

Sustainability Data Book

Nihon Chouzai Group

Updated: December 27, 2024



NIHON CHOUZAI GROUP

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Sustainability Data Book

This Sustainability Data Book is produced for the purpose of comprehensively disclosing the Nihon Chouzai Group's sustainability information to our stakeholders. The document contains the latest information as of the date indicated on the cover page. Unless otherwise stated, the terms "we" and "our Group" in the text refer to the Nihon Chouzai Group. Please also note that our fiscal year begins on April 1 and ends on March 31 of the following year (for example, FY2021 runs from April 1, 2021 to March 31, 2022).

Business Segments

- ▶ Dispensing Pharmacy Business
Nihon Chouzai Co., Ltd., Japan Medical Research Institute Co., Ltd.,
other dispensing subsidiaries
- ▶ Pharmaceutical Manufacturing and Sales Business
Nihon Generic Co., Ltd., Choseido Pharmaceutical Co., Ltd.
- ▶ Medical Professional Staffing and Placement Business
Medical Resources Co., Ltd.

Disclaimer regarding forward-looking statements

The Sustainability Data Book contains forward-looking statements regarding the plans, strategies, and performance of the Nihon Chouzai Group. These statements are based on management's assumptions and beliefs based on currently available information. Please note that actual results and future plans are subject to various risks and uncertainties and may differ materially from these forward-looking statements.

Factors that may affect our future outlook include economic conditions surrounding our business areas, the status of various domestic and international guidelines and

sustainability-related policies and laws, the status of medical fee revisions, and the status of product development. However, there are other factors, including those mentioned above, that may also affect our business performance.

Related Information

▶ [Annual securities report \(Japanese Only\)](#)

The annual securities report is a statutory document that reports on a company's general condition, business, operations, facilities, accounting status, etc., in accordance with the Financial Instruments and Exchange Act.

▶ [Corporate Governance Report](#)

The corporate governance report is a mandatory report prepared by listed companies to describe their corporate governance initiatives and objectives, as required by the stock exchange.

▶ [Integrated Report](#)

The integrated report covers financial and non-financial information about a company's management policies and business strategies as well as medium- and long-term corporate value creation for shareholders, investors, and other stakeholders.

▶ [Nihon Chouzai Group Ethical Conduct Guideline \(hereinafter "Ethical Conduct Guideline"\)](#)

The Ethical Conduct Guideline is a guideline that all directors, executive officers, and employees of the Nihon Chouzai Group are required to follow in their daily corporate activities in order for our company to earn the trust of our stakeholders.

▶ [Nihon Chouzai Human Rights Policy \(hereinafter "Human Rights Policy"\)](#)

The Human Rights Policy is a policy established to respect human rights of all stakeholders involved in our Group, which is a foundation for business continuity, and promote our business activities.

▶ [Nihon Chouzai Environmental Policy \(hereinafter "Environmental Policy"\)](#)

The Environmental Policy is a policy established to promote environmentally friendly business activities, a key management issue, in cooperation with all stakeholders involved in our Group.

▶ [Nihon Chouzai Group Basic Procurement Policy and Supplier Code of Conduct \(hereinafter "Basic Procurement Policy" and "Supplier Code of Conduct"\)](#)

The Basic Procurement Policy and Supplier Code of Conduct are policies established to create a sustainable environment and society through responsible procurement and sound cooperative relationships with business partners, including those in our supply chain.

▶ [Sustainability website](#)

The Sustainability website provides information related to our sustainability initiatives for a wide range of stakeholders.

▶ [Investor relations website](#)

The Investor relations website provides information on management policies, financial information, and stock information primarily for shareholders and investors.

[Click to view related information on our website.](#)

Basic Sustainability Policy

We in the Nihon Chouzai Group are aware that sustainability is a key element of management strategies for enhancing corporate value over the medium to long term. Based on dialogues and collaborations with a wide range of stakeholders, we are building fair and highly transparent management platforms that respect human rights and take environmental protection into account. Through our business activities, we will work to solve social issues in the medical and healthcare fields and pursue social sustainability.

Sustainability promotion structure

We continue to incorporate sustainability into its management strategies, in keeping with the company’s basic sustainability policy. For this reason, decisions on important items involving sustainability will be made by the Board of Directors. We will also establish a Sustainability Committee directly under the jurisdiction of the Board of Directors. This Committee, which will be chaired by President and CEO, meets more than twice a fiscal year in principle to supervise and evaluate the progress of activities against the identified materiality (key issues), incorporate the results into business strategies, and deliberate on compliance with, and participation in, international guidelines, while reporting to the Board of Directors as deemed appropriate. Sustainability activities will be undertaken by the various divisions, with the divisions responsible being clearly indicated. The Sustainability Supervision Office bears responsibility for execution functions, building structures to reliably promote activities in collaboration with the various divisions.



Processes for identifying materiality (key issues)

In order to contribute to a sustainable society and continuously increase corporate value, we identify material issues and promote highly effective activities that link management strategies with sustainability. Materiality is identified based on discussions cutting across the organization over approximately 6 months, and is checked against Nihon Chouzai Group's business activities, 17 SDGs, and 169 targets tied into those goals. We studied the depth of relationships and relevancy and conducted extensive discussions with project teams, and incorporated an outside perspective in the final evaluations.

STEP 1: Analyze current status and isolate issues

To identify issues, we studied a broad range of global societal issues that Nihon Chouzai Group should resolve in the medium and long term, using international frameworks and guidelines such as SDGs and ISO26000 as a reference. After isolating these issues using SDGs as a starting point, we conducted discussions and created a list of issues.

STEP 2: Evaluate issues and set priorities

The project teams conducted extensive discussions regarding the candidate issues on the list, and evaluated and narrowed down those issues based on interviews with stakeholders. Issues are evaluated using two indexes: Priority from a management perspective, and priority from the stakeholders' perspective. "Priority from a management perspective" is set based on contributions to the continued growth of the Nihon Chouzai Group, while "priority from the stakeholders' perspective" takes into account the needs of customers, business partners, employees, the environment, regional society and the community, shareholders, and investors, as well as expectations placed on the company. The results of these evaluations were plotted on

a materiality map as the basis for studies of priorities. (Refer to the Materiality Map on the next page)

STEP 3: Incorporate opinions of third-party experts

Once these issues had been evaluated and narrowed down, we arranged venues for exchanges of opinions among Nihon Chouzai Group management and outside experts, to incorporate a more objective perspective.

STEP 4: Obtain approvals from the Sustainability Committee and the Board of Directors

Based on the opinions of third-party experts, the Nihon Chouzai Group has established six categories of key issues to be targeted through business activities, and has identified 21 material issues related to each of these categories. These items were confirmed by the Sustainability Committee, and final decisions were made with the approval of the Board of Directors.

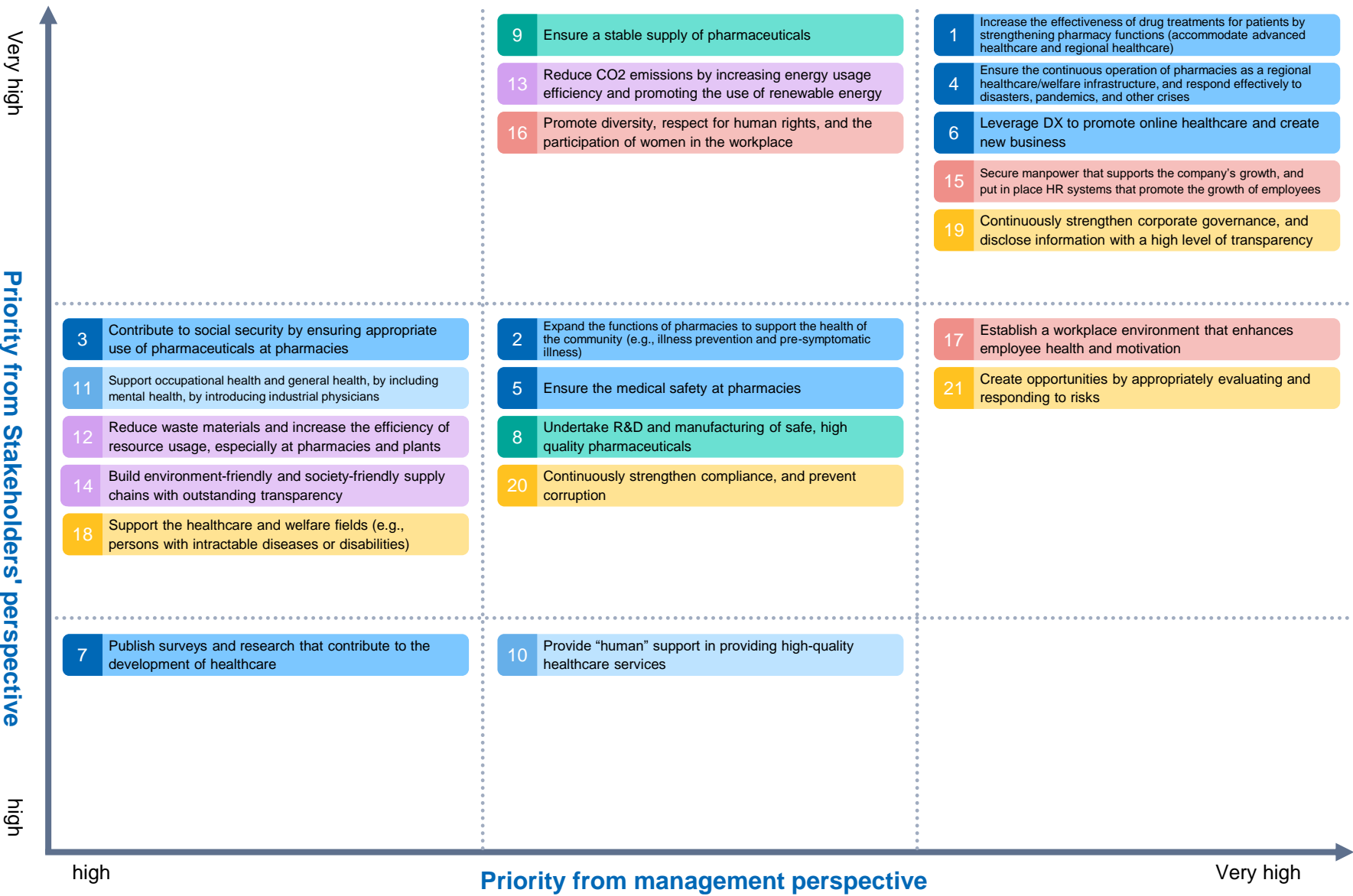
*Identified material issues can be accessed here.

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

Nihon Chouzai Group
Materiality Priority Map
(Materiality Map)

Key Issue Groups (goals)

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



Updated: June 26, 2023

Identified material issues and initiatives/KPIs

as of June 25, 2024

Key Issue Groups (goals)	No.	Material issues	Materiality Framework and KPIs	Applicable business
A. Healthcare quality and accessibility	1	Increase the effectiveness of drug treatments for patients by strengthening pharmacy functions (accommodate advanced healthcare and regional healthcare)	Improve the capabilities of pharmacies that support local healthcare systems (regional cooperation pharmacies) and pharmacies associated with medical institutions specializing in advanced treatments for cancer and other diseases (specialized medical institutions cooperation pharmacies) <ul style="list-style-type: none"> Pharmacists specializing in outpatient cancer treatment 100 pharmacists Pharmacists who have gained relevant certification through training 3,000 pharmacists Pharmacists who have completed health support pharmacy training 3,000 pharmacists (By March 2025) 	Dispensing Pharmacy Business
	2	Expand the functions of pharmacies to support the health of the community (e.g., illness prevention and presymptomatic illness)	Provide health support services for illness prevention and pre-symptomatic illness of community residents and expand healthcare awareness campaigns <ul style="list-style-type: none"> Regional cooperation pharmacies 675 pharmacies Specialized medical institution cooperation pharmacies 65 pharmacies Pharmacies providing health support services 200 pharmacies (By March 2025) 	Dispensing Pharmacy Business
	3	Contribute to social security by ensuring appropriate use of pharmaceuticals at pharmacies	Utilize the FINDAT online drug information platform to improve access to drug information and provide relevant drug information to patients <ul style="list-style-type: none"> All Nihon Chouzai pharmacies equipped with FINDAT (As of April 2024) 	Dispensing Pharmacy Business
	4	Ensure the continuous operation of pharmacies as a regional healthcare/welfare infrastructure, and respond effectively to disasters, pandemics, and other crises	Respond to the pandemic <ul style="list-style-type: none"> Provide an online pharmacy service that patients can use remotely 	Dispensing Pharmacy Business
	5	Ensure the medical safety at pharmacies	Under consideration	

Key Issue Groups (goals)	No.	Material issues	Materiality Framework and KPIs	Applicable business
B. Quality and stable supply of pharmaceuticals	6	Leverage DX to promote online healthcare and create new business	Provide online medical services to enhance medical service quality and improve convenience for patients <ul style="list-style-type: none"> Improve capabilities for supporting online medical consultation and providing online medication guidance Continue improving the user-friendliness of the NiCOMS online pharmacy service Support and promote use of electronic prescriptions 	Dispensing Pharmacy Business
	7	Publish surveys and research that contribute to the development of healthcare	Under consideration	
	8	Undertake R&D and manufacturing of safe, high quality pharmaceuticals	Improve technical expertise, improve and maintain quality, and carry out sound research and development of new products <ul style="list-style-type: none"> Number of products newly listed on the NHI drug price list (only the Group's products that have gained approval) Historical results 21 products in FY3/2021 13 products in FY3/2022 8 products in FY3/2023 7 products in FY3/2024	Pharmaceutical Manufacturing and Sales Business
	9	Ensure a stable supply of pharmaceuticals	Optimize manufacturing plants to ensure a stable supply of pharmaceutical products <ul style="list-style-type: none"> Boost annual production capacity Optimize lot sizes to improve productivity Increase supply sources of active pharmaceutical ingredients 	Pharmaceutical Manufacturing and Sales Business
C. Resolving human issues at healthcare institutions	10	Provide "human" support in providing high-quality healthcare services	Place staff in areas that lack healthcare resources, such as rural and remote communities Assign medical workers to meet sudden changes in demand for vaccinations and other treatments	Medical Professional Staffing and Placement Business
	11	Support occupational health and general health, including mental health, by introducing industrial physicians	Place industrial physicians and provide healthcare support services to assist with corporate healthcare management	Medical Professional Staffing and Placement Business

as of June 25, 2024

Key Issue Groups (goals)	No.	Material issues	Materiality Framework and KPIs	Applicable business
D. Contributing to a carbon-neutral, circular economy	12	Reduce waste materials and increase the efficiency of resource usage, especially at pharmacies and plants	Material recycling of sludge discharged from Nihon Generic's Tsukuba Plant Material recycling of press-through packaging (PTP) waste at Nihon Generic's Tsukuba Plant No. 2	Nihon Chouzai Group
	13	Reduce CO2 emissions by increasing energy usage efficiency and promoting the use of renewable energy	Reduce greenhouse gas emissions <ul style="list-style-type: none">2030 target Dispensing Pharmacy Business: Reduce CO2 emissions per store by 30% (compared to FY2020). Pharmaceutical Manufacturing and Sales Business: Reduce CO2 emissions per 100 million tablets produced by 30% (compared to FY2020)2050 target Achieve carbon neutrality (zero CO2 emissions in real terms)	Nihon Chouzai Group
	14	Build environment-friendly and society-friendly supply chains with outstanding transparency	Formulation of Nippon Chouzai Group Supplier Code of Conduct and implementation of Partnership Building Declaration in Multi-stakeholder Guidelines	Nihon Chouzai Group
E. Fostering and utilizing diverse manpower	15	Secure manpower that supports the company's growth, and put in place HR systems that promote the growth of employees	Under consideration	
	16	Promote diversity, respect for human rights, and the participation of women in the workplace	Increase the percentage of women in managerial positions ^{*1*} 13% or more (from April 2022 through March 2025) Historical results 8.7% as of April 1, 2020 10.1% as of April 1, 2021 10.8% as of April 1, 2022 10.9% as of April 1, 2023 13.3% as of April 1, 2024	Nihon Chouzai Group

Key Issue Groups (goals)	No.	Material issues	Materiality Framework and KPIs	Applicable business
	17	Establish a workplace environment that enhances employee health and motivation	Help employees maintain and improve their personal health ^{*2} <ul style="list-style-type: none">Percentage of employees who smoke 0%Percentage of employees who undergo secondary health checkups 100% (By March 2031) To help employees with illnesses or disabilities balance their medical treatment and work duties, the Group will revamp its relevant systems and measures in line with societal expectation, and improve conditions for employees returning to work after an absence Establishment of rules prohibiting smoking during working hours to reduce health risks from smoking and passive smoking	Nihon Chouzai Group
F. Strengthening governance to fulfill social responsibilities	18	Support the healthcare and welfare fields (e.g., persons with intractable diseases or disabilities)	Under consideration	
	19	Continuously strengthen corporate governance, and disclose information with a high level of transparency	Disclosed information through corporate governance reports, securities reports, and corporate website	Nihon Chouzai Group
	20	Continuously strengthen compliance, and prevent corruption	Formulation and implementation of our Ethical Conduct Guideline. Anti-corruption promotion system and corruption risk assessment	Nihon Chouzai Group
	21	Create opportunities by appropriately evaluating and responding to risks	Establishment of a risk compliance system and disclosure of information through securities reports and corporate website	Nihon Chouzai Group

*1 Percentage of women assigned as area managers and administrative section managers

*2 While based on the overall goals and KPIs of the Group, individual Group companies may set KPIs according to their respective operations

Board of Directors and Audit and Supervisory Committee

as of June 25, 2024

Directors*	Number of directors*	8
	Number of independent outside directors*	2
Audit and Supervisory Committee members	Number of Audit and Supervisory Committee members	3
	Audit and Supervisory Committee members who are independent outside directors	2
Board of Directors	Number of directors	11
	Number of independent outside directors (% of total)	4 (36.4%)
	Number of female directors (% of total)	2 (18.2%)

*Excluding directors who are members of the Audit and Supervisory Committee

Please refer to our annual securities report and corporate governance report for information on corporate governance.

Director skill distribution and attendance

as of December 27, 2024

		Chairman and Representative Director	President and CEO	Director and Senior Executive Officer	Director and Senior Executive Officer	Director and Senior Executive Officer	Director	Outside Director	Outside Director	Director (Full-time Audit & Supervisory Committee member)	Outside Director (Audit & Supervisory Committee member)	Outside Director (Audit & Supervisory Committee member)
		Hiroshi Mitsuhashi	Naoto Kasai	Toshiyuki Koyanagi	Kazunori Ogi	Yoshihisa Fujimoto	Masahiro Inoue	Yoshimitsu Onji	Mikiharu Noma	Nobuyuki Hatakeyama	Shio Harada	Tomomi Nakano
Expertise in corporate management	General management	●	●		●		●	●	●			
	Financial accounting and finance		●		●		●	●	●			●
	Legal affairs and compliance					●	●	●			●	
	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) (FY2023)	Board of Directors	—*1	14/14	14/14	14/14	14/14	10/10*3	14/14	14/14	14/14	14/14	—*4
	Nomination and Compensation Committee	—*1	—*2					3/3	3/3		2/2	—*4
	Audit and Supervisory Committee									15/15	15/15	—*4

*1 Hiroshi Mitsuhashi was appointed as a director at the general meeting of shareholders held in June 2024.
*2 Naoto Kasai was appointed as a President and CEO in May 2024.
*3 Number of meetings attended since appointment as outside director in June 2023.
*4 Tomomi Nakano was appointed as an outside director at the general meeting of shareholders held in June 2024.

Training and communication for all officers and employees

To ensure that all employees carry out their daily corporate activities in accordance with the code of conduct, we have established our Ethical Conduct Guideline on particularly important topics, which are published externally on our website and are available to all Group employees for reference. In addition to Japanese, we also publish an English version, which is the native language of many of our employees.

Furthermore, In accordance with Nihon Chouzai Group Ethical Conduct Guideline, we conduct monthly compliance training for all employees, which covers corruption prevention, including bribery and collusion prevention. We consider preventing insider trading to be one of our important topics, and provide training for all employees. Moreover, we provide compliance training for employees engaged in operations with relatively high corruption risk, which covers preventing collusion with business partners, including public servants.

Internal reporting system

Our internal reporting system covers all employees (contract employees, temporary employees, and retired employees within one year of resignation) and employees of business partners. The internal reporting system guarantees anonymity and confidentiality of those involved, and this information is regularly communicated across our Group. Furthermore, the internal reporting system covers all aspects of compliance, including bribery, pharmaceutical transparency guidelines, insider trading, and other corruption prevention measures.

Corruption prevention

In our Ethical Conduct Guideline, we clearly state our commitment to preventing corruption in accordance with international standards such as those of the OECD. The scope of corruption prevention includes not only preventing bribery of business

partners, etc., but also preventing inappropriate relationships with medical institutions (compliance with transparency guidelines), restricting donations to organizations, etc., and preventing insider trading.

*The following is an excerpt from our Ethical Conduct Guideline.

Conducting fair business practices and preventing corruption

- We will engage in competition in the marketplace through the overall competitiveness of our dispensing services and products.
- We will comply with relevant laws and regulations such as the Antimonopoly Act, Unfair Competition Prevention Act, Act against Unjustifiable Premiums and Misleading Representations, Subcontract Act, etc., and will not engage in any act that restricts fair and free competition in the market.
- We will comply with all laws and regulations concerning bribery and will not engage in any form of corrupt activity such as bribery, collusion or embezzlement, whether in Japan or overseas. We will not offer or accept bribery in the form of money, gifts, entertainment, or other economic benefits in return for business, or any other promises, offers, or permission as a means of obtaining undue or improper advantage.

(1) Relationships with medical institutions

- We will maintain fair and transparent relationships with medical institutions in compliance with various laws, regulations, and guidelines.

(2) Relationships with public officials, etc.

- We will respect the National Public Service Ethics Act and the National Public Service Ethics Code, and will not engage in any conduct that violates their scope.
- With respect to foreign governments and counterparties in official positions, we will respect the Unfair Competition Prevention Act and the relevant laws and regulations of the counterparty country, and will not act beyond the scope of such laws and regulations.

(3) Donations

- When making donations to organizations, corporations, etc., we will give due consideration to the necessity and appropriateness of such donations as part of our social contribution activities.
- In addition, we will comply with relevant guidelines, and when making donations, we will follow the rules to properly disclose information and ensure transparency.

(4) Relationships with business partners and suppliers

- We will not abuse any superior position or demand benefits or favors from our business partners or suppliers.
- We will not provide entertainment or gifts to or receive entertainment or gifts from our business partners beyond the scope of common social sense and business customs.

(5) Conflicts of interest

- Our officers and employees shall not act in a manner that creates a conflict of interest (i.e., placing their own or a third party's interests ahead of their obligations as officers and employees of our company).

(6) Severing relations with antisocial forces

- We will not have any relationship with any group or individual that may disrupt social order or sound corporate activities.

(7) Proper information disclosure and prevention of insider trading

- We will provide appropriate information disclosure and engage in constructive dialogue with shareholders and investors.
- We will comply with the rules of the securities market and not engage in insider trading that violates laws and regulations, such as buying or selling shares or other securities while knowing material non-public information about a company or its business partners, etc.

(8) Appropriate protection of intellectual property and technological development

- We will not engage in business activities that inappropriately infringes on the intellectual property rights of others.
- In carrying out our technical development work, we will ensure scientific rigor and reliability, as well as compliance with social norms regarding the protection of patient personal

information, bioethics, animal welfare, etc.

► Corruption prevention system and corruption risk assessment

The Ethical Conduct Guideline incorporates our commitment to prevent corruption in accordance with international standards, and the Board of Directors is responsible for revising or abolishing these standards. Our risk identification framework for company-wide risk management contains a section on corruption including bribery. The Risk Management Committee assesses risks and reports regularly to the Board of Directors on the progress of risk management. In addition, we consider improper rebates and insider trading to be important compliance risks, and have set up and implemented initiatives to address them.

In FY2023, we had no incidents of disciplinary actions or terminations of employment resulting from ethical conduct violations based on bribery or corruption.

► Conducting due diligence

Our legal department centrally performs background checks on ties to anti-social forces when we sign new contracts, including for intermediary contracts. In addition, we communicate to our business partners that our contract terms clearly state that we are not affiliated with antisocial forces and that if we discover any inappropriate relationship with antisocial forces, our contract will be terminated.

We also require our suppliers and intermediaries, such as agencies, to comply with the requirements specified in our Supplier Code of Conduct. As mentioned above, we communicate to our business partners that our contract terms clearly state that we are not affiliated with antisocial forces and that if we discover any inappropriate relationship with antisocial forces, our contract will be terminated.

Environmental Policy

Our Environmental Policy is as follows.

As a company that contributes to society through medical care, we at the Nihon Chouzai Group are committed to our mission “to give people the closest possible support,” and play a role in supporting people's healthy lifestyles. We believe that climate change and environmental pollution are global issues, and consider them to be important management issues. Moreover, from a long-term perspective, we see working on climate change issues and environmental preservation as a way to improve people's living environment, maintain their health, and prevent disease. We have established the following policy to promote environmentally friendly business activities in cooperation with all stakeholders involved in our Group.

1. Basic policy

(1) Mitigating climate change

We will work to prevent global warming and contribute to mitigating climate change by reducing the amount of greenhouse gas (CO₂) emissions generated through our Group's business activities.

(2) Reducing environmental impact

We will acknowledge our social responsibility as a corporation and strive to reduce our environmental impact throughout the Group's business activities. To this end, we will actively implement technologies that reduce our environmental footprint and transition to renewable energy sources.

(3) Reducing waste and efficiently using resources

We aim to build a recycling-oriented society by using resources more efficiently, reducing, reusing, and recycling waste, and shifting to environmentally friendly materials and reusable containers.

(4) Improving water use efficiency

We will strive to improve water use efficiency and reduce our environmental impact by lowering water consumption, finding secondary uses for wastewater, and properly treating contaminated water.

(5) Preserving biodiversity

We will strive to preserve biodiversity by recognizing the impact of our business activities on ecosystems and minimizing our impact on biodiversity through business activities that preserve ecosystems as well as through appropriately treating chemical substances generated as part of our business activities.

2. Compliance with laws, regulations, and agreements

We will comply with environment-related laws, regulations, agreements, and voluntary management standards in each country and region where we operate.

3. Scope of application

This policy applies to all officers, executive officers, and employees of the Nihon Chouzai Group. In addition, we will encourage all business partners related to our Group to understand and support this policy, and promote environmental preservation together.

4. Environmental management

We will establish an environmental management system linked to our business activities and carry out continuous improvement and monitoring.

5. Training

We will continuously provide training to promote environmentally friendly initiatives and foster understanding and awareness of environmental issues within the Nihon Chouzai Group.

6. Revisions and abolishment
- The Board of Directors will be responsible for revising or abolishing this policy.
7. Enactment
- This policy will go into effect on January 1, 2023.

Climate Change Initiatives (TCFD Disclosure)

We believe that addressing climate change is an important part of sustainability management, and are working to address this issue. In June 2022, we endorsed the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD). In disclosing information on climate change, we follow the four disclosure items suggested by the TCFD recommendations (governance, strategy, risk management, and metrics and targets).

Governance

Nihon Chouzai will continue to incorporate climate-related issues into its management strategies, in keeping with the company's basic sustainability policy. For this reason, decisions on important items involving climate change issues will be made by the Board of Directors. We will also establish a Sustainability Committee directly under the jurisdiction of the Board of Directors. This Committee, which will be chaired by President and CEO, meets more than twice a fiscal year in principle to supervise and evaluate the progress of activities against the identified materiality (key issues), incorporate the results into business strategies, and deliberate on compliance with, and participation in, international guidelines, while reporting to the Board of Directors as deemed appropriate. Efforts to address climate change issues will be undertaken by

the various divisions, with the divisions responsible being clearly indicated. The Sustainability Supervision Office bears responsibility for execution functions, building structures to reliably promote activities in collaboration with the various divisions.



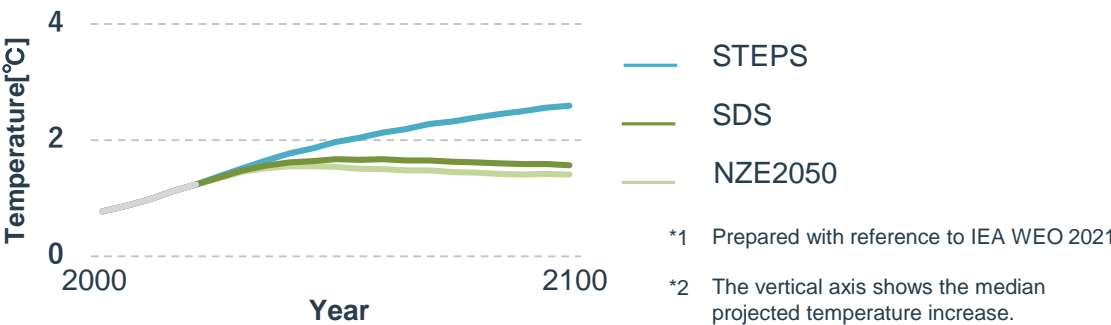
【Strategy】

In understanding the impact of climate change on our business operations, we refer to the long-term hypotheses and scenarios published by the IPCC and the IEA to identify physical and secondary risks and opportunities, and evaluate and examine the extent of the impact as well as countermeasures. Specifically, based on multiple future scenarios presented by the IPCC and the IEA, we have set two scenarios for the future: a 4°C scenario in which the average temperature rises 4°C above the current level compared to the global average temperature during the Industrial Revolution, resulting in maximum physical damage; and a 1.5°C scenario in which decarbonization efforts contribute to achieving carbon neutrality by 2050, and the increase in average temperature is limited to less than 2°C.

Based on our analysis of each of the scenarios we have set, we expect that under the 1.5°C scenario, the government will aggressively implement climate change measures, which will lead to the introduction of new regulations such as carbon taxes and emissions trading, stricter recycling laws and other existing regulations, and higher electricity prices. As a result, we believe our operating costs will rise. On the other hand, the heightened sustainability mindset among investors and customers and appropriately responding to changing market needs can provide an opportunity for us to elevate and disseminate our corporate brand. In the 4°C scenario, we anticipate that our business and logistics operations will be affected by the rise in temperatures and infectious diseases associated with global warming, as well as more extreme natural disasters such as floods and storm surges, which will bring about more direct damage and operational shutdowns. We have confirmed that the physical risks associated with these extreme weather events will cause more damage to our business in both scenarios, and we recognize the need to explore countermeasures at all stages of

procurement, operation, and sales. On the other hand, with regard to the impact of extreme heat, sudden changes in weather conditions, and other factors that may hinder consumers' willingness to go out, we believe our various online services has the potential to serve as a supply infrastructure for pharmaceutical products that addresses emerging needs. In terms of potential contributions to society through our entire business, we believe that we can contribute to society by developing infrastructure to ensure the appropriate supply of pharmaceuticals to our customers even in the event of an increase in animal-borne infectious diseases and health problems stemming from various factors such as rising temperatures and deteriorating sanitary conditions caused by heavy rain and flooding.

	1.5°C scenario	4°C scenario
Reference scenario	IPCC RCP 1.9 to 2.6 IEA SDS / NZE2050	IPCC RCP4.5 to 6.0 IEA STEPS
Estimated time frame	2030	
Scope of analysis	Nihon Chouzai and its consolidated subsidiaries	



■ Impact and countermeasures in the key risks/opportunities

Large : Matters expected to have an impact of +/-1% or more on gross profit or that may have a substantial financial impact

Medium : Matters expected to have minor financial impact

Small : Matters expected to have minimal to no impact

Transition risk: Carbon pricing			
Potential impact	Increase in operating costs due to introduction of carbon tax, emissions trading program, etc.	Projected financial impact by scenario	
		4°C	1.5°C
		Small	Large
Counter-measures	We will set and monitor reduction targets with CO2 emissions as a metric. In our pharmaceutical manufacturing and sales business, Nihon Generic has switched all of its gas use to carbon neutral LNG at its two Tsukuba plants and one research laboratory. In addition, we will move forward with adopting renewable energy, which has been already introduced in some of our facilities.		

Transition risk: Changes in energy cost			
Potential impact	Changes in the energy mix, including a shift to renewable energy, changes in the balance of electricity supply and demand, and the resulting surge in energy prices	Projected financial impact by scenario	
		4°C	1.5°C
		Small	Large
Counter-measures	We are already shifting to environmentally friendly energy sources by installing in-house solar power generation systems at Nihon Generic's Tsukuba Plant, Tsukuba Plant No. 2 and Choseido Pharmaceutical's Headquarters Plant No. 2 in the Pharmaceutical Manufacturing and Sales Business, and we will continue to explore ways to expand our renewable energy power generation capacity going forward. In the Dispensing Pharmacy Business, we will prioritize energy-saving measures in our stores. We have already begun installing LED lights mainly in newly opened stores, and are gradually switching to LED lights in existing stores as well. In addition, we will look into introducing renewable energy.		

Transition risk: Changes in raw material prices			
Potential impact	Price hikes resulting from changes in regulations and supply-demand balance for blister packaging materials using plastic. Soaring transportation costs due to changes in the supply-demand balance of petroleum fuels	Projected financial impact by scenario	
		4°C	1.5°C
		Large	Medium
Counter-measures	We have already switched all plastic bags used in our pharmacies to biomass materials and encourage customers to use reusable bags. Going forward, we will continue to closely monitor developments in plastic regulations and consider implementing further measures while ensuring that medical safety remains our top priority. We will promote collaboration and engagement activities with our business partners to optimize our supply chain. Example: Reducing the number of pharmaceutical deliveries.		

Physical risk: Spread of infectious diseases			
Potential impact	Increase in infectious diseases resulting from a rise in animal-borne infections stemming from rising temperatures and heavy rain and flooding, and losses resulting from refraining from medical examinations due to these factors.	Projected financial impact by scenario	
		4°C	1.5°C
		Medium	Medium
Counter-measures	We provide online services, including an online medication guidance service, and will continue to strengthen our infrastructure to enable patients to access medical care without the need to visit a store through online medication guidance and pharmaceutical delivery. In terms of store operations, we will leverage our experience with the COVID-19 pandemic to develop a standardized system that ensures business continuity even during a pandemic.		

Physical risk: Increasing severity of extreme weather disasters			
Potential impact	Losses incurred from disaster response costs and business shutdowns as a result of direct damage to facilities and disruption of logistics networks stemming from floods and storm surges.	Projected financial impact by scenario	
		4°C	1.5°C
		Large	Large
Counter-measures	We have a business continuity plan (BCP) in place to prepare for disasters. In addition, we have taken countermeasures to address flood damage, including installing water barriers and preparing sandbags at stores and facilities that are at high risk of floods. Going forward, we will review the risk of floods at each facility as needed and enhance our countermeasures. We provide online services, including an online medication guidance service, and will continue to strengthen our infrastructure to enable patients to access medical care without the need to visit a store through online medication guidance and pharmaceutical delivery.		

Opportunity: Spread of infectious diseases			
Potential impact	Higher demand for pharmaceuticals due to increase in infectious diseases stemming from a rise in animal-borne infections caused by rising temperatures and heavy rainfall and floods.	Projected financial impact by scenario	
		4°C	1.5°C
		Medium	Medium
Counter-measures	Due to the effects of the COVID-19 pandemic, our online medication guidance service, which is a fully contactless service spanning from medication guidance to pharmaceutical delivery, has been expanding. Going forward, we will continue to enhance the convenience of our online services and strengthen our system to ensure continuous provision of high-quality medical services even when new infectious diseases emerge.		

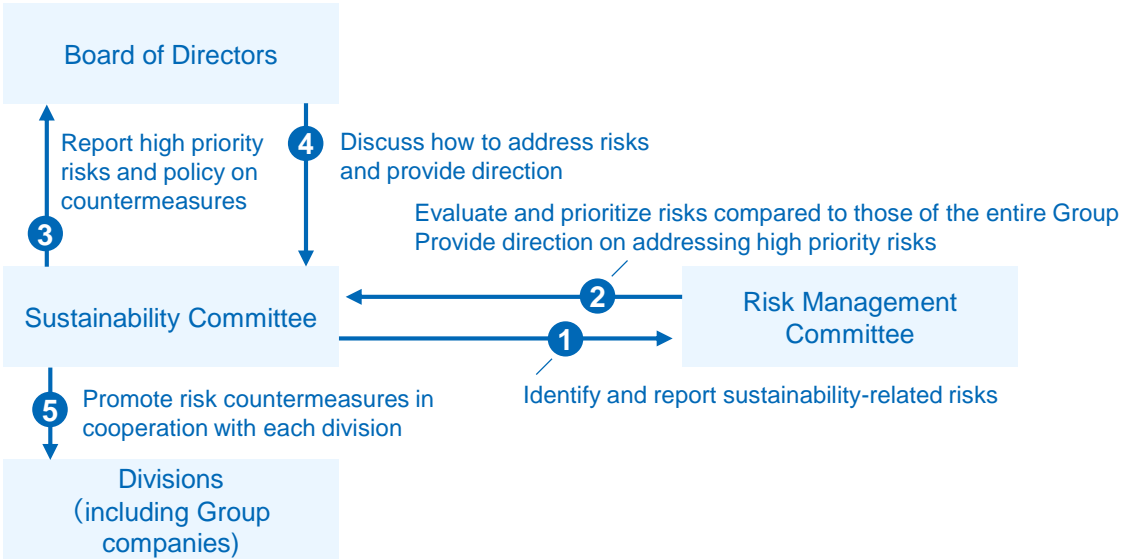
Opportunity: Impact on corporate image			
Potential impact	Impact on preference of companies depending on their environmental initiatives, including climate change response	Projected financial impact by scenario	
		4°C	1.5°C
		Medium	Large
Counter-measures	We will work to build our reputation for proactively addressing climate change by introducing biomass plastic bags in all stores and encouraging the use of reusable bags.		

Based on these analyses, we are starting to address issues that we can handle quickly in both the Dispensing Pharmacy Business and the Pharmaceutical Manufacturing and Sales business. While proactively working on shifting to a decarbonized society, we are also pursuing appropriate strategies to respond to various possible outlooks, such as mitigating the impact and reducing damage from the spread of infectious diseases and other physical impacts, including by strengthening BCP measures. In the Pharmaceutical Manufacturing and Sales business, our current initiatives include introducing carbon-neutral LNG at two plants and one laboratory of Nihon Generic, as well as installing in-house solar power generation systems at Tsukuba Plant, Tsukuba Plant No. 2 and Choseido Pharmaceutical Headquarters Plant No. 2 to switch to environmentally friendly energy sources. In the Dispensing Pharmacy Business, we are working on environmentally friendly initiatives across the entire supply chain by collaborating and engaging with stakeholders, such as encouraging the use of biomass materials for plastic bags and reusable bags, and conducting demonstration experiments to reduce the number of times pharmaceuticals are delivered. For more information on the initiatives and policies of each of our businesses, please refer to [“Environmental Initiatives”](#) page on our website.

【Risk management】

Our Sustainability Committee identifies and evaluates climate change-related risks. The risks identified are reported to the Risk Management Committee, which is responsible for comprehensive risk analysis and management of the entire Nihon Chouzai Group, and priorities for addressing the risks are determined after evaluating their materiality in comparison with the overall risks of our entire Group. For high priority risks, the Sustainability Committee deliberates on how to respond and reports to the Board of Directors. After discussions by the Board of Directors, the Sustainability Committee and each division will work together to address individual risks under the direction of the Board of Directors. The current priority level and process for identifying material issues (key issues) are disclosed on [“Material issues identified”](#) page of our website.

■ Risk management framework for climate change-related risks



【Metrics and targets】

We have been monitoring the metrics we use to measure our own environmental initiatives, such as the monetary value of the reduction in unused medications in our dispensing pharmacy business, and the reduction rate of CO2 emissions and city gas and electricity consumption in our Pharmaceutical Manufacturing and Sales Business. In light of Japan's October 2020 announcement of its commitment to carbon neutrality and the international agreement at COP26 to achieve the 1.5°C scenario, we began monitoring a new metric for greenhouse gas emissions that covers all of our business activities. Going forward, we will follow international reduction targets and continue our efforts to achieve carbon neutrality by 2050. Our current greenhouse gas emissions are accounted for as shown on the right.

■ CO2 emissions of our group(Scope1/2/3)

	Unit	FY2021	FY2022	FY2023
Scope1	t-CO2	5,766	5,454	5,175
Scope2	t-CO2	35,205	31,612	25,086
Scope3	t-CO2	-	659,942.2	649,305.6

In addition, we have set the following targets about Scope1 and Scope2 for reducing greenhouse gas emissions in our Group.

- 2030 target
Dispensing Pharmacy Business: Reduce CO2 emissions per store by 30% (compared to FY2020).
Pharmaceutical Manufacturing and Sales Business: Reduce CO2 emissions per 100 million tablets produced by 30% (compared to FY2020)
- 2050 target
Achieve carbon neutrality (zero CO2 emissions in real terms)

■ Breakdown of Scope3 (FY2022)

	Category	Unit	FY2022	FY2023
Category 1	Purchased goods and services	t-CO2	611,519.8	578,418.4
Category 2	Capital goods	t-CO2	29,244.0	34,529.1
Category 3	Fuel and energy related activities	t-CO2	6,304.8	5,443.9
Category 4	Upstream transportation and distribution	t-CO2	1,650.9	7,495.3
Category 5	Waste generated in operations	t-CO2	2,508.0	9,804.9
Category 6	Business travel	t-CO2	3,245.4	2,090.9
Category 7	Employee commuting	t-CO2	3,737.4	8,014.7
Category 8	Upstream leased assets	t-CO2	-	-
Category 9	Downstream transportation and distribution	t-CO2	-	-
Category 10	Processing of sold products	t-CO2	-	-
Category 11	Use of sold products	t-CO2	-	-
Category 12	End-of-life treatment of sold products	t-CO2	866.3	1,144.8
Category 13	Downstream leased assets	t-CO2	865.7	2,363.4
Category 14	Franchises	t-CO2	-	-
Category 15	Investments	t-CO2	-	-
Total		t-CO2	659,942.2	649,305.6

Other climate change initiatives

In addressing climate change, the Japan Business Federation, which our Dispensing Pharmacy Business (Nihon Chouzai) is a member of, has set targets to become carbon neutral by 2050 and to reduce CO2 emissions by 46% compared to FY2013 levels by FY2030. Similarly, the Japan Generic Medicines Association, which our Pharmaceutical Manufacturing and Sales Business (Nihon Generic and Choseido Pharmaceutical) are members of, has also set targets to become carbon neutral by 2050 and to reduce CO2 emissions by 46% compared to FY2013 levels by FY2030. We support the direction of the targets of both organizations and are committed to reducing CO2 emissions.

In addition, we comprehensively support the Act on Promotion of Global Warming Countermeasures (Global Warming Prevention Act) and other national policies and regulations on climate change, and we are actively working to reduce CO2 emissions by operating solar panels and installing energy-efficient equipment.

Water use

► Basic approach to water use and chemical substance management

We believe that access to safe water is a critical issue worldwide. In addition, we believe that securing quality water resources is a critical management issue for us to continuously carry out our business activities. Accordingly, we will strive to reduce our impact on the environment and preserve biodiversity by improving water use efficiency, managing wastewater appropriately, and disposing of chemical substances properly.

► Water use and chemical substance management initiatives

We are undertaking the following initiatives to use water more effectively in the Pharmaceuticals Manufacturing and Sales Business.

- Use of blowdown water generated from using water purification equipment as non-potable water
- Use of condensation produced when HVAC equipment regulates humidity as non-potable water
- Reuse of about 1,000 m³ of water per year by using the non-potable water for toilet flushing and for cooling HVAC equipment (only at Nihon Generic)

With regard to initiatives to reduce environmental impact, we collect up to secondary washing water as wastewater after handling chemical substances, and for wastewater from tertiary washing water, we monitor the PH level to ensure that it does not deviate from wastewater discharge standards.

■ Wastewater volume by discharge type for Pharmaceutical Manufacturing and Sales Business

	Unit	FY2020	FY2021	FY2022	FY2023
Sewage	m ³	58,022	59,346	61,713	64,830
River discharge	m ³	646	469	694	921
Total water discharge	m ³	58,668	59,815	62,407	65,751

■ Water intake by source for Pharmaceutical Manufacturing and Sales Business

	Unit	FY2020	FY2021	FY2022	FY2023
Water supply	m ³	83,609	79,482	87,407	75,976
Total water intake	m ³	83,609	79,482	87,407	75,976

Human Rights Policy

Our Human Rights Policy is as follows.

As a company that contributes to society through medical care, we at the Nihon Chouzai Group are committed to our mission “to give people the closest possible support,” and play a role in supporting people's healthy lifestyles. Accordingly, we believe respecting human rights is an important foundation underpinning the continuation of our Group's business. To promote our business activities while respecting the human rights of patients and all other stakeholders of our Group, we have established the following policy.

1. Basic policy

The Nihon Chouzai Group supports the International Bill of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), the United Nations (UN) Guiding Principles on Business and Human Rights, and the Ten Principles of the UN Global Compact and promotes respect for human rights in accordance with international norms.

We will eliminate any discrimination or harassment on the basis of race, color, gender, disability, nationality, language, religion, creed, ideology, property, family origin, or other status, and prohibit discrimination or harassment in hiring, treatment, promotion, or other decisions on these grounds. In addition, we do not engage in child labor, forced labor, slavery, or human trafficking in any country or region, and we do not tolerate any practices that undermine respect for and protection of human rights. For employees, we support their freedom of association and the right to collective bargaining, and will reduce excessive work hours. Furthermore, we will ensure compliance with minimum wages and equal pay for equal work.

2. Compliance with applicable laws

The Nihon Chouzai Group ensures compliance with the laws and regulations of each country

and region in which we operate. Furthermore, if there are differences between the laws and regulations of a given country or region and international human rights norms, we will adhere to the higher standard, and if there are conflicting standards, we will pursue ways to maximize compliance with internationally recognized human rights. With regard to efforts to curb excessive work and reduce overtime work in Japan, we will comply with the labor-management agreement formed in accordance with Article 36 of the Labor Standards Act while setting our own overtime work limit based on stricter standards to improve work-life balance and health.

3. Scope of application

This policy applies to all officers, executive officers, and employees of the Nihon Chouzai Group. In addition, we will encourage all companies in our supply chain and business partners related to our Group to understand and support this policy, and promote respect for human rights together.

4. Human rights due diligence

The Nihon Chouzai Group is committed to ensuring that human rights violations do not occur in all of our business activities, including those within our supply chain. Therefore, we will establish a human rights due diligence framework in line with the UN Guiding Principles on Business and Human Rights, identify and assess negative impacts and risks related to human rights, and continuously work to prevent or reduce them.

5. Training

The Nihon Chouzai Group will continuously provide appropriate education and training to ensure that this policy permeates through all officers, executive officers, and employees.

6. Relief

The Nihon Chouzai Group will establish an effective relief system available to individuals and communities affected by negative impacts on human rights, and will work to provide relief through appropriate dialogue and procedures in the event that we discover that our business activities have triggered a negative impact on human rights.

7. Revisions and abolishment

The Board of Directors will be responsible for revising or abolishing this policy.

8. Enactment

This policy will go into effect on January 1, 2023.

Initiatives to eliminate all forms of harassment

We provide a confidential harassment consultation service, which is accessible to all employees via the company intranet. In addition, we introduce the harassment consultation service during our regular e-learning sessions on harassment to ensure access to information. Other inquiries are handled by the Human Resources Contact Service as needed.

E-learning training on handling cases of harassment is provided periodically to officers, department heads, organization managers (head office division), and area managers (pharmacy division). In addition, we provide harassment training to managers. In the harassment training, we provide an orderly explanation of the measures that are taken when harassment occurs or complaints of harassment are made, including investigations on what actually happened and how countermeasures are decided.

Initiatives to reduce excessive labor

We comply with the laws and regulations of each country and region in which we operate and are committed to reducing excessive working hours.

In Japan, we comply with the labor-management agreement formed in accordance with Article 36 of the Labor Standards Act.

Outside of Japan, we comply with the labor laws and regulations of each country and region in which we operate. Furthermore, if there are differences between the laws and regulations of a given country or region and international labor norms, we will adhere to the higher standard, and if there are conflicting standards, we will pursue ways to maximize compliance with international norms.

In terms of initiatives to reduce excessive working hours, we comply with the labor-management agreement formed in accordance with Article 36 of the Labor Standards Act, and have established a system to check monthly working hours by providing daily feedback to alert supervisors regarding employees who exceed a certain level of working hours. Keeping employee health in mind, we take measures on a case-by-case basis to alert employees and reduce working hours by, for example, encouraging departments to distribute work more evenly if there are employees who work long hours.

Wage system

We comply with the minimum wage required by laws and regulations and pay wages at or above the minimum wage established in each country. In addition, we offer wages that are sufficient to cover daily necessities.

We adhere to equal pay for equal work and apply a compensation system that is unified across genders for the same qualifications and duties.

Preventing child labor and forced labor

When recruiting employees, we limit our hiring to individuals who have already reached 18 years of age prior to April 1 in a given year. When hiring, we verify the applicant's age by checking the certificate of residence. We do not tolerate any form of forced labor, and we do not restrict freedom of movement by such means as keeping employees' passports or other important documents.

Human Rights Due Diligence

The Risk Management Committee identifies and assesses human rights risks, including labor in our business field, devises action plans. The risks are reported and proposed to the Board of Directors appropriately.

System for employee representatives to engage with management

We have a system in which we seek the opinions of designated employee representatives and take them into consideration as needed when making changes to employee-related rules and regulations. In addition, in accordance with Article 8, Paragraph 2 of the Pharmaceuticals and Medical Devices Act, as well as internal regulations, the pharmacy manager is required to express their opinions to the pharmacy proprietor to ensure that there are no health and sanitation hazards.

Details and content to be addressed to the proprietor:

- Matters concerning the management of the pharmacy's structural facilities and pharmaceuticals and other supplies
- Matters regarding pharmacists and other employees working at the pharmacy
- Other matters related to pharmacy operations

Employee-related data

	FY2020	FY2021	FY2022	FY2023
Voluntary turnover rate of full-time employees (consolidated)*1	6.4%	7.3%	7.8%	8.2%
Contract employees (total of fixed-term and indefinite-term contracts) as a percentage of total employees (consolidated)	3.5%	3.4%	3.2%	3.0%
Temporary employees as a percentage of total employees (consolidated)	1.9%	2.0%	2.3%	4.1%
Employees with disabilities as a percentage of total employees (employment ratio of persons with disabilities)*2 *3 (consolidated)	2.3%	2.3%	2.2%	2.5%

*1 (Voluntary turnover rate = total number of employees who voluntarily left their jobs during the year / total number of employees at the beginning of the fiscal year)
*2 (Employment rate of persons with disabilities = number of persons with disabilities / number of permanent employees)
*3 As of June 1 of each year

Basic Procurement Policy and Supplier Code of Conduct

Our Basic Procurement Policy is as follows.

As a company that contributes to society through medical care, we at the Nihon Chouzai Group are committed to our mission “to give people the closest possible support,” and play a role in supporting people's healthy lifestyles. We believe that we cannot accomplish our various business activities alone, and that the understanding and cooperation of all of our stakeholders is essential. We established the Nihon Chouzai Group Basic Procurement Policy to ensure responsible procurement and build sound cooperative relationships with business partners, including those in our supply chain, and will implement the policy appropriately to help create a sustainable environment and society.

The Basic Procurement Policy applies to all officers, executive officers, and employees of the Nihon Chouzai Group, and we will conduct our procurement activities in accordance with this policy.

1. Compliance with laws, international norms, and internal rules

We will comply with domestic and international laws and regulations, international norms, and internal rules in our procurement activities. Furthermore, if there are differences between the laws and regulations of a given country or region and international norms, we will adhere to the higher standard, and if there are conflicting standards, we will pursue ways to maximize compliance with international norms.

2. Providing safe and secure services and products

We will ensure that safety and security are prioritized in every aspect of our services and products provided to all stakeholders. In addition, we will strive to continuously provide services and ensure a stable supply of products with an appreciation for the importance of our social

responsibility in healthcare.

3. Respecting human rights and ensuring an appropriate working environment

We respect fundamental human rights and prohibit unfair discrimination and harassment in our procurement activities. Furthermore, we will check for human rights violations and unfair labor practices, and if we discover any unfair practices, we will examine options for corrective action and then suspend transactions if the practices are not rectified.

4. Environmental preservation

We will work together with suppliers in our procurement activities to preserve the environment and reduce our environmental impact.

5. Conducting fair business practices and preventing corruption

We will engage in fair, just and free competition in our procurement activities, and will engage in fair transactions with all suppliers based on appropriate standards. In addition, we will not engage in any form of corrupt practices in Japan or overseas.

6. Revisions and abolishment

The Board of Directors will be responsible for revising or abolishing this policy.

7. Enactment

This policy will go into effect on January 1, 2023.

Our Supplier Code of Conduct is as follows.

Dear supplier,

This Code of Conduct outlines matters that we expect all of our business partners to comply with. The Nihon Chouzai Group will pursue procurement from suppliers that comply with these matters. We hope that your company will communicate the content of this Code of Conduct or similar guidelines that you have to your business partners and encourage them to comply with it.

■ Scope of application

We expect suppliers directly doing business with the Nihon Chouzai Group to comply with this Code of Conduct. In addition, we hope that second tier suppliers and other indirect business partners, as well as those we work with through agencies, will also comply by this Code of Conduct.

■ Operation

The Nihon Chouzai Group will pursue procurement from suppliers that address the matters set forth in this Code of Conduct. In addition, we will use this Code of Conduct as one of the factors in determining whether to continue conducting business with your company.

■ Inspection

Suppliers shall respond to questionnaires, accept on-site audits, submit relevant materials and records, and respond to other requests from the Nihon Chouzai Group regarding the status of compliance with this Code of Conduct.

■ Reporting violations and corrective actions

Suppliers must report any violation or potential violation of this Code of Conduct to the Nihon Chouzai Group as soon as they become aware of such violation or potential violation. If a violation is found, suppliers must formulate a plan to eliminate the violation, implement corrective actions, and report to the Nihon Chouzai Group. Depending on the nature of the violation, Nihon Chouzai Group may terminate the contract.

■ Matters to be complied with

The following is a list of matters that we expect all of our business partners to comply with.

1. Complying with laws and international norms

Suppliers must comply with the relevant laws and regulations and international norms in each country and region in which they conduct business activities.

2. Conducting fair business practices and preventing corruption

(1) Fair competition

Suppliers must not engage in any conduct that restricts fair and free competition.

(2) Corruption prevention

Suppliers must not engage in any form of corrupt practices such as bribery, collusion, etc. Sound relationships with government or public officials shall be maintained, and no money, gifts, entertainment, or other financial benefits shall be offered, promised, or proposed in return for business.

(3) Severing relations with antisocial forces

Suppliers must not have any relationship with any group or individual that may disrupt the social order or sound corporate activities.

(4) Relationship with medical institutions

Suppliers must maintain fair and transparent relationships with medical institutions in compliance with various laws, regulations, and guidelines.

(5) Donations

Suppliers must comply with relevant guidelines and ensure proper disclosure and transparency when making donations.

(6) Preventing insider trading

Suppliers must comply with the rules of the securities market and not engage in insider trading that violates laws and regulations, such as buying or selling shares or other securities while knowing material non-public information about a company or its business partners, etc.

(7) Protecting intellectual property

Suppliers must not engage in business activities that infringe on the intellectual property rights of other companies.

3. Human rights and labor

(1) Prohibition of discrimination and harassment

Suppliers must eliminate discrimination and harassment of any kind on the basis of race, color, gender, disability, nationality, language, religion, creed, ideology, property, family origin, or other status, and prohibit discrimination and harassment in employment, treatment, promotions, and other decisions based on these grounds.

(2) Prohibition of forced labor

Suppliers must not engage in any form of forced labor, slavery, or human trafficking. In addition, the human rights laws and regulations of each country shall be observed.

(3) Prohibition of child labor

Suppliers must not allow children who have not reached the working age as defined by the laws and regulations of each country or region to work.

(4) Freedom of association and the right to collective bargaining

Suppliers must accept the freedom of association and the right to collective bargaining by their employees.

(5) Reducing excessive working hours

Suppliers must comply with the laws and regulations of each country regarding working hours, establish holidays and appropriate working hours, and strive to reduce excessive working hours.

(6) Paying more than the minimum wage

Suppliers must pay wages that exceed the legal minimum wage in each country or region.

(7) Maintaining occupational health and safety

Suppliers must maintain their facilities in a manner that takes into consideration the safety and health of their employees. The safety of facilities shall be maintained through appropriate repair work, etc.

4. Environment and animal welfare

(1) Reducing CO2 emissions and mitigating climate change

Suppliers must work to prevent global warming and mitigate climate change by reducing greenhouse gas (GHG) emissions, including CO2 emitted through business activities, and by implementing energy conservation initiatives.

(2) Reducing environmental impact

Suppliers must acknowledge their corporate social responsibility and strive to reduce environmental impact throughout their group's business activities. In addition, suppliers must actively promote the introduction of technologies that reduce environmental impact and transition to renewable energy sources.

(3) Reducing waste and efficiently using resources

Suppliers must work to build a recycling-oriented society by using resources more efficiently, reducing, reusing, and recycling waste, and shifting to environmentally friendly materials and reusable containers.

(4) Improving water use efficiency

Suppliers must improve water use efficiency and reduce environmental impact by lowering water consumption, finding secondary uses for wastewater, and properly treating contaminated water.

(5) Preserving biodiversity

Suppliers must work to preserve biodiversity by recognizing the impact of their business activities on ecosystems and minimizing impact on biodiversity through business activities that preserve ecosystems as well as through appropriately treating chemical substances generated as part of our business activities.

(6) Respecting animal welfare

Suppliers must respect the lives of animals, minimize pain and limit the number of animals to the minimum necessary when conducting animal experiments. Animal experiments shall be conducted in compliance with relevant laws and regulations, and efforts shall be made to have the animal husbandry and experiment implementation systems verified by an external organization.

Supply Chain Management

We try to ask for the understanding and corporation of our suppliers with regard to Nihon Chouzai Group Human Rights Policy, Nihon Chouzai Group Environmental Policy, Nihon Chouzai Group Basic Procurement Policy and Nihon Chouzai Group Supplier Code of Conduct by sending them to suppliers which account for 90% of the procurement value of Nihon Chouzai Co., Ltd. Furthermore, we assessment risks by conducting a sustainability survey of the suppliers in order to monitor their efforts related to human rights, labor, environment, and corruption prevention. Based on the results, we require suppliers who are judged as “high-risk suppliers” to make improvements regarding evaluation items that we consider important. In FY2022, we identify two suppliers as high-risk. We will continue to conduct sustainability surveys and risk assessments on a regular basis.

Guidelines for transparency of relationships between corporate activities and medical institutions

Nihon Generic, which is under our Pharmaceuticals Manufacturing and Sales Business, is committed to ensuring a stable supply of safe, high-quality generic drugs, providing accurate and up-to-date information on generic drugs, and conducting appropriate promotional activities in accordance with laws and regulations such as the Pharmaceuticals and Medical Devices Act, the Japan Generic Medicines Association (JGA) Charter of Corporate Conduct, JGA Compliance Program and Guidelines 2021, and other related regulations established by the JGA, which Nihon Generic is a member of, as well as the rules set forth by Nihon Generic and the spirit of those rules.

It goes without saying that close collaboration with medical institutions*1 is necessary in conducting such corporate activities, and we believe that by ensuring transparency in the relationship between both parties, it will be widely understood that Nihon Generic's corporate activities contribute to the development of life sciences, including medicine and pharmaceuticals, and are conducted with the highest ethical standards.

Following the formulation of the Guidelines for Transparency of Relationships between Corporate Activities and Medical Institutions by the JGA, Nihon Generic also formulated its own Guidelines for Ensuring Transparency in Relationships with Medical Institutions*2. With the establishment of these guidelines, Nihon Generic have also formulated the Transparency Guidelines for the Relationship between Corporate Activities and Medical Institutions*2 and promoted more transparent corporate activities.

In addition, payments and funding to medical institutions are disclosed through our website at an appropriate time after the close of the relevant fiscal year.

*1 The term "medical institutions" refers to:

- (1) hospitals, clinics, nursing care facilities, pharmacies, and other medical institutions;
 - (2) medical-related organizations including academic associations, research groups, and foundations, as well as medical-related research institutions; and
 - (3) physicians, dentists, pharmacists, nurses, and other medical professionals.
- Medical-related research institutions include contract research organizations (CROs), universities, hospitals, national and public research institutes (including research institutes of independent administrative agencies).

*2 Guidelines for Transparency of Relationships between Corporate Activities and Medical Institutions can be accessed here. (Japanese only)

<https://www.nihon-generic.co.jp/company/guideline.html>

*3 Information released in FY2021 can be accessed here. (Japanese only)

<https://www.nihon-generic.co.jp/company/guideline/agree.html>

Initiatives related to advertising, marketing, and promotion of pharmaceutical products

In March 2012, the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) released its new Code of Practice, which covers not only marketing activities but also interactions with healthcare professionals, medical institutions, patient groups, and others, as well as the promotion of pharmaceutical products. In response, the Japan Generic Medicines Association (JGA), which Nihon Generic is a member of, implemented the Code of Practice (JGA Code) in April 2014, based on the IFPMA Code of Practice, and stipulates the interaction with healthcare professionals, patient groups, wholesalers, and others for all officers and employees of member companies.

Nihon Generic established a Code of Practice*1 in accordance with the spirit of the JGA Code, which stipulates matters such as the responsibilities of top management, interaction with medical professionals, relationships with patient groups and wholesalers, prohibition of information provision prior to marketing approval and off-label usage recommendations, provision of goods and money, conduct related to testing and research activities, and promotional activities such as advertising and marketing of pharmaceutical products. Our officers and employees carry out their daily activities in accordance with our Code of Practice.

*1 The Code of Practice for Nihon Generic can be accessed here.
https://www.nihon-generic.co.jp/en/assets/pdf/codeofpractice_En.pdf

Initiatives to contribute to local communities

▶ Holding health events and setting up Health Check-Up Stations

Under our Group philosophy "to give people the closest possible support," and as a provider of medical services that contribute to local communities, we hold health events at local community centers, health promotion facilities, and Health Check-Up Stations located inside Nihon Chouzai pharmacies to help local residents maintain and manage their health and raise awareness of preventive healthcare.

In addition, our Health Check-Up Stations provide a space for health consultations and health measurements, offering simple blood tests to determine blood conditions, health checks using health measurement devices, and health consultations with pharmacists and dietitians. We primarily organize the following health events.

- Summer heat fatigue and heat stroke prevention seminar
- Skin age and nutrition seminar
- Vascular age measurements
- Frailty assessment, etc.

< Examples of health events >

•Vascular age measurements

We organize events to measure vascular age which indicates health condition for helping local residents maintain and manage their health. Based on the results, pharmacists and dietitians provide advice about diet and exercise.



•Work experience of pharmacist for children

We organize events of work experience of pharmacist for children to promote understanding and get them interested in work of pharmacist.



▶ Support the healthcare and welfare fields (e.g., persons with intractable diseases or disabilities)

We support persons with intractable diseases or disabilities, and their families in cooperation with their support groups by volunteer activity and conducting awareness-raising activities like seminars.

< Examples of activities >

•Seminar for supporting children who are deaf and blind

We held a seminar for supporting children who are deaf and blind in cooperation with Japan Deafblind Association. The seminar created an opportunity to provide a variety of information, including lectures from various experts about "How to communicate with deafblind children" and "Ophthalmological care and healthcare for the deaf-blind", as well as an explanation of online pharmacy service by sign language.



•Participation in a networking event of "Certified NPO Tokyo Friendship Society of the Deafblind" as lecturers

We participated in a networking event which was held by Certified NPO Tokyo Friendship Society of the Deafblind as lecturers. The theme of the event was "Medicine and Nutrition". We gave lectures providing useful information for deaf blind persons and their helpers, including how to use pharmacies and medicine records, and dietary tips for preventing malnutrition.



•Participation in an event for children with medical complexity

We participated in a festival which were taken place by NPO organization "Urizun" as volunteer staff."Urizun" is a group which support children with medical complexity and their families.



▶ Contributing to free PCR testing program

We implemented a program initiated by the local government to establish and promote vaccine testing packages, tested for all applicable persons, etc., as well as a general testing program when infection counts rose, and offered our pharmacies as a COVID-19 PCR testing center.

- Number of pharmacies in the program: 289
- Number of PCR tests conducted: 7,676
- Number of antigen tests conducted: 30,904

Program period: January 2022–May 2023

▶ Signed a comprehensive collaboration and cooperation agreement with Yahaba Town, Iwate Prefecture, on health promotion programs*2

In response to increasing medical and nursing care costs resulting from social factors such as the declining birthrate, aging population, and advances in medical technology, as well as various medical issues that may arise in the future, Yahaba Town has established Well Base Yahaba, a health promotion facility operated by the town, on the premises of Iwate Medical University Hospital (Cosmos Hall) as a health promotion center for the town's residents. By increasing the number of healthy and active town residents, we aim to contribute to the sustainable development of the community and curb the rising costs of medical care and nursing care. We fully support this program by providing medication and nutritional guidance, analyzing medication and health related data, cooperating in health seminars, and centrally managing medication using information and communications technology at the Nihon Chouzai Iwate Medical University Pharmacy located within the facility.

*2 Click here to see the February 25, 2022 news release "Nihon Chouzai Signs Comprehensive Collaboration and Cooperation Agreement with Yahaba Town, Iwate Prefecture, for Health Promotion Programs". (Japanese only)

▶ Donations to non-profit organizations

Contribution to 2024 Noto Peninsula Earthquake: 10 million yen in FY2023

Donald McDonald House Charities Japan (DMH UTokyo)

We donated consumable items provided by our manufacturers as samples. (lotion, toner, first-aid kit, etc.)