

# 3 Base that supports Nihon Chouzai

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# Human (Investment in Human Resources)

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, in order 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 a common part of the duties performed by pharmacists more than ever, whether it is family pharmacists, for at-home medical care, or throughout the range of specialized fields. We believe that securing high-quality human talent is a key issue for enabling us to implement our growth strategy to survive as the industry undergoes reconstruction. Although the number of pharmacists hired decreased from the previous fiscal year due to the raising of our hiring standards, we are hiring close to 400 pharmacists each year. In addition, in the "Mynavi/Nikkei 2021 popularity rankings of Japanese companies among job-seeking students graduating in 2021" targeted at university and graduate school students scheduled to graduate in March 2021, we came number one in the dispensing pharmacy and drugstore industry for three out of the four categories related to our company.



\* Extracted by the Company from the Nihon Keizai Shimbun Part 2 dated April 8, 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 have also created an official LINE (popular social media app) account, in an effort to proactively convey information to pharmacy students.



### Internship

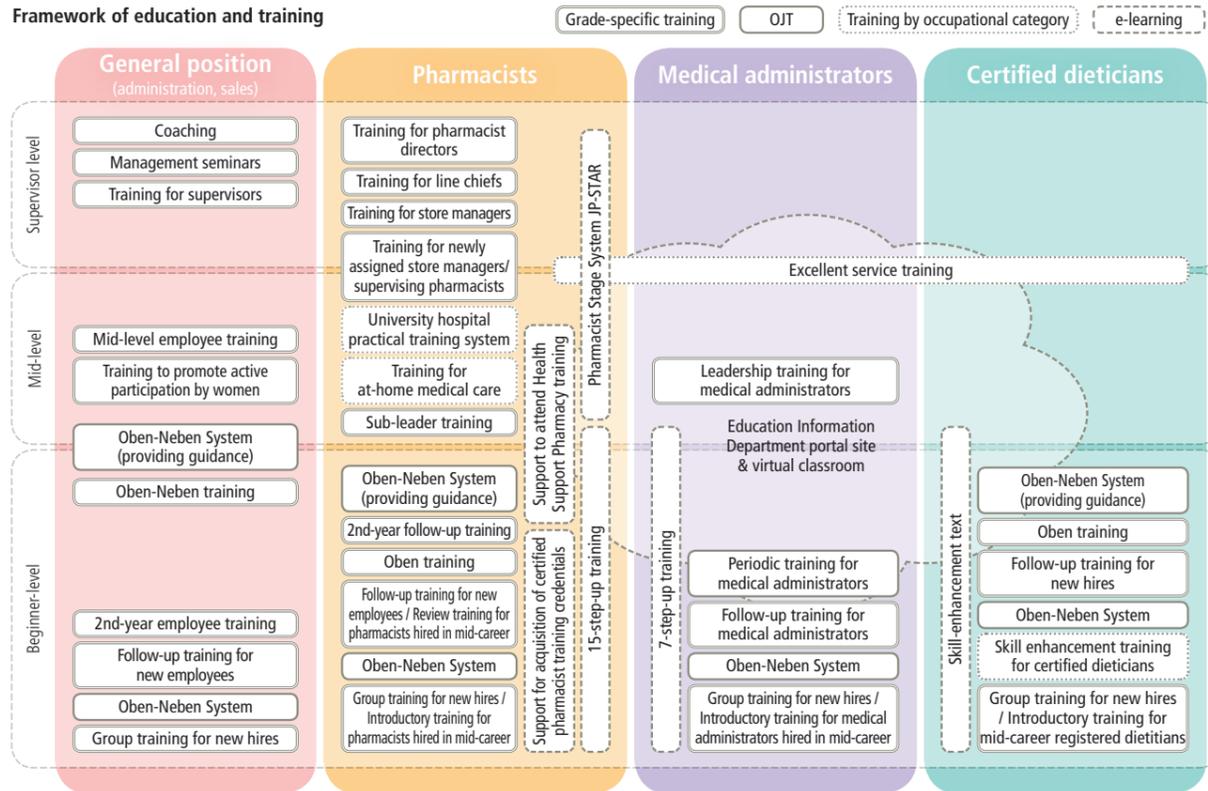
We offer internships in all of our occupational categories, providing opportunities for interns to experience working and career opportunities at Nihon Chouzai. This also provides a venue where interns can interact with employees. A total of approximately 1,500 people participated in this internship program for pharmacist students for the year.



## 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



### Enhancing Training of Increasingly Needed Expert pharmacists → Differentiation from Competitors

As the Dispensing Pharmacy Business has already achieved "recruitment of high-quality pharmacists," we have moved on to the next step, which is the phase for "high-quality education." We have launched the Pharmacist Stage System in April 2018, recommending acquisition of internal credentials. The Company also provides full support so that employees can step up to acquiring more advanced external credentials. Because hospital training in addition to pharmacy work experience is essential for acquiring external credentials, we conduct hospital training for over 100 pharmacists each year.

#### Training system

- (1) 15-step-up training over 5 years, various training
- (2) Pharmacist Stage System (April 2018-)
- (3) Support for acquiring external credentials
- (4) Hospital training for over 100 pharmacists per year



### 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.



### Training for Newly Assigned Store Managers

We actively exchange opinions through group work between store managers tasked with the management of their businesses, covering a range of topics including their roles as leaders, guidance of subordinates, and marketing aimed at enhancing business performance. We aim to enhance their awareness and abilities as managers, while also placing an importance on creating horizontal connections within the Company.



### Mentor System

This is a program in which third-year employees and their seniors from other departments are paired up for regular mentoring sessions. We have been conducting trials since 2018, and are preparing the system for a full-scale introduction as we expand its scope of coverage.



### Management Seminars

This is a next-generation leader training program, in which we invite well-known instructors from outside the Company to provide advice, while each team considers company issues and offers specific recommendations to management. Through the repeated exchanging of opinions within teams while being aware of the issues, we are promoting their growth as next-generation leaders.



### Coaching Program

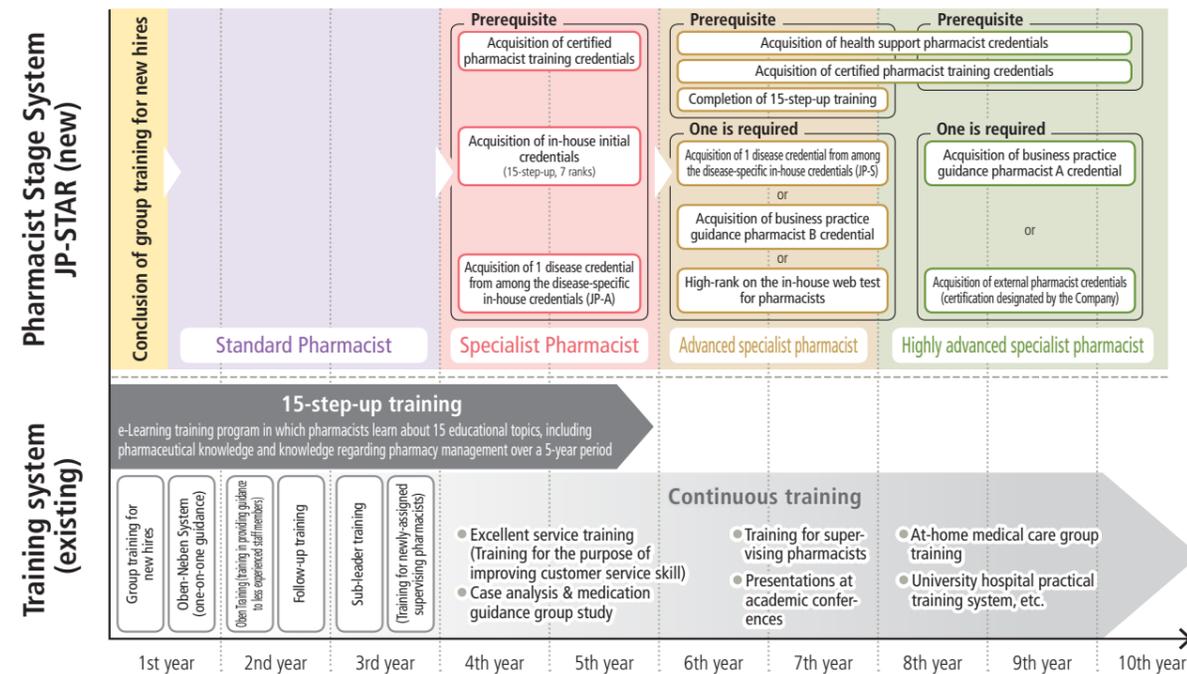
Since fiscal 2017, we have been conducting a coaching program run by an external specialized organization to promote 1-on-1 communication to selected managers. The results are shared to be utilized in communication with stakeholders and subordinate guidance.



## Evaluation

### Pharmacist Stage System

Nihon Chouzai created the internal Pharmacist Stage System JP-STAR to evaluate and promote 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 eight fields including 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. Evaluation of the pharmacist's advanced level of knowledge, skills and attitude facilitates an increased degree of motivation and enhanced skills.



**Evaluation systems**

- Evaluation of acquiring in-house credentials (Provision of allowances/displaying of credentials on name plates)**
  - Advanced specialist pharmacist
  - Highly advanced specialist pharmacist
- Evaluation of acquiring external credentials (Provision of allowances/displaying of credentials on name plates)**
  - (1) Accredited Pharmacist of Ambulatory 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 pharmacy 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 (store award and individual award), and we provide the JP-CS Role Play Award to those who have demonstrated role playing service to patients. We offer a variety of programs to individual recipients of awards, such as experience to learn hospitality, which provides an opportunity for them to further enhance their skills.

Best pharmacy of branch	Best staff of hospitality	Role-play awards
<b>Award for pharmacies that provide superior service</b> 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, followed by recommendations by supervisors and a final check from the person in charge of customer satisfaction.	<b>Award for staff who provide superior service</b> 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.	<b>Award staff who have superior care capabilities</b> 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. 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

### Diversity & Inclusion

#### Promoting women's advancement in our workplaces

**<Targets – from the action plan>** At least 30 women in Area Manager positions and Chief positions or higher in administrative departments

- I Establishing systems**  
Designing of systems that support the continued employment of female employees who experience childbirth
  - 1 Establishment of childcare leave/maternity leave system, working time reduction system, various work-life balance support measures
  - 2 Promotion of a thorough awareness of the various systems
- II Establishing environments (human resources/training)**  
Provision of information such as training opportunities for managers and female employees
  - 1 Implementation of training for managers
  - 2 Provision of training opportunities for female employees
  - 3 Active placement of females in positions with historically few women
- III Creating "gender-independent career opportunities"**  
**<Specific vision>**
  - More female employees, including female employees using the working time reduction system, are assigned to Area Manager and managerial positions.
  - Percentage of women is increasing in all positions, such as store development and sales.

#### Supporting work-life balance and childbirth/childrearing

We provide support to help employees who have experienced a life event 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. Nihon Chouzai has many employees that balance both "work" and "child-rearing," creating an atmosphere in which they can cover one another.

#### 1 Various systems

- Prenatal/Postnatal leave
- Childcare leave: 1 year (available until the child is 2 years old if the child cannot be admitted to a nursery)
- Childbirth congratulatory money
- Working time reduction for childcare (finishing time can be shortened in 30-minute increments, up to 2 hours per day, until the child enters elementary school)
- Nursing leave system (leave may be taken for nursing when a child becomes ill, receiving vaccinations or medical examinations)
- Maternity leave system for spouses (in order to encourage male employees to participate in childcare, a leave system is provided separately from paid leave)

**Take a look at this !**

**"Maternity trousers"**

We make "maternity trousers" available for expectant pharmacists who are working while protecting their babies until they go on prenatal leave. Since the white garment has a rubber part on the abdomen with less tightening, they can work comfortably, and it also helps prevent cold and swelling in the abdomen and feet.

#### 2 Support for work-life balance

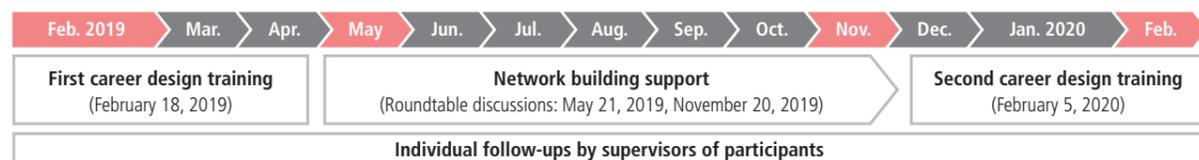
With the membership-based health and welfare benefits service, a wide variety of menu items that are useful for daily life and holidays are available at a reasonable price. Services such as monthly childcare facility subsidies and childcare facility vouchers are included in the menu, in addition to corporate contracts with babysitter service companies and securing priority admission slots through cooperation with various childcare facilities. We are working to enhance systems that support employees who want to balance their work and raising children.

<b>Cooperation with various childcare facilities</b>	Priority admission for the children of Nihon Chouzai employees Admission free-of-charge, other costs subsidized
<b>Corporate contracts with babysitter services</b>	No initial fee or annual fees Subsidy program for employees
<b>Payment of various subsidies</b>	Childcare facility vouchers Monthly childcare facility subsidies

## Engagement

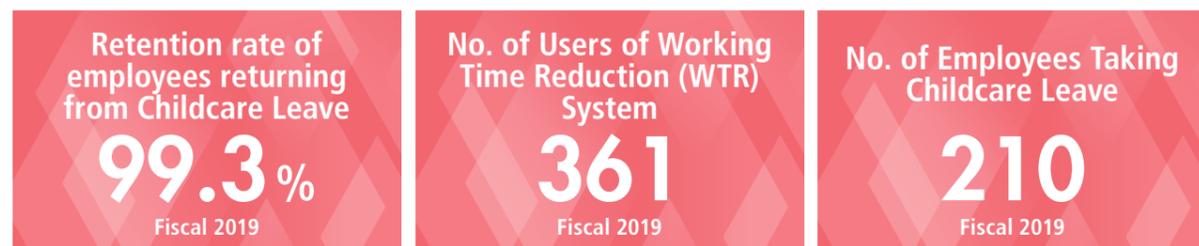
### 3 Work-life balance support project for female employees raising children

In February 2020, we held the second career design training session as the final round of the work-life balance support project 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 the direction of their careers by promoting a more forward-looking vision in the current “child-rearing” stage of their lives, and also to build a network of female employees who are raising children. We hope that the participants will demonstrate their presence in their respective departments and further grow as role models by making the most of the networks cultivated through the year-long efforts.



### 4 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. In addition, we have created a system which will enable employees to preferentially return to the Company after they have retired on account of compelling personal reasons, such as marriage, childbirth, child rearing, caregiving, or the work transfer of a spouse.



## Results of Efforts to Promote Women’s Advancement in the Workplace

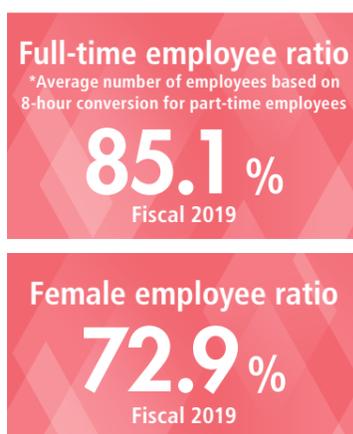
Traditionally, the pharmacist profession has a high ratio of females, and of the pharmacists employed at Nihon Chouzai 64% are female. For that reason we endeavor to support the careers of female employees and raise awareness among management, and take Company-wide efforts to promote their active participation.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

### Acquisition of the highest level of “Eruboshi” certification

As a result of continuing our 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, in 2018 we 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.

Amidst rising expectations placed on 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. Workstyle 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.

### Proactive dissemination of personnel rules to worksites

From the perspective of reducing overtime work and strengthening our efforts to promote the acquisition of paid leave, we are regularly providing opportunities for Area Managers and Store Managers to receive explanations from HR staff, aiming to change mindsets such as the thorough enforcement of attendance rules at worksites.

## 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)>



\*Has achieved 100% health checkup rate every year (since fiscal 2014)

### Prohibition of smoking and installation of disinfectant at all sites

Smoking is prohibited at all locations, including headquarters, branches, and pharmacies.

In addition, from the perspective of disease prevention, disinfectants are installed at the entrances and exits of all pharmacies, headquarters, and branches.

## Mid-career Recruitment (career recruitment)

In addition to hiring new graduates, we are strengthening the career recruitment of human resources required by each department. By acquiring highly specialized human resources from outside, we are not only fulfilling the positions in need of human resource, but also strengthening the expertise of the entire organization and creating new value which is different to existing employees.

## Promoting Hiring of the Disabled

We employ approximately 100 workers with disabilities. By achieving the rate of 2.29% (as of June 2020), we have surpassed the statutory employment rate. We are expanding relevant occupational areas while promoting active employment.

### Expansion of occupational categories

In addition to the traditional occupational categories of pharmacist, medical administrator and office worker, we are expanding occupational categories, such as employees who are tasked with being the driver when a pharmacist is making a home visit.

### Using sign language to provide care and medication 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.

In recent years, expectations have risen for the existential value of dispensing pharmacies and pharmacists. We believe it is important to think proactively about the value that Nihon Chouzai can provide as a pharmacy company, and then to act and disseminate such information to patients and other stakeholders. Expressed in the Company's policy of "Be Active!" is our hope for employees to take self-driven action by regarding change as an opportunity.

# Be Active! – INTERVIEW

## Building the corporate brand and enriching life through work

**Mr. Ogami** (General Manager, Promotion Department and Human Resources Department)

In the past, I have worked in stores with various people as an Area General Manager. Since we have many female employees, we have focused our efforts on initiatives to make an organization where they can foster career awareness while adapting to various life events, such as by creating an environment where it is easy for female employees to take maternity leave and establishing relationships between employees to make it easy to work after returning to work.

Having many employees with children makes an immeasurable contribution to a company. Thanks to their depth of life experience, these employees can earn the trust of many patients, not limited to those of the same generation, and they can work patiently to train the younger generation of employees.

As our company aims to be a "pharmacy of choice," we hope to build a company that our own employees would recommend to their families, and their families would want to support Nihon Chouzai.

**Profile >>>** Joined the Company in 1996 and worked as a pharmacist at a pharmacy under the jurisdiction of the Sapporo Branch. After working in the Pharmaceutical Headquarters in 2009, served as the pharmacist director of the Kyushu Branch and has been engaged in human resource education, store management, and work-style reforms since 2010. Currently concurrently holds the positions of General Manager of the Promotion Department and Human Resources Department at the headquarters.

### How I "Be Active!"

Never forgetting the Frontier Spirit, I want to continue to take on challenges in unknown fields. I want the Company to be one that has the brand power we can be proud of, so that everyone offers praise to learn that I work for Nihon Chouzai.



## Utilizing manager experience to support the creation of patient-first pharmacies

**Ms. Akimoto** (Chief, Urafune Pharmacy)

After joining the Company as a new graduate, I was absorbed by the work in front of me. However, at the timing of my 11th year in the Company, I was asked to become an Area Manager. Before I took this position, I was worried. However, since I was assigned by my boss who had overseen me up until that point, I took up the position with a desire to live up to their expectations.

As an Area Manager, in addition to management tasks such as making sure "each staff member performs his or her duties with purpose so they shine upon the stage of the pharmacy," it is also important to build relationships with surrounding medical institutions and related facilities.

It was very rewarding to encourage individual employees to increase their morale and then see them give back to patients as a result. In addition, in order to talk at the same level as people in other occupations outside of the Company, it is necessary to have a thorough understanding of industry topics and pharmacy sites. As I was not aware of such perspectives when I was working inside of the pharmacy, I think that this led to my own personal growth.

Going forward, I would like to continue working to create pharmacies so that Nihon Chouzai will become the pharmacy of choice for patients, medical institutions, and also our employees.

**Profile >>>** Joined the Company in 1999 and worked as a pharmacist at a pharmacy in Kanagawa Prefecture. Consequently, worked as a Store Manager and Area Manager. After two maternity and childcare leaves, she has now returned to a pharmacy and is working everyday so that it becomes the pharmacy of choice for patients and one in which employees can shine.

### How I "Be Active!"

I always try to behave in a way that makes everyone involved in the pharmacy, including patients and staff, can feel joyful. To that end, I believe it is important to think out what is the best response for patients, understand the situation and feelings of others, and take the initiative in work.

## Responsible for the education of medical administrators, the "faces of the pharmacy"

**Ms. Sato** (Subsection Chief, Insurance Section, Pharmaceutical Administration Department)

I joined the Company with the hope that I would be able to work for a long time while maintaining a balance between home life and building a career. After gaining experience in medical administration, I am currently engaged in various efforts such as the education and operational enhancement of medical administrators. The project, which spans two years, has finally been expanded to all pharmacies.

I think that medical administrators at a pharmacy are closely tied to patients and can be one of the reasons that patients choose to come to the pharmacy. Going forward, I would like to be able to provide a path to advance their careers as medical administrators by developing an environment in which pharmacy staff can work with peace of mind.

**Profile >>>** Joined the Company in 2004 and worked as a medical administrator at a pharmacy in Tokyo. After experiencing multiple pharmacies, she was assigned to the current department. Working on education and streamlining of medical administrator operations and receipt-related operations.

### How I "Be Active!"

I hope that each and every one of us will work with enthusiasm and motivation, and, as a result, we will be able to turn that into the smiles of many people, including our patients.



## Working in a general position to consider on-site employees and patients

**Mr. Ishii** (Unit Head, Sales Promotion Department)

When I first joined the Company, there were few seniors who began in the general position as new graduates, and I could not envision my future career path. I moved to the system department, departments that worked closely with pharmacies, and the sales department, steadily gaining experience. In the departments that worked closely with pharmacies, I learned the attitude of how to think and work for patients, and in the sales department, I was able to get involved in the opening of new pharmacies that patients are happy to use.

Going forward, I will continue to place great importance on employees working on-site at pharmacies, work hard for our patients, and be a model for general position new graduates.

**Profile >>>** Joined the Company in 2011 as a general position new graduate. In the System Department, to which he was initially assigned, he was in charge of managing the corporate website and introducing system equipment to newly opened pharmacies. Subsequently, he joined the current department after experiencing the Purchasing Department, the Pharmaceutical Administration Department, and MC-Mentaio Sales No. 2 Department.

### How I "Be Active!"

As a Sales Department staff member, I had to search for land and properties from scratch, and I used the philosophy of "Be Active" to search around on foot and walked an average of over 20,000 steps a day.

## Utilizing my career so far to bring "new winds" into Nihon Chouzai

**Ms. Minagawa** (Deputy General Manager, Pharmaceutical Administration Department, Pharmaceutical Headquarters)

Since joining the Company, I have been hiring registered dietitians, expanding their areas of work, and increasing their visibility in order to strengthen the pre-symptomatic and healthcare fields in the Pharmaceutical Administration Department. I used to be engaged in the promotion of health, such as planning, PHR development, and as a seminar lecturer in my previous positions, and I am utilizing this experience to create pharmacies that are open to the community.

I think that registered dietitians who specialize in nutrition and food can "connect communities and pharmacies." I am encouraged by each and every registered dietitian joining the Company that continue to take on challenges, and my job is to spread these efforts nationwide.

**Profile >>>** Joined the Company in 2017. Prior to joining the Company, gained a wide variety of experience working in sales, public relations, and systems-related positions. During her career, she felt the need for the healthcare industry in the future and acquired a qualification as a registered dietitian. After joining the Company, she has been engaged in pharmacy operations at the Pharmaceutical Administration Department, Pharmaceutical Headquarters.

### How I "Be Active!"

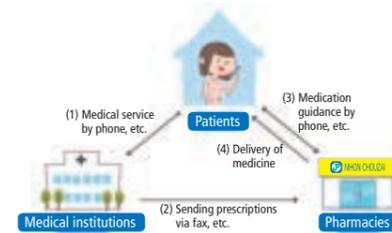
I want people to know about the existence of registered dietitians and create places in which they can exercise their abilities! Creating something from scratch so that it leads to fulfilling these wishes – that is the philosophy of "Be Active" at work. Not forgetting my curiosity, interacting with people from other industries, and interacting with diverse values when traveling abroad – these also lead to my "Be Active!"



## Together with Local Communities

### In order to prevent the spread of COVID-19, conducting medication guidance by telephone and medicine deliveries from our pharmacies nationwide

With the spread of COVID-19, it has become difficult for people to receive medical treatment at medical institutions. Based on a notice issued by the Ministry of Health, Labour and Welfare on April 10, 2020, measures have been taken on an exceptional, limited time basis to enable delivery of medicine, as well as medication guidance using information communication devices such as by telephones and video calls at pharmacies. At Nihon Chouzai, we have started accepting prescriptions via fax, medication guidance by telephone, and home delivery of medicine. We have built a system to share prescriptions with medical institutions via fax by using "curon," an online medical service from MICIN, INC. Additionally, at some pharmacies, we have introduced "CLINICS," an online medical care system from Medley, Inc., in order to provide medication guidance through video calls.



### Case studies of using our electronic medication notebook, Okusuri Techo Plus, were posted on a government website that introduces measures to prevent the spread of COVID-19



Several initiatives by Nihon Chouzai, including rapid delivery of medicine using our electronic medication notebook Okusuri Techo Plus, were posted as good examples at pharmacies on a website introducing example efforts to prevent the spread of COVID-19 (<https://distribute-dei-taisaku.jp/>). This website was established as a joint effort by the Ministry of Economy, Trade and Industry; the Ministry of Agriculture, Forestry and Fisheries; the Consumer Affairs Agency; and the Distribution Economics Institute of Japan. In order to minimize the time patients spend waiting at our pharmacies, we have worked to ensure that medicine can be given to them faster by having them send their prescriptions to the pharmacy in advance using the "send prescription function" of Okusuri Techo Plus. In addition, by implementing the following initiatives at our head office, branches and pharmacies, we have established a system that takes into consideration how to prevent infection of patients and how to prevent infection of employees working at our pharmacies.

## Company-wide initiatives to prevent the spread of COVID-19

We are taking various measures company-wide to prevent the spread of COVID-19. Our main initiatives are as follows. As a company that provides medical care, we are strengthening our initiatives to prevent anyone from getting infected within the company.

### Major initiatives to prevent the spread of disease at our pharmacies

- Regularly disinfecting places in pharmacies where there is a lot of contact, such as push buttons for automatic doors, medication guidance counters, seats, etc., and placing seats to facilitate social distancing
- Using a system in which all employees wear masks and register their daily temperature measurements and attendance status online, so their supervisor can check
- Installing acrylic and vinyl partitions at receptions and medication guidance counters to prevent droplets from scattering

### Main initiatives to prevent the spread of disease in our administrative departments, including our headquarters and branches

- Changing work dates, implementing working from home and flex time, work systems distributed across multiple locations
- Cancelling internal meetings, transitioning to online meetings, cancelling welcome/farewell parties and social gatherings
- Having all employees wear masks, reporting daily temperature measurements and attendance
- Cancelling customer visits, cancelling business trips, introducing video conference systems, securing laptops
- Changing from group training to online training



## Together with Shareholders and Investors

### General Meeting of Shareholders

The 40th Ordinary General Meeting of Shareholders was held on June 24, 2020. In light of the spread of COVID-19, we recommended that shareholders use return envelopes or the Internet in order to exercise their voting rights. On the day of the meeting, shareholders who came to the venue cooperated by wearing masks, disinfecting their hands with alcohol disinfectant, and having their temperature measured at the entrance to the venue.

Nihon Chouzai speakers and event staff also wore masks and used acrylic boards and face shields, showing the utmost care to prevent the spread of the disease.

President & CEO Yosuke Mitsuhashi delivered greetings and explained our business results using slides. After that, six proposals were submitted, all of which were approved.



### Results Briefing

Although we planned to hold the Results Briefing for fiscal 2019 in May 2020, it had to be canceled due to the spread of COVID-19. Because the Results Briefing is positioned as an important dialogue with the market, we replaced the briefing with a video explaining the financial results, which was broadcasted online. We accepted inquiries from institutional investors, financial institutions, media outlets, and other parties in advance, also broadcasting a video with answers to those questions, so that our financial results briefing could ensure a dialogue with the market. Following an explanation of partial revisions to the Pharmaceuticals and Medical Devices Act and dispensing fee revisions, we offered a detailed explanation focused on the growth strategy of Nihon Chouzai in response to these revisions. Among important topics, we also explained the use of ICT and mechanization at dispensing pharmacies.

## Health Check Stations: 75 Stores (as of June 30, 2020)

Nihon Chouzai began actively operating Health Check Stations in its pharmacies in fiscal 2016. As of June 30, 2020, we have increased them to 75 stores with these stations nationwide. Health Check Stations provide various 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, national registered dietitians provide nutrition-related consultation and other services at our main pharmacies to support the improved health and lives of local residents.



## Conference Presentations: 36 presentations delivered at 24 academic conferences



In fiscal 2019, Nihon Chouzai made 36 presentations at 24 academic conferences. Due to the spread of COVID-19, we have not been able to appear at academic conferences from February 2020 onwards because some have been canceled or postponed, so these results cover the period from April 2019 to January 2020. At the JTTA Annual Academic Conference held in October 2019, we made a presentation about "Remote medication guidance in the National Strategic Special Zone using electronic medication notebooks."

From September 2020, online medication guidance will be available nationwide. We will be able to proceed with various initiatives, including the prevention of severe diabetes, by providing online medication guidance at our pharmacies nationwide.

# 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.

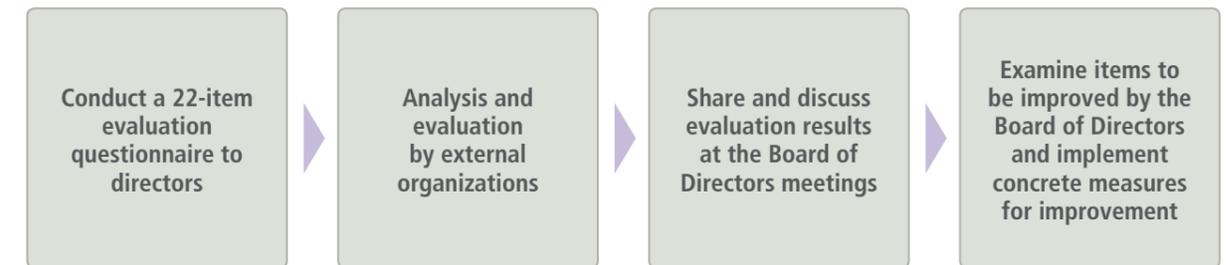
\* Corporate governance is a mechanism to assist a company in transparent, fair, speedy, and decisive decision-making whilst taking into account the positions of the company's shareholders as well as customers, employees, members of the community at large, and others.

### Initiatives for strengthening of a range of policies

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	June 2019 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 Acquired Privacy Mark certified business		
Business continuity plan	May 2017 Established business continuity plan		
Risk Management and Compliance Office	April 2020 Established Risk Management and Compliance Office		

## Analysis and Evaluation of the Effectiveness of the Board of Directors

### Evaluation process of the Board of Directors' Effectiveness



In fiscal 2019, the effectiveness of the Board of Directors was evaluated and measures were taken to make improvements. At the Board of Directors, we have secured sufficient operating time for the Board of Directors to deepen discussions on the enhancement of matters to be reported and sharing of analysis results. We also ensured sufficient time for executive training as needed.

### Efforts on items that remained to be addressed based on the evaluation of the effectiveness of the Board of Directors, and issues to be further discussed and strengthened in the future

#### Efforts on items that remained to be addressed

A wide ranging and essential training topics, including legal affairs, labor and personnel affairs, management, and crisis management, are offered to management. In fiscal 2019, lectures were given on the themes of "insider trading regulations" and "work-style reform." We also held separate training sessions for employees other than executives to deepen understanding at the company as a whole and strengthen our preparedness.

#### Issues to be further discussed and strengthened in the future

##### 1 Issues related to sustainability

We recognize that addressing issues related to sustainability, such as social and environmental issues, is an important management issue, and we will vigorously and proactively take appropriate measures. With the aim of meeting sustainable development goals, we intend to achieve medium- to long-term improvements in corporate value while balancing "Economy" "Environment" and "Society."

##### 2 Issues related to corporate governance

We have reaffirmed the importance of both "offensive" governance and "defensive" governance in our group management. We will build an optimal business portfolio for the entire group and raise our corporate group's value.

## Revitalization of Deliberations by the Board of Directors

For a free-spirited, constructive discussion and exchange of opinions, including the raising of issues by outside directors, all directors, including outside directors, are delivered materials for the Board of Directors in advance along with the annual schedule for the Board of Directors meetings.

## Management status of the Board of Directors

### Activities in Fiscal 2019

The Board of Directors meeting was held 17 times between April 1, 2019 and March 31, 2020. In principle, it is held once a month, but it is a policy to hold a meeting as needed. The Board of Directors meetings are held as a unified group, as officers of Nihon Chouzai attend the meetings of the Board of Directors of the group com-

panies. Meetings of the Audit and Supervisory Committee are also held separately from the Board of Directors meetings.

After the Board of Directors meetings, executive trainings are conducted as necessary.

Name	Title	Responsibilities and important concurrent positions	Attendance at the Board of Directors meetings
Yosuke Mitsuhashi	Representative Director	Overall management	17 times out of 17
Katsuhiko Fukai	Managing Director	Medical care cooperation / business development	17 times out of 17
Naoto Kasai	Managing Director	Sales management / sales development / corporate information	17 times out of 17
Noriaki Miyata	Director	General Manager of Sales Promotion Department, Sales promotion / MC-Mentaio (medical center/near the station and in the shopping district) sales	17 times out of 17
Toshiyuki Koyanagi	Director	General Manager of Pharmaceutical Headquarters, pharmaceuticals administration / pharmaceuticals administration promotion / education and information / promotion of generic products / purchasing / at-home medical care / healthcare promotion / marketing / branch management	17 times out of 17
Kazunori Ogi	Director	General Manager of Finance Department, accounting / finance / systems / corporate planning	17 times out of 17
Yoshihisa Fujimoto	Director	General Manager of Administration Department, general affairs / human resources / Pharmaceutical Recruitment Center / public relations / private health insurance / risk management and compliance management / CSO	17 times out of 17
Keiso Masuhara	Director	General Manager of FINDAT Business Department, FINDAT business	12 times out of 13*
Yoshimitsu Onji	Outside Director	Outside Director of Tokyo Tatemono Co., Ltd., Outside Auditor of United Foods International Co., Ltd.	17 times out of 17
Nobuyuki Hatakeyama	Director Audit and Supervisory Committee member		17 times out of 17
Tadashi Urabe	Outside Director Audit and Supervisory Committee member	Attorney, Partner of Meitetsu Law Offices	13 times out of 13*
Arata Toyoshi	Outside Director Audit and Supervisory Committee member	Certified Public Accountant, Licensed Tax Accountant, Auditor-secretary of Seikeikai Alumni Association, Auditor-secretary of The Yuumi Memorial Foundation for Home Health Care, Substitute Audit & Supervisory Board Member of Japan Private REIT Inc., Outside Corporate Auditor of SMC Corporation	13 times out of 13*

\*Appointed on June 24, 2019

### Management status of the Board of Directors and main matters deliberated

Convening of Board of Directors meeting	In principle, once a month or as necessary
Number of times convened	17 times (April 1, 2019 – March 31, 2020)
Matters deliberated	Opening pharmacies / M&A, budget / results, personnel / labor, fund procurement, establishment of rules, organizational changes, corporate governance code, acquisition / disposal of assets and others

### Policy on cross-shareholdings

The Company may hold, as cross-shareholdings, shares of companies that it deems necessary for the purpose of 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. For the exercise of voting rights pertaining to cross-shareholdings, the Company's policy is to exercise voting rights 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.

### Shares held in FY2018

	Number of issues	Total amount* (millions of yen)
Unlisted shares	1	13
Shares other than unlisted shares	1	1

### Shares held in FY2019

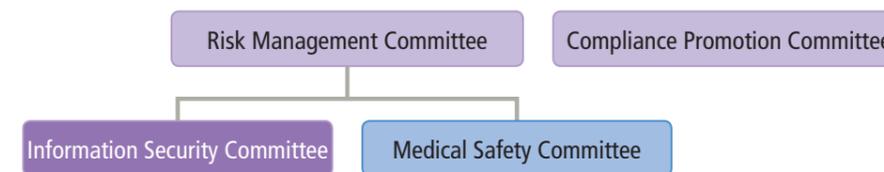
	Number of issues	Total amount* (millions of yen)
Unlisted shares	1	13
Shares other than unlisted shares	–	–

\* Aggregate amount recorded in the balance sheet

## Development and Operation Status of Internal Control System

### Structure of committees

Purpose, related departments, and the implementation status of each committee are as described below.



### Compliance Promotion Committee

#### ● Purpose

To ensure thorough compliance and improve social credibility by establishing basic matters regarding compliance efforts, building a system, and operating it appropriately

#### ● Related Departments

Risk Management and Compliance Office, 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

#### ● Status of implementation

In principle, the Compliance Promotion Committee meets once every three months. Reports and sharing of information are made on the status of compliance promotion and future plans, compliance promotion education, compliance with the Act on the Protection of Personal Information, labor compliance, internal reporting system, etc. Subsidiaries also hold similar meetings. "Compliance Education" is published monthly on the company intranet, and the "Compliance Newsletter" and "Compliance Mail Magazine" are published to raise employees' awareness of compliance.

### Information Security Committee

#### ● Purpose

To protect all information assets owned by the Nihon Chouzai Group and to build an information security system that ensures customer satisfaction and social trust by complying with laws, regulations and other rules

#### ● Related Departments

Same as Compliance Promotion Committee

#### ● Status of implementation

In principle, the Information Security Committee meets once every three months. The information security policy of Nihon Chouzai secures the security condition of "Guidelines for the Security Management of Medical Information Systems" published by the Ministry of Health, Labour and Welfare. Reports and sharing of information are made on the information management status of each department, whether or not there was any intentional or negligent information security violations by employees, cyber security cases, etc.

### Establishment of the Risk Management and Compliance Office

The Risk Management and Compliance Office was established to provide education on risk management and compliance, as well as the development and operation of a comprehensive risk management system and compliance promotion system throughout the Group.

### Establishment and dissemination of rules

To ensure the appropriateness of the Group's business operation, we have established measures such as rules, operation flowcharts and manuals, Mission Statement & Compliance CARD, Mission Statement & Compliance Policy, business continuity plan (BCP) and a disaster-response pocket manual, and are thoroughly disseminating them through the publication and circulation on the intranet.

### Risk Management Committee

#### ● Purpose

To implement risk management of the Nihon Chouzai Group

#### ● Related Departments

Same as Compliance Promotion Committee

#### ● Status of implementation

In principle, the Risk Management Committee meets once every three months. Reports and sharing of information are made on the progress of risk management, future plans, BCPs, etc. Subsidiaries also hold similar meetings.

### 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) Risk Management and Compliance Office, General Affairs Department, Audit and Supervisory Committee

#### ● Status of implementation

The Medical Safety Committee discusses all events related to medical safety management. It also discusses measures to prevent recurrence of past incidents and review improvement measures.



## Message from Outside Directors and Audit and Supervisory Committee Members

### Feeling Changes at Nihon Chouzai

What are the changes at the Board of Directors in fiscal 2019?

What issues do you see as future challenges?

The first thing I feel is that the Board has a much more positive **atmosphere**. In the past, I believe that the sense of tension was accepted in a positive way and more dominant at the Board of Director meetings. It is not that there is no sense of tension at the current board, but more than that, I have a strong impression that an atmosphere has been created in which all participants can freely and frankly discuss issues.

As for the issues to be addressed, it may be necessary to take up more **strategic management issues** than ever before, such as the future vision, to take the pharmaceutical manufacturing and sales business to the top group in the generics industry, which is one of the most important management issues of the Group. In addition, I would like to closely monitor how fast the Company responds to “emergencies” such as the spread of COVID-19.

Outside Director

Yoshimitsu Onji

For changes in the Board of Directors, I strongly feel that dialogues surrounding matters for resolution and matters to be reported are not limited between a presenter and chairman, but expand to involve the presenter, directors and the chairman. I started to see comments such as **“why?”** and **“I want to hear your thoughts”** for each matter. Especially, there are many **questions from the outside directors** and I believe some of the matters that are common knowledge within the company are not so common beyond the company walls.

I believe that a process should be established to acknowledge, identify and control the **various risks faced by the company and each department**, and the monitoring and oversight by the Board of Directors should be enhanced. I strongly believe that it is important for the Board of Directors to further sort out and fully understand the occurrence frequency of risks at each department and the degree of impact of such risks on management. In addition, I think that one of the important roles of the Board of Directors, which is becoming increasingly important in society, is to recognize the current situation from the perspective of the ESG and SDGs, and to examine how it will respond to these social demands, as well as what specific initiatives it will undertake.

Director Audit and Supervisory Committee Member

Nobuyuki Hatakeyama

At the current Board of Directors meetings, the president has expressed his desire to **hear the opinions of each director**, and we can see vividly how the president's intentions are gradually being embraced and accepted into each director's consciousness. I strongly feel that the content of discussion is not limited to numerical reports on management, but includes analyses from a variety of perspectives, including comparisons with other companies, as well as the direction of business execution based on the trends of the pharmaceutical industry and government's pharmaceutical policies, and that **careful consideration and judgment are made**.

To ensure sufficient business judgment and business execution, it is necessary to strengthen corporate governance with awareness of a wider range of stakeholders. From my position as an Audit and Supervisory Committee member, I believe it is important to maintain a good balance between strengthening and improving the auditing system and enhancing the content of audits. In addition, **from the perspective of ensuring the effectiveness of corporate governance**, I believe it is essential for the Board of Directors to monitor the response of the business execution site and executives to suggestions from audits.

Outside Director

Audit and Supervisory Committee Member

Tadashi Urabe

There are two major points I would like to say with regards to the current Board of Directors. One is the **strong leadership** of the president in the management and operation of the Board of Directors. As a corporate manager, the president provides his views on matters for resolution and matters to be reported, and supplements his understanding and analysis of their background, adding easy-to-understand explanations of the reasons for decisions and directions, so I can attend the meeting with a sense of reassurance. The second is that there is an attitude to listen to others sincerely. All attendees at the Board of Directors meeting are given the opportunity to speak as necessary and sufficiently.

As the Company's business continues to expand, **society's expectations** for the Company have become diverse and complex. I believe it is necessary for the Board of Directors to thoroughly discuss and examine the **responsibilities that the Company must fulfill** and the areas that it is lacking to achieve this. In addition, in my opinion, the Company needs to promote the use of ICT and enhance the consistency between ICT and manual operations in order to strengthen corporate governance.

Outside Director

Audit and Supervisory Committee Member

Arata Toyoshi

# Board of Directors (As of June 24, 2020)



President and CEO  
**Yosuke Mitsuvara**

September 1999 Joined the Company  
April 2001 General Manager of Corporate Planning Department  
January 2005 General Manager 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.  
June 2014 Director of the Company, Director of Nihon Generic Co., Ltd.

June 2015 Managing Director  
June 2017 Senior Managing Director  
June 2019 President and CEO of the Company (to present)  
President and CEO of Medical Resources Co., Ltd. (to present)  
President and CEO of Nihon Generic Co., Ltd. (to present)  
President and CEO of Japan Medical Research Institute Co., Ltd. (to present)  
Chairman of the Board of Choseido Pharmaceutical Co., Ltd. (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, General Manager of Pharmaceutical Headquarters  
April 2012 Director, Manager of Pharmaceutical Headquarters  
June 2012 Resigned the Director  
June 2013 Director, 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  
October 2013 Manager of Sales Management Department  
June 2015 General Manager of Sales Promotion Department  
April 2016 Director, General Manager of Sales Management Department  
June 2016 Managing Director, General Manager of Sales Management Department  
April 2020 Managing Director (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, General Manager of Sales Management Department  
April 2016 Director, 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, General Manager of Pharmaceutical Headquarters and General Manager of Purchasing Department, Pharmaceutical Headquarters  
January 2014 Director, General Manager of Pharmaceutical Headquarters (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 Resources 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, General Manager of Administration Department and General Affairs Department  
April 2019 Director, General Manager of Administration Department (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, General Manager of Formulary Business Promotion Department  
June 2020 Director, General Manager of FINDAT Business Department (to present)



Director,  
Audit and Supervisory  
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  
June 2018 Director (Audit and Supervisory 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 and Supervisory  
Committee member  
**Arata Toyoshi**

April 1998 Registered as Certified Public Accountant  
August 2007 Partner of Tohmatsu & Co. (Currently Deloitte Touche Tohmatsu LLC)  
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 LLC  
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.  
February 2018 Auditor-secretary of Tax Accountant Tamagawa (to present)  
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 and Supervisory Committee member) (to present)  
Outside Corporate Auditor of SMC Corporation (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)  
December 2019 Outside Auditor of UNITED FOODS INTERNATIONAL Co., Ltd. (to present)



Outside Director,  
Audit and Supervisory  
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)

# Corporate Governance Structure

## Corporate Governance Structure (As of June 24, 2020)

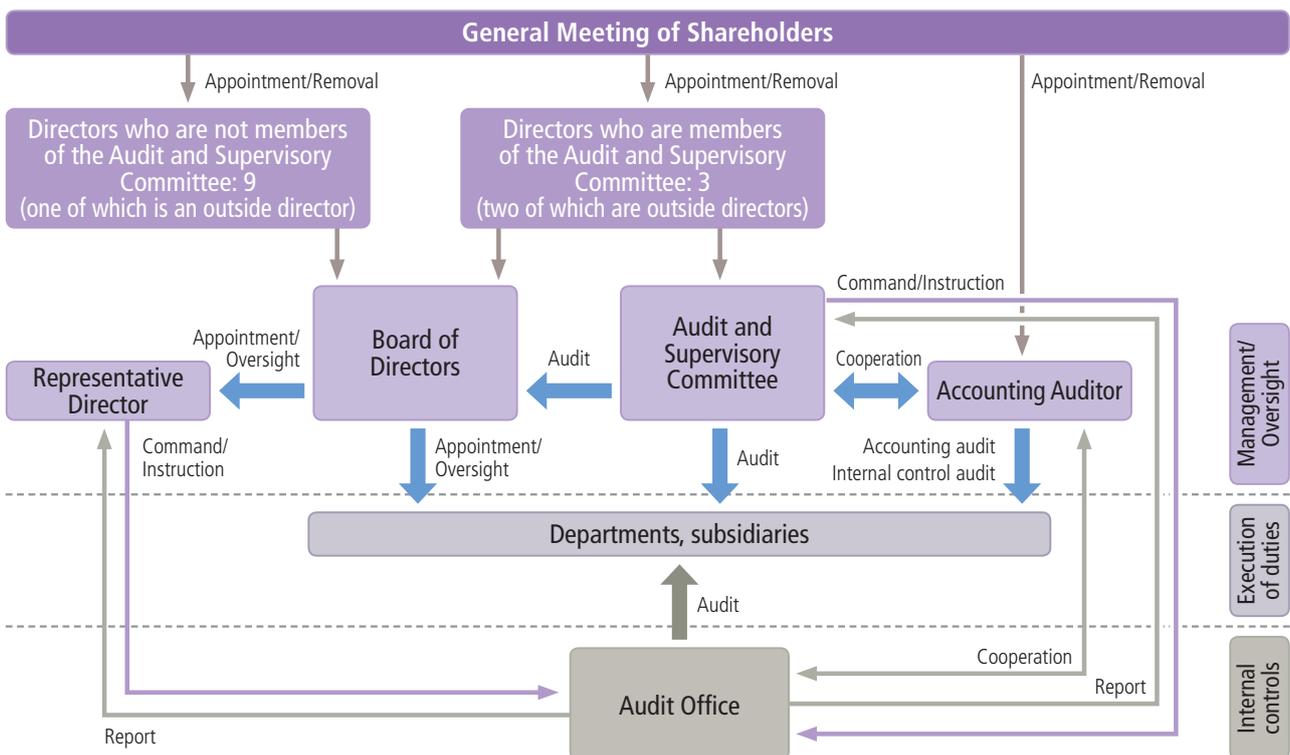
Directors	9 directors
	one of which is an outside director / independent officer
Audit and Supervisory Committee	3 directors
	two of which are outside directors / independent officers

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 nine directors (excluding the Audit and Supervisory Committee members), one of which is an outside director, and three other directors that serve as 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 24, 2020)



### Responsibilities of the Board of Directors

It is the responsibility of the Board of Directors to promote the sustainable growth of the company and the enhancement of corporate value over the medium- to long-term, and to improve profitability and capital efficiency. To achieve this, the following measures are implemented:

1. Accurately manage the progress of corporate strategies
2. Create an environment that supports appropriate risk taking by the senior management
3. Highly effective oversight of management and directors from an independent and objective standpoint