP) and a disaster-response pocket manual, and are thoroughly disseminating them through the publication on the intranet, circulation, education and training.

(2) Risk management and compliance promotion

The Company convenes the Risk Management Committee (Information Security Committee and Medical Safety Committee) and the Compliance Promotion Committee once every three months and promotes various measures and shares information in each field. Each subsidiary also regularly convenes these committees.

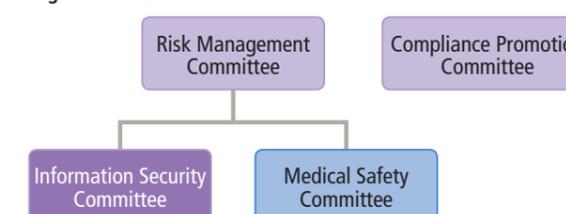
Every month we circulate a Compliance Newsletter and Compliance Mail Magazine, and conduct a verification test through e-learning once a year.



The purpose of each committee and related departments

- Compliance Promotion Committee**
 - Purpose
To rigorously enforce compliance and improve society's trust in the Company
 - Related departments
 - General Affairs Department
 - System Department I, System Department II
 - Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department)
 - Accounting Department
 - Human Resources Department
 - Public Relations Department
 - Audit and Supervisory Committee
- Risk Management Committee**
 - Purpose
To implement risk management
 - Related departments
 - Same as Compliance Promotion Committee
- Information Security Committee**
 - Purpose
To establish, permeate, and entrench information security management structures
 - Related departments
 - Same as Compliance Promotion Committee
- Medical Safety Committee**
 - Purpose
To promote appropriate medical safety management and contribute to safe provision of medical care
 - Related departments
 - Pharmaceutical Headquarters (Pharmaceutical Administration Department, Education and Information Department)
 - General Affairs Department
 - Audit and Supervisory Committee

Organization Chart



Board of Directors

(As of June 27, 2019)



President & CEO
Yosuke Mitsuvara

September 1999 Joined the Company
April 2001 General Manager of Corporate Planning Department
January 2005 Director of Nihon Generic Co., Ltd.
April 2006 General Manager of Sales Promotion Department
October 2006 Director of Medical Resources Co., Ltd.
June 2007 Director, General Manager of Business Promotion Department
June 2010 Resigned the Director
June 2013 Director of Japan Medical Research Institute Co., Ltd. (to present)
June 2014 Director of the Company, Director of Nihon Generic Co., Ltd. (to present)

June 2015 Managing Director
June 2017 Senior Managing Director
June 2019 President & CEO of the Company (to present)
President & CEO of Medical Resource Co., Ltd. (to present)
President & CEO of Nihon Generic Co., Ltd. (to present)
President & CEO of Japan Medical Research Institute Co., Ltd. (to present)
Chairman of the Board of Choseido Pharmaceutical Co., Ltd. (to present)



Director
Keiso Masuhara

July 2001 Director of Department of Pharmacy of St. Marianna University Hospital
February 2006 Director of Department of Pharmacy of Kawasaki Municipal Tama Hospital
April 2007 Visiting Professor of Pharmacy and Health Science at Graduate School of Showa Pharmaceutical University Graduate School
May 2017 Visiting Professor of St. Marianna University
August 2017 Joined Japan Medical Research Institute Co., Ltd.
August 2017 General Manager of the Hospital Consulting Group of Japan Medical Research Institute Co., Ltd.
June 2018 Director of Japan Medical Research Institute Co., Ltd.
April 2019 General Manager of Formulary Business Promotion Department
June 2019 Director of the Company, General Manager of Formulary Business Promotion Department (to present)



Outside Director
Yoshimitsu Onji

April 1977 Joined The Daiei, Inc.
April 1994 General Manager of Corporate Planning Department of The Daiei, Inc.
September 1998 Executive Vice President of RE PARTNERS
December 1999 Director of OZ-corporation (Representative) (to present)
March 2000 Executive Officer of Office RECOF Co., Ltd. (Currently RECOF Corporation)
June 2007 Director and Senior Executive Officer of RECOF Corporation
June 2010 President and CEO of RECOF Corporation
October 2016 Chairman of the Board of RECOF Corporation
December 2016 Director of M&A Capital Partners Co., Ltd.
March 2018 Outside Director of Tokyo Tatemono Co., Ltd. (to present)
June 2018 Outside Director of the Company (to present)



Managing Director
Katsuhiko Fukai

May 1994 Joined the Company
April 1995 Manager of Pharmaceutical Department, Kyushu Branch
June 2006 Branch Manager, Kyushu Branch
March 2008 General Manager of Pharmaceutical Headquarters
June 2008 Director of the Company, General Manager of Pharmaceutical Headquarters
April 2012 Director of the Company, Manager of Pharmaceutical Headquarters
June 2012 Resigned the Director
June 2012 Manager of Pharmaceutical Headquarters
June 2013 Director of the Company, General Manager of Contract Dispensing Service Department
June 2015 Managing Director, General Manager of Contract Dispensing Service Department
January 2019 Managing Director (to present)



Managing Director
Naoto Kasai

April 2013 Joined the Company
Manager of Sales Management Department
October 2013 General Manager of Sales Promotion Department
June 2015 Director of the Company, General Manager of Sales Promotion Department
April 2016 Director of the Company, General Manager of Sales Management Department
June 2016 Managing Director, General Manager of Sales Management Department (to present)



Director,
Audit Committee member
Nobuyuki Hatakeyama

September 1987 Joined the Company
June 2000 Director of the Company
June 2006 Branch Manager, Nagoya Branch
December 2009 Branch Manager, Yokohama Branch
February 2016 General Manager of Operational Audits Department at Nihon Chouzai Co., Ltd.
June 2018 Director of the Company (Audit Committee member) (to present)
Auditor of Nihon Generic Co., Ltd. (to present)
Auditor of Medical Resources Co., Ltd. (to present)
Auditor of Japan Medical Research Institute Co., Ltd. (to present)
Auditor of Choseido Pharmaceutical Co., Ltd. (to present)



Outside Director,
Audit Committee member
Tadashi Urabe

April 1983 Registered as attorney (Tokyo Bar Association)
April 1999 Partner of Meitetsu Law Offices (to present)
April 2003 External Auditor of JPN COLLECTION SERVICE CO., LTD.
January 2006 Instructor of Civil Law, Legal Training and Research Institute of Japan
February 2009 Outside Auditor of JPN Holdings Co., Ltd.
June 2011 Outside Auditor of EBARA CORPORATION
June 2019 Outside Director of the Company (Audit Committee member) (to present)



Director
Noriaki Miyata

January 1992 Joined the Company
January 2004 Manager of Sales Department, Osaka Branch
April 2004 Branch Manager, Manager of Sales Department, Osaka Branch
April 2007 General Manager of Sales Management Department
June 2007 Director of the Company, General Manager of Sales Management Department
April 2016 Director of the Company, General Manager of Sales Promotion Department (to present)



Director
Toshiyuki Koyanagi

July 1990 Joined the Company
April 2000 Manager of Pharmaceutical Department, Tohoku Branch
December 2004 General Manager of East Japan Pharmaceutical headquarters
December 2009 General Manager of Purchasing Department, Pharmaceutical Headquarters
April 2012 General Manager of Pharmaceutical Headquarters and General Manager of Purchasing Department, Pharmaceutical Headquarters
June 2012 Director of the Company, General Manager of Pharmaceutical Headquarters and General Manager of Purchasing Department, Pharmaceutical Headquarters
January 2014 Director of the Company, General Manager of Pharmaceutical Headquarters (to present)



Outside Director,
Audit Committee member
Arata Toyoshi

April 1998 Registered as Certified Public Accountant
August 2007 Partner of Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu Limited)
July 2013 Director and Executive Council of Certified Public Accountants' Corporate Pension Fund
July 2014 Director of Tohmatsu Challenged Co., Ltd.
December 2016 Resigned from Deloitte Touche Tohmatsu Limited
July 2017 Auditor-Secretary of Seikeikai Alumni Association (to present)
November 2017 Registered as Licensed Tax Accountant
November 2017 Outside Auditor of Kids Smile Project inc. (to present)
February 2018 Auditor-secretary of Tax Accountant Tamagawa
May 2018 Auditor-secretary of The Yuumi Memorial Foundation for Home Health Care (to present)
December 2018 Substitute Audit & Supervisory Board Member of Japan Private REIT Inc. (to present)
June 2019 Outside Director of the Company (Audit Committee member) (to present)



Director
Kazunori Ogi

May 2008 Joined the Company
April 2009 Manager of Finance Department
April 2015 General Manager of Finance Department
June 2015 Director of the Company, General Manager of Finance Department (to present)
Director of Medical Resource Co., Ltd. (to present)



Director
Yoshihisa Fujimoto

January 2011 Joined the Company
General Manager of Sales Department for Public Institutions
October 2013 General Manager of General Affairs Department
June 2016 Director of the Company, General Manager of Administration Department and General Affairs Department
April 2019 Director of the Company, General Manager of Administration Department (to present)



Director,
Audit Committee member
**Nobuyuki
Hatakeyama**

Outside Director,
Independent Officer
Yoshimitsu Onji

Nihon Chouzai's Corporate Governance from an Audit Committee Member's Point of View

Director, Audit Committee member **Nobuyuki Hatakeyama**

Viability of corporate governance structure

It has been three years since Nihon Chouzai became a company with an audit and supervisory committee, and three years since it began applying the Corporate Governance Code. The Company has been working hard to further strengthen its corporate governance structure and to ensure transparency in its management structure. We intend to remain stalwart in following our corporate philosophy, remaining focused on and mindful of compliance as we seek corporate profit, enable information sharing between departments, and respond to changes in our industry.

Nihon Chouzai's corporate philosophy calls for the achievement of "true separation of drug prescribing and dispensing services." By doing this, we can support an unparalleled universal health insurance system and make headway toward becoming a corporate linchpin for society and the public at large. I see strengthening the viability of our corporate governance structure as an absolutely critical supporting activity in enabling this vision.

The Company's Audit and Supervisory Committee is comprised of three members, two of which are outside directors. One of these audits and supervises our activities from an accounting perspective as a Certified Public Accountant and Licensed Tax Accountant, while the other does so in the interests of legal compliance as legal counsel.

Members of the Audit and Supervisory Committee not only attend monthly meetings of the Board of Directors and participate in the resolution process there, but they also observe in key meetings, supervising our activities so that there are no issues with our agenda items and discussions. Further, the Audit and Supervisory Committee also holds its own meetings a minimum of once a month and a minimum of fifteen times a year (held fifteen times in FY2018). At these meetings, members evaluate whether or not there are issues present in the execution of our operations, and hold hearings with executive directors and other key stakeholders about the execution of our operations and any issues that may be present.

As a full-time Audit and Supervisory Committee member, I intend to leverage my many years in the medical and pharmaceutical industries to strengthen our corporate governance in service to the Company.

Nihon Chouzai's Corporate Governance from an Outside Director's Point of View

Outside Director, Independent officer **Yoshimitsu Onji**

I feel that the question at the core of corporate governance is, can we uphold our corporate philosophy in any situation we find ourselves in, and can we build a company atmosphere that allows for this? I see this question clearly in the recent and frequent occurrence of extremely regretful, improper activities by companies that have sought to beat their competition at all costs, allowing the fear of tight capital markets to drive them to bend their carefully-crafted corporate philosophies and seek profits at the expense of everything else, or have resorted to hiding information that should have been disclosed and publishing false information.

Nihon Chouzai has set the lofty goal of "achieving true separation of drug prescribing and dispensing services." I see this company as always considering what must be done to contribute to better health of the Japanese people.

It must also be noted that the dispensing pharmacy industry is one whose performance swings greatly with changes in national policy. Securing and cultivating pharmacists is an issue faced by management. In an industry where it's two steps forward and one step back, management must be extremely tenacious.

At meetings of the Board of Directors, this tenacity is well-noted; officers analyze details of monthly management of each Group company, conduct root cause analyses of figures presented and discuss potential policies to take going forward, and check on legal ramifications, feasibility of plans, and whether or not the way we operate is appropriate. I have experience in the management of the retail-focused Daiei Group and the M&A firm RECOF, both organizations that take their corporate philosophies and their mandate from society very seriously. That mindset became an engine that drove them to maintain their awareness of compliance and to attain appropriate levels of growth. I feel quite similarly about Nihon Chouzai, with the added unique quality of a sharp, refreshing governance strategy that emphasizes blazing an inimitable, unshackled path forward. I hope that I can help as an Outside Director to push Nihon Chouzai to even greater heights of corporate governance going forward.