

# Sustainability

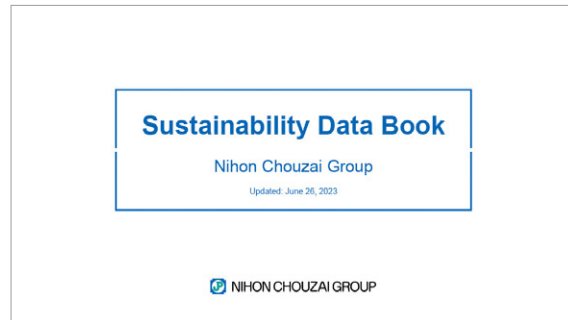
## Sustainability

The Nihon Chouzai Group recognizes sustainability as a central aspect of a management strategy that seeks to enhance corporate value over the longer term. In FY2022, in addition to expressing support for the TCFD recommendations, we made steady progress in addressing material issues (materiality), formulating performance indicators, and expanding disclosure in line with TCFD recommendations.

Going forward, we will pursue initiatives aimed at enhancing longer-term corporate value and addressing social issues, continuing to revisit our material issues in line with revisions to the long-term vision. Initiatives will include setting targets and performance indicators, managing human capital, and further expanding disclosure. See the Sustainability Data Book for details on Nihon Chouzai's sustainability management, including our Basic Sustainability Policy and promotion framework.

### Sustainability Data Book

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



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

### Main disclosure categories:

- Disclosure based on TCFD recommendations
- Material issues and corresponding initiatives, performance indicators
- Distribution of director skills
- Ethical Conduct Guideline, Human Rights Policy, Environmental Policy, and Basic Procurement Policy and Supplier Code of Conduct

### Sustainability Initiatives

#### Selected for the first time for FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index

The Group is faced with increasingly diverse social issues, including worsening climate change and its impact on ecosystems, as well as issues involving natural resources. In this context, we regard initiatives to support the sustainable development of society as a critical management issue. We established a Group-wide Sustainability Committee in 2021, which is guiding our efforts to strengthen the management foundation of the Group as a whole. These efforts have focused on responding to climate change issues, protecting human rights, improving the working environment, addressing anti-corruption, and fortifying governance. As a result of our efforts, we were selected for the first time in FY2022 as a constituent of both the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index, which target Japanese companies taking outstanding action in terms of ESG practices.



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index

#### Signing the United Nations Global Compact

In August 2023, Nihon Chouzai signed the United Nations Global Compact, an international initiative to support greater corporate social responsibility. Participation in the Global Compact demonstrates a company's stance on Ten Principles related to four areas—human rights, labor, environment, and anti-corruption. In recent years, companies are called on to consider both the impact of their business activities on the environment and society and the impact of the environment and society on their business activities in their pursuit of business. To this end, we will convey the intent of the Global Compact to all Group officers and employees, while revisiting our business activities in light of the values underlying the Ten Principles, seeking to ascertain areas for improvement and continuously enhance corporate value.



### Sustainability Committee Activities (FY2022)

- Number of meetings: 3
- Main topics of discussion
  - Setting performance indicators for material issues
  - Disclosure in line with TCFD recommendations; calculation of Scope 1, 2 emissions; CO<sub>2</sub> reduction targets
  - Gap analysis of sustainability assessment
  - Revisions to Ethical Conduct Guideline
  - Formulation of Human Rights Policy, Environmental Policy, and Basic Procurement Policy and Supplier Code of Conduct
  - Response to environmental and human rights risks
  - Response to human capital management

# Material issues (materiality) for the Nihon Chouzai Group

In FY2021, the Nihon Chouzai Group identified material issues essential to contributing to a sustainable society. To contribute more concretely to sustainability through our business activities and to shore up the foundation for management, we established initiatives and performance indicators to address these material issues. Going forward, we will strive to further promote sustainability management by putting in place the initiatives we have

formulated and monitoring performance indicators. We will also revise the initiatives and performance indicators as appropriate, disclosing information on areas under consideration as needed. See the Nihon Chouzai Group Sustainability website for details on the process of identifying material issues, initiatives, and performance indicators.

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

| Materiality Group   | Material Issue   | Relevant SGDs |
|---|--|---------------|
| Healthcare quality and accessibility                        | <ol style="list-style-type: none"> <li>Increase the effectiveness of drug treatments for patients by strengthening pharmacy functions (accommodate advanced healthcare and regional healthcare)</li> <li>Expand the functions of pharmacies to support the health of the community (e.g., illness prevention and pre-symptomatic illness)</li> <li>Contribute to social security by ensuring appropriate use of pharmaceuticals at pharmacies</li> <li>Ensure the continuous operation of pharmacies as a regional healthcare/welfare infrastructure, and respond effectively to disasters, pandemics, and other crises</li> <li>Ensure the medical safety at pharmacies</li> <li>Leverage digital transformation to promote online healthcare and create new business</li> <li>Publish surveys and research that contribute to the development of healthcare</li> </ol> |               |
| Quality and stable supply of pharmaceuticals                | <ol style="list-style-type: none"> <li>Undertake R&amp;D and manufacturing of safe, high quality pharmaceuticals</li> <li>Ensure a stable supply of pharmaceuticals</li> </ol>   |               |
| Resolving human issues at healthcare institutions           | <ol style="list-style-type: none"> <li>Provide "human" support in providing high-quality healthcare services</li> <li>Support occupational health and general health, including mental health, by introducing occupational physicians</li> </ol>   |               |
| Contributing to a carbon neutral, circular economy          | <ol style="list-style-type: none"> <li>Reduce waste materials and increase the efficiency of resource usage, especially at pharmacies and plants</li> <li>Reduce 2 emissions by increasing energy usage efficiency and promoting the use of renewable energy</li> <li>Build environment-friendly and society-friendly supply chains with outstanding transparency</li> </ol>   |               |
| Fostering and utilizing diverse workforce                   | <ol style="list-style-type: none"> <li>Secure human resources that supports the company's growth, and put in place HR systems that promote the growth of employees</li> <li>Promote diversity, respect for human rights, and the participation of women in the workplace</li> <li>Establish a workplace environment that enhances employee health and motivation</li> </ol>  |               |
| Strengthening governance to fulfill social responsibilities | <ol style="list-style-type: none"> <li>Support the healthcare and welfare fields (e.g., persons with intractable diseases or disabilities)</li> <li>Continuously strengthen corporate governance, and disclose information with a high level of transparency</li> <li>Continuously strengthen compliance, and prevent corruption</li> <li>Create opportunities by appropriately evaluating and responding to risks</li> </ol>  |               |