

Note: This document has been translated from a part of the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Stock Exchange Code: 3341
June 3, 2022

To Shareholders with Voting Rights:

Yosuke Mitsuhashi
President & CEO
NIHON CHOUZAI Co., Ltd.
1-9-1, Marunouchi, Chiyoda-ku, Tokyo

**NOTICE OF
THE 42nd ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

The 42nd Annual General Meeting of Shareholders of NIHON CHOUZAI Co., Ltd. (the “Company”) will be held for the purposes as described below.

In order to prevent the spread of COVID-19, the meeting will be held upon implementing appropriate measures to prevent infection.

In a bid to avoid the risk of COVID-19 infections, we would like to ask that all shareholders exercise their voting rights in advance in writing or via the Internet, etc., and refrain from coming to the venue to attend the meeting. Please review the attached Reference Documents for the General Meeting of Shareholders, and exercise your voting rights no later than 6:00 p.m. on Wednesday, June 22, 2022, Japan time.

- 1. Date and Time:** Thursday, June 23, 2022, at 10:00 a.m. Japan time
(Reception will start at 9:15 a.m.)
- 2. Place:** 6F Conference room, Station Conference Tokyo at Sapia Tower located at
1-7-12, Marunouchi, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
 - Matters to be reported:**
 1. The Business Report, Consolidated Financial Statements for the Company’s 42nd Fiscal Year (April 1, 2021 - March 31, 2022) and results of audits by the Accounting Auditor and the Audit & Supervisory Committee of the Consolidated Financial Statements
 2. Non-consolidated Financial Statements for the Company’s 42nd Fiscal Year (April 1, 2021 - March 31, 2022)

Proposals to be resolved:

- Proposal 1:** Distribution of Surplus
- Proposal 2:** Partial Amendments to the Articles of Incorporation
- Proposal 3:** Election of Nine Directors (excluding Directors Who Are Audit & Supervisory Committee Members)
- Proposal 4:** Election of Three Directors Who Are Audit & Supervisory Committee Members
- Proposal 5:** Election of One Substitute Director Who Is an Audit & Supervisory Committee Member
- Proposal 6:** Revision of the Amount of Remuneration for Directors and Audit & Supervisory Committee Members
- Proposal 7:** Partial Revision to the Amount and Details of Stock-based Remuneration, etc. for Directors, etc.
- Proposal 8:** Payment of Bonuses to Directors

-
- ◎When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
 - ◎Of the documents required to be provided with this notice, pursuant to laws and regulations and provisions of Article 15 of the Articles of Incorporation, “Notes to the Consolidated Financial Statements” of the Consolidated Financial Statements and “Notes to the Non-consolidated Financial Statements” of the Non-consolidated Financial Statements are posted on the Company’s website (<https://www.nicho.co.jp/>). Therefore, they are not attached to this notice.
 - ◎Should the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements require revisions, the revised versions will be posted on the Company’s website (<https://www.nicho.co.jp/>) on the Internet.

Reference Documents for the General Meeting of Shareholders

Proposal 1: Distribution of Surplus

The Company proposes to appropriate surplus as follows.

Matters related to year-end dividend

The Company considers the return of profits an important management issue and has made it a basic policy to return the maximum amount of profit to shareholders according to business results each period, giving due consideration to ensuring that the Company has the internal reserves necessary for future growth.

Under this policy, the year-end dividend for this year is proposed to be as follows:

- 1) Type of dividend property
Cash
- 2) Items related to the allocation of dividend property to shareholders and its total amount
12.50 yen per common share of the Company
In this case, total amount of dividend will be 374,835,313 yen.
- 3) Date the distribution of surplus comes into effect
June 24, 2022

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

The amended provisions stipulated in the proviso of Article 1 of the supplementary provisions of the “Act Partially Amending the Companies Act” (Act No. 70 of 2019) will be enforced on September 1, 2022. Accordingly, in order to prepare for the introduction of the system for electronic provision of materials for general meetings of shareholders, the Articles of Incorporation of the Company shall be amended as follows.

- (1) The proposed Article 15, Paragraph 1 stipulates that information contained in the reference documents for the general meeting of shareholders, etc. shall be provided electronically.
- (2) The purpose of the proposed Article 15, Paragraph 2 is to establish a provision to limit the scope of matters to be included in the paper copy to be sent to shareholders who have requested it.
- (3) The provisions related to the internet disclosure and deemed provision of the reference documents for the general meeting of shareholders, etc. (Article 15 of the current Articles of Incorporation) will become unnecessary and will therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
<p><u>(Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u> <u>Article 15 The Company may, when convening a general meeting of shareholders, deem that it has provided information to shareholders pertaining to matters to be described or indicated in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements, and consolidated financial statements, by disclosing such information through the Internet in accordance with the provisions provided in the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>(Measures for Electronic Provision, Etc.)</u> <u>Article 15 The Company shall, when convening a general meeting of shareholders, provide information contained in the reference documents for the general meeting of shareholders, etc. electronically.</u> <u>2. Among the matters to be provided electronically, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>Supplementary Provisions (Newly established)</p>	<p>Supplementary Provisions <u>(Transitional Measures for Electronic Provision, Etc.)</u></p> <p><u>The amendments to Article 15 of the Articles of Incorporation shall become effective on September 1, 2022, which is the date of enforcement of the amended provisions stipulated in the proviso to Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter, the “Effective Date”).</u></p> <p><u>2. Notwithstanding the provisions of the preceding paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) of the Articles of Incorporation shall remain in force with respect to a general meeting of shareholders to be held on a date within six months of the Effective Date.</u></p> <p><u>3. These supplementary provisions shall be deleted after the lapse of six months from the Effective Date or after the lapse of three months from the date of the general meeting of shareholders set forth in the preceding paragraph, whichever is later.</u></p>

Proposal 3: Election of Nine Directors (excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office of all ten Directors (excluding Directors who are Audit & Supervisory Committee members; the same shall apply hereinafter in this proposal) will expire at the conclusion of this year's Annual General Meeting of Shareholders.

Accordingly, in order to improve the efficiency of the management structure with the introduction of the Executive Officer System, we propose the election of nine Directors, a decrease of one Director. Additionally, regarding this proposal, the Audit & Supervisory Committee of the Company has judged that all of the candidates for Directors are qualified for the position.

The candidates for Directors are as follows:

No.	Name	New appointment/ Reappointment	Current positions and responsibilities in the Company	Attendance at the Board of Directors meetings (FY2021)
1	Yosuke Mitsuhashi	<u>Reappointment</u>	President & CEO, Presidential Executive Officer Overall corporate management In charge of corporate planning and DX Strategy	14/15 (93%)
2	Naoto Kasai	<u>Reappointment</u>	Managing Director, Managing Executive Officer In charge of sales management, sales development, and corporate information	15/15 (100%)
3	Noriaki Miyata	<u>Reappointment</u>	Director, Senior Executive Officer General Manager of Sales Promotion Department In charge of sales promotion and MC-Mentaio (medical center/near the station and in the shopping district) sales	15/15 (100%)
4	Toshiyuki Koyanagi	<u>Reappointment</u>	Director, Senior Executive Officer General Manager of Pharmaceutical Headquarters In charge of pharmaceuticals administration, pharmaceuticals administration promotion, education and information, promotion of generic products, purchasing, at-home medical care, healthcare promotion, marketing, pharmaceuticals planning, quality control, branch management, and systems	15/15 (100%)
5	Kazunori Ogi	<u>Reappointment</u>	Director, Senior Executive Officer General Manager of Finance Department In charge of accounting, finance, and affiliated companies	15/15 (100%)
6	Yoshihisa Fujimoto	<u>Reappointment</u>	Director, Senior Executive Officer General Manager of Administration Department In charge of general affairs, human resources, Pharmaceutical Recruitment Center, public relations, private health insurance, risk management, compliance management, and sustainability management CSO	15/15 (100%)
7	Keiso Masuhara	<u>Reappointment</u>	Director, Senior Executive Officer General Manager of FINDAT Business Department In charge of FINDAT business	15/15 (100%)
8	Yoshimitsu Onji	<u>Reappointment</u>	Director <u>Outside</u> <u>Independent</u>	15/15 (100%)
9	Mikiharu Noma	<u>Reappointment</u>	Director <u>Outside</u> <u>Independent</u>	11/11 (100%)

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
1	Yosuke Mitsuahara (February 5, 1976) [Reappointment]	September 1999	Joined the Company	6,640,000
		April 2001	General Manager of Corporate Planning Department	
		January 2005	Director of Nihon Generic Co., Ltd.	
		April 2006	General Manager of Sales Promotion Department	
		October 2006	Director of Medical Resources Co., Ltd.	
		June 2007	Director, General Manager of Business Promotion Department	
		June 2010	Resigned the Director	
		June 2013	Director of Japan Medical Research Institute Co., Ltd.	
		June 2014	Director of the Company	
		June 2014	Director of Nihon Generic Co., Ltd.	
		June 2015	Managing Director of the Company	
		June 2017	Senior Managing Director	
		June 2019	President & CEO (to present)	
		June 2019	President & CEO of Medical Resource Co., Ltd.	
		June 2019	President & CEO of Nihon Generic Co., Ltd. (to present)	
		June 2019	President & CEO of Japan Medical Research Institute Co., Ltd. (to present)	
June 2019	Chairman of the Board of Choseido Pharmaceutical Co., Ltd. (to present)			
June 2021	Chairman of the Board of Medical Resources Co., Ltd. (to present)			
April 2022	Presidential Executive Officer of the Company (to present)			
[Responsibilities] Overall corporate management, in charge of corporate planning and DX Strategy				
[Reason for nomination as candidate for Director] After joining the Company in 1999, Mr. Yosuke Mitsuahara has served as General Manager of Corporate Planning Department, General Manager of Sales Promotion Department, and Director of the Company and its affiliated companies. Currently, as President & CEO of the Company, he is demonstrating leadership as the Chief Executive Officer of the Company, such as by advancing the growth strategy to make innovations in the medical industry. As he has knowledge regarding overall corporate management, the Company has renominated him as a candidate for Director.				
2	Naoto Kasai (May 16, 1962) [Reappointment]	April 2013	Joined the Company	3,600
		April 2013	Manager of Sales Management Department	
		October 2013	General Manager of Sales Promotion Department	
		June 2015	Director, 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)			
April 2022	Managing Executive Officer (to present)			
[Responsibilities] In charge of sales management, sales development, and corporate information				
[Reason for nomination as candidate for Director] After joining the Company in 2013, Mr. Naoto Kasai has mainly engaged in pharmacy development operations, and has served as General Manager of Sales Promotion Department. He is currently serving as the officer in charge of sales management, sales development, and corporate information in his capacity as Managing Director. As he has extensive track record of developing pharmacies at the Company and knowledge regarding administration and management of overall pharmacy development of the Company, the Company has renominated him as a candidate for Director.				

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Noriaki Miyata (October 1, 1963) [Reappointment]	January 1992 Joined the Company	920
		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)	
		April 2022 Senior Executive Officer (to present)	
		[Responsibilities] General Manager of Sales Promotion Department, in charge of sales promotion and MC-Mentaio (medical center/near the station and in the shopping district) sales	
		[Reason for nomination as candidate for Director] After joining the Company in 1992, Mr. Noriaki Miyata has mainly engaged in pharmacy development operations, and has served as Branch Manager of Osaka Branch and General Manager of Sales Management Department. He is currently serving as the officer in charge of sales promotion and MC-Mentaio (medical center/near the station and in the shopping district) sales in his capacity as Director and General Manager of Sales Promotion Department. As he has extensive track record of developing pharmacies at the Company and knowledge regarding administration and management of overall pharmacy development of the Company, the Company has renominated him as a candidate for Director.	
4	Toshiyuki Koyanagi (April 8, 1963) [Reappointment]	July 1990 Joined the Company	8,360
		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)	
		April 2022 Senior Executive Officer (to present)	
		[Responsibilities] General Manager of Pharmaceutical Headquarters, in charge of pharmaceuticals administration, pharmaceuticals administration promotion, education and information, promotion of generic products, purchasing, at-home medical care, healthcare promotion, marketing, pharmaceuticals planning, quality control, branch management, and systems	
		[Reason for nomination as candidate for Director] After joining the Company in 1990, Mr. Toshiyuki Koyanagi has mainly engaged in pharmacy management and administrative operations, and has served as General Manager of Pharmaceutical Headquarters and General Manager of Purchasing Department, Pharmaceutical Headquarters. He is currently serving as the officer in charge of pharmaceuticals administration, pharmaceuticals administration promotion, education and information, promotion of generic products, purchasing, at-home medical care, healthcare promotion, marketing, pharmaceuticals planning, quality control, branch management, and systems in his capacity as Director and General Manager of Pharmaceutical Headquarters. As he has extensive work experience at the Company and knowledge regarding pharmacy administration and management operations, the Company has renominated him as a candidate for Director.	

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions		Number of shares of the Company held
5	Kazunori Ogi (November 14, 1966) [Reappointment]	May 2008	Joined the Company	9,400
		May 2008	Deputy General Manager of Finance Department	
		April 2009	Manager of Finance Department	
		April 2015	General Manager of Finance Department	
		June 2015	Director, General Manager of Finance Department (to present)	
		June 2015	Director of Medical Resource Co., Ltd.	
		October 2021	President & CEO of Choseido Pharmaceutical Co., Ltd. (to present)	
		October 2021	Director of Nihon Generic Co., Ltd. (to present)	
		April 2022	Senior Executive Officer of the Company (to present)	
	[Responsibilities] General Manager of Finance Department, in charge of accounting, finance, and affiliated companies			
	[Reason for nomination as candidate for Director] After joining the Company in 2008, Mr. Kazunori Ogi has mainly engaged in finance and accounting operations. He is currently serving as the officer in charge of accounting, finance, and affiliated companies in his capacity as Director and General Manager of Finance Department, as well as Director of a subsidiary. As he has extensive work experience at the Company and knowledge regarding the Company's administration and management operations, the Company has renominated him as a candidate for Director.			
6	Yoshihisa Fujimoto (September 10, 1958) [Reappointment]	January 2011	Joined the Company	13,500
		January 2011	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)	
		April 2022	Senior Executive Officer (to present)	
	[Responsibilities] General Manager of Administration Department; in charge of general affairs, human resources, Pharmaceutical Recruitment Center, public relations, private health insurance, risk management, compliance management, and sustainability management; and CSO			
	[Reason for nomination as candidate for Director] After joining the Company in 2011, Mr. Yoshihisa Fujimoto has engaged in pharmacy development operations as General Manager of Sales Department for Public Institutions. Subsequently, he has served as General Manager of General Affairs Department, and is currently serving as the officer in charge of general affairs, human resources, Pharmaceutical Recruitment Center, public relations, private health insurance, risk management, compliance management, and sustainability management and CSO in his capacity as Director and General Manager of Administration Department. As he has a wide variety of work experience at the Company and knowledge regarding the Company's administration and management operations, the Company has renominated him as a candidate for Director.			

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
7	Keiso Masuhara (November 5, 1951) [Reappointment]	July 2001 February 2006 April 2007 May 2017 August 2017 August 2017	Director of Department of Pharmacy of St. Marianna University Hospital Director of Department of Pharmacy of Kawasaki Municipal Tama Hospital Visiting Professor of Pharmacy and Health Science at Graduate School of Showa Pharmaceutical University Graduate School Visiting Professor of St. Marianna University Joined Japan Medical Research Institute Co., Ltd. General Manager of the Hospital Consulting Group of Japan Medical Research Institute Co., Ltd.	800
		June 2018 April 2019 June 2019 June 2020 April 2022	Director of Japan Medical Research Institute Co., Ltd. General Manager of Formulary Business Promotion Department of the Company Director, General Manager of Formulary Business Promotion Department Director, General Manager of FINDAT Business Department (to present) Senior Executive Officer (to present)	
		[Responsibilities] General Manager of FINDAT Business Department, in charge of FINDAT business		
		[Reason for nomination as candidate for Director] Mr. Keiso Masuhara has a track record of promoting the use of generic drugs at university hospitals and other institutions. After joining the Company in 2019, he has served as General Manager of Formulary Business Promotion Department, and is currently serving as the officer in charge of FINDAT business in his capacity as Director and General Manager of FINDAT Business Department. As he has knowledge regarding activities to spread formularies to medical institutions and regional communities, in which the Company is making efforts, the Company has renominated him as a candidate for Director.		

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
8	Yoshimitsu Onji (November 1, 1954) [Reappointment] [Outside] [Independent]	<p>April 1977 Joined The Daiei, Inc.</p> <p>April 1994 General Manager of Corporate Planning Department of The Daiei, Inc.</p> <p>September 1998 Executive Vice President of RE PARTNERS</p> <p>December 1999 Representative Director of OZ-corporation (to present)</p> <p>March 2000 Executive Officer of Office RECOF Co., Ltd. (currently RECOF Corporation)</p> <p>June 2007 Director and Senior Executive Officer of RECOF Corporation</p> <p>June 2010 President and CEO of RECOF Corporation</p> <p>October 2016 Chairman of the Board of RECOF Corporation</p> <p>December 2016 Director of M&A Capital Partners Co., Ltd.</p> <p>March 2018 Outside Director of Tokyo Tatemono Co., Ltd. (to present)</p> <p>June 2018 Outside Director of the Company (to present)</p> <p>December 2019 Outside Auditor of United Foods International Co., Ltd. (to present)</p> <p>June 2020 Outside Director of Sotetsu Holdings Inc. (to present)</p> <p>December 2021 Outside Director of Sanyu Appraisal Corporation (to present)</p>	0
[Significant concurrent positions] Representative Director of OZ-corporation Outside Director of Tokyo Tatemono Co., Ltd. Outside Auditor of United Foods International Co., Ltd. Outside Director of Sotetsu Holdings Inc. Outside Director of Sanyu Appraisal Corporation			
[Reason for nomination as candidate for Outside Director and a summary of expected roles] Mr. Yoshimitsu Onji is expected to contribute to the enhancement of the Company's governance structure by leveraging his extensive experience and wide-ranging insight as a corporate manager. Accordingly, the Company has renominated him as a candidate for Outside Director. His term of office will be four years at the conclusion of this General Meeting of Shareholders.			

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
9	Mikiharu Noma (November 6, 1974) [Reappointment] [Outside] [Independent]	<p>April 2002 Lecturer of Faculty of Economics and Business Administration of Yokohama City University</p> <p>October 2003 Assistant Professor of Faculty of Economics and Business Administration of Yokohama City University</p> <p>October 2004 Assistant Professor of Graduate School of International Corporate Strategy (ICS) of Hitotsubashi University</p> <p>April 2007 Associate Professor of Graduate School of International Corporate Strategy (ICS), Hitotsubashi University</p> <p>June 2016 Outside Director of BANDAI NAMCO Holdings Inc. (to present)</p> <p>April 2019 Professor of Graduate School of Business Administration, Hitotsubashi University Business School (to present)</p> <p>June 2019 Outside Auditor of Nice Holdings, Inc. (currently Nice Corporation) (to present)</p> <p>December 2019 Outside Audit & Supervisory Board Member of DarWin Capital Partners Ltd. (to present)</p> <p>April 2021 Business Adviser of BANDAI NAMCO Entertainment Inc. (to present)</p> <p>June 2021 Outside Director of the Company (to present)</p> <p>January 2022 Outside Director of Good Com Asset Co., Ltd. (to present)</p>	0
<p>[Significant concurrent positions] Outside Director of BANDAI NAMCO Holdings Inc. Professor of Graduate School of Business Administration, Hitotsubashi University Business School Outside Auditor of Nice Corporation Outside Audit & Supervisory Board Member of DarWin Capital Partners Ltd. Business Adviser of BANDAI NAMCO Entertainment Inc. Outside Director of Good Com Asset Co., Ltd.</p>			
<p>[Reason for nomination as candidate for Outside Director and a summary of expected roles] Although he has not been involved in corporate management other than as Outside Director in the past, Mr. Mikiharu Noma is conducting research and educational activities on finance and accounting as well as corporate value assessment as a professor at a university, and he is expected to contribute to the improvement of the Company's corporate value by leveraging his expert scholarship and experience. Accordingly, the Company has renominated him as a candidate for Outside Director. His term of office will be one year at the conclusion of this General Meeting of Shareholders.</p>			

- (Notes)
1. There are no special interests between the candidates and the Company.
 2. "Number of shares of the Company held" is the number of shares as of March 31, 2022.
 3. Mr. Yoshimitsu Onji and Mr. Mikiharu Noma are candidates for Outside Directors. The Company has registered them with the Tokyo Stock Exchange, Inc. as independent directors.
 4. Mr. Yoshimitsu Onji and Mr. Mikiharu Noma have entered into agreements with the Company in accordance with the Company's Articles of Incorporation to limit their liability for damages to the amount stipulated by laws and regulations. If their election is approved, the Company plans to continue the said liability limitation agreements.
 5. The Company does not plan to enter into indemnification agreements with the candidates regarding expenses as stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act or losses as stipulated in Item 2 of the said Paragraph.
 6. The Company has entered into a directors and officers liability insurance contract with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance contract covers compensation for damages and litigation expenses that an individual insured person incurs in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. The candidates will become the insured persons under the insurance contract.

Proposal 4: Election of Three Directors Who Are Audit & Supervisory Committee Members

The terms of office of all three Directors who are Audit & Supervisory Committee members will expire at the conclusion of this year's Annual General Meeting of Shareholders.

Accordingly, we propose the election of three Directors who are Audit & Supervisory Committee members.

Additionally, the Audit & Supervisory Committee has previously given its approval to this proposal.

The candidates for Directors who are Audit & Supervisory Committee members are as follows:

No.	Name	New appointment/ Reappointment	Current positions and responsibilities in the Company	Attendance at the Board of Directors meetings (FY2021)	Attendance at the Audit & Supervisory Committee meetings (FY2021)
1	Nobuyuki Hatakeyama	Reappointment	Director (Full-time Audit & Supervisory Committee member)	15/15 (100%)	15/15 (100%)
2	Arata Toyoshi	Reappointment	Director (Audit & Supervisory Committee member) Outside Independent	15/15 (100%)	15/15 (100%)
3	Shio Harada	New appointment	—	—	—

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held	
1	Nobuyuki Hatakeyama (January 16, 1956) [Reappointment]	September 1987 June 2000 June 2006 December 2009 February 2016 June 2018 June 2018 June 2018 June 2018 June 2018	Joined the Company Director Branch Manager of Nagoya Branch Branch Manager of Yokohama Branch General Manager of Operational Audits Department Director (Audit & 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)	4,000
		[Reason for nomination as candidate for Director who is an Audit & Supervisory Committee member] Mr. Nobuyuki Hatakeyama has held important positions for many years, including Director of the Company, and he has knowledge and experience necessary for the sound and appropriate management of the Company. Accordingly, the Company has renominated him as a candidate for Director who is an Audit & Supervisory Committee member.		
2	Arata Toyoshi (October 31, 1965) [Reappointment] [Outside] [Independent]	April 1998 August 2007 July 2013 July 2014 December 2016 July 2017 November 2017 November 2017 May 2018 December 2018 June 2019 June 2019 June 2021	Registered as Certified Public Accountant Partner of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) Director and Executive Council of Certified Public Accountants' Corporate Pension Fund Director of Tohmatsu Challenged Co., Ltd. Retired from Deloitte Touche Tohmatsu LLC Auditor-Secretary of Seikei Alumni Association (to present) Registered as Licensed Tax Accountant Outside Auditor of Kids Smile Project inc. Auditor-secretary of The Yuumi Memorial Foundation for Home Health Care Substitute Audit & Supervisory Board Member of Japan Private REIT Inc. (to present) Outside Director of the Company (Audit & Supervisory Committee member) (to present) Outside Auditor of SMC Corporation (to present) Auditor-secretary of Tax Accountant Tamagawa (to present)	0
		[Significant concurrent positions] Certified Public Accountant / Licensed Tax Accountant Auditor-Secretary of Seikei Alumni Association Substitute Audit & Supervisory Board Member of Japan Private REIT Inc. Outside Auditor of SMC Corporation Auditor-secretary of Tax Accountant Tamagawa		
[Reason for nomination as candidate for Outside Director who is an Audit & Supervisory Committee member and a summary of expected roles] Mr. Arata Toyoshi is expected to utilize his extensive experience and deep insight as Certified Public Accountant and Licensed Tax Accountant in the Company's management. Accordingly, the Company has renominated him as a candidate for Outside Director who is an Audit & Supervisory Committee member. His term of office will be three years at the conclusion of this General Meeting of Shareholders.				

No.	Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
3	Shio Harada (May 3, 1974) [New appointment] [Outside] [Independent]	April 2000 Registered as attorney (Daini Tokyo Bar Association)	0
		April 2000 Joined MINORI SOGO LAW OFFICE	
		August 2012 Opened Shiki-no-Kaze Law Group	
		April 2015 Civil Conciliation Commissioner of Tokyo District Court (to present)	
		April 2016 Specially Appointed Professor of RIKKYO UNIVERSITY Law School	
		April 2020 Lecturer in the area of civil affairs at Legal Training and Research Institute (to present)	
		May 2021 Outside Director (Audit & Supervisory Committee Member) of WARABEYA NICHIO HOLDINGS CO., LTD. (to present)	
	[Significant concurrent positions] Attorney Civil Conciliation Commissioner of Tokyo District Court Lecturer in the area of civil affairs at Legal Training and Research Institute Outside Director (Audit & Supervisory Committee Member) of WARABEYA NICHIO HOLDINGS CO., LTD.		
	[Reason for nomination as candidate for Outside Director who is an Audit & Supervisory Committee member and a summary of expected roles] Although she has not been involved in corporate management other than as Outside Director in the past, Ms. Shio Harada is expected to utilize her extensive experience and deep insight as an attorney in the Company's management. Accordingly, the Company has nominated her as a candidate for Outside Director who is an Audit & Supervisory Committee member.		

- (Notes)
1. There are no special interests between the candidates and the Company.
 2. "Number of shares of the Company held" is the number of shares as of March 31, 2022.
 3. Mr. Arata Toyoshi and Ms. Shio Harada are candidates for Outside Directors who are Audit & Supervisory Committee members. The Company has registered Mr. Arata Toyoshi with the Tokyo Stock Exchange, Inc. as an independent director. Ms. Shio Harada meets the requirements for an independent director as specified by Tokyo Stock Exchange, Inc. If the election of Ms. Shio Harada is approved, the Company plans to register her as an independent director.
 4. Mr. Nobuyuki Hatakeyama and Mr. Arata Toyoshi have entered into agreements with the Company in accordance with the Company's Articles of Incorporation to limit their liability for damages to the amount stipulated by laws and regulations. If their election is approved, the Company plans to continue the said liability limitation agreements.
 5. If the election of Ms. Shio Harada is approved, the Company plans to enter into a liability limitation agreement, in accordance with the Company's Articles of Incorporation, to limit her liability for damages to the amount stipulated by laws and regulations.
 6. The Company does not plan to enter into indemnification agreements with the candidates regarding expenses as stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act or losses as stipulated in Item 2 of the said Paragraph.
 7. The Company has entered into a directors and officers liability insurance contract with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance contract covers compensation for damages and litigation expenses that an individual insured person incurs in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. The candidates will become the insured persons under the insurance contract.

(Reference) Distribution of skill sets possessed by Directors

	Mitsu- hara	Kasai	Miyata	Koyanagi	Ogi	Fujimoto	Masuhara	Onji	Noma	Hatakeyama	Toyoshi	Harada
								Outside	Outside		Outside	Outside
Overall corporate management	●	●						●	●			
Accounting / Finance	●	●			●			●	●		●	
Law / Compliance						●		●			●	●
Expertise in corporate management												
Administration (including medical and pharmaceutical affairs)	●		●	●			●			●		
Sustainability	●					●			●			●
IT / DX (Development)	●				●							
Management monitoring/feedback								●	●		●	●
Knowledge of the Group's business												
Dispensing pharmacy	●		●	●	●		●	●		●		
Pharmaceutical manufacturing	●				●							
Temporary staffing / Placement	●				●			●			●	
M&A / Pharmacy strategy	●	●			●			●		●	●	
Risk management / Compliance	●			●	●	●		●		●	●	●

Proposal 5: Election of One Substitute Director Who Is an Audit & Supervisory Committee Member

In order to prepare for cases where a vacancy results in a shortfall in the number of Directors who are Audit & Supervisory Committee members prescribed by laws and regulations, the Company proposes the election of one Substitute Director who is an Audit & Supervisory Committee member.

Furthermore, only before Ms. Kaori Matsubara assumes office, the Board of Directors may, by its resolution upon approval of the Audit & Supervisory Committee, cancel the resolution of this proposal.

Additionally, the Audit & Supervisory Committee has previously given its approval to this proposal.

The candidate for a Substitute Director who is an Audit & Supervisory Committee member is as follows:

Name (Date of birth)	Past experience, positions, responsibilities, and significant concurrent positions	Number of shares of the Company held
Kaori Matsubara (November 6, 1982)	December 2008 Registered as attorney (Dai-ichi Tokyo Bar Association) December 2008 Joined Tanabe & Partners February 2013 Joined Legal Training and Research Institute of the Supreme Court (civil affairs) January 2018 Partner of Tanabe & Partners (to present)	0
[Significant concurrent positions] Attorney Partner of Tanabe & Partners		
[Reason for nomination as candidate for Substitute Outside Director who is an Audit & Supervisory Committee member and a summary of expected roles] Although she has not been involved in corporate management other than as Outside Director in the past, the Company expects Ms. Kaori Matsubara to utilize her extensive experience and deep insight as an attorney in the Company's management. Accordingly, the Company has nominated her as a candidate for Substitute Outside Director who is an Audit & Supervisory Committee member.		

- (Notes)
1. There are no special interests between the candidate and the Company.
 2. "Number of shares of the Company held" is the number of shares as of March 31, 2022.
 3. Ms. Kaori Matsubara is a candidate for Substitute Outside Director who is an Audit & Supervisory Committee member. She meets the requirements for an independent director as specified by Tokyo Stock Exchange, Inc. If Ms. Kaori Matsubara is elected as Outside Director who is an Audit & Supervisory Committee member, the Company plans to register her as an independent director.
 4. If Ms. Kaori Matsubara assumes the office of Outside Director who is an Audit & Supervisory Committee member, the Company plans to enter into a liability limitation agreement, in accordance with the Company's Articles of Incorporation, to limit her liability for damages to the amount stipulated by laws and regulations.
 5. The Company does not plan to enter into an indemnification agreement with Ms. Kaori Matsubara regarding expenses as stipulated in Article 430-2, Paragraph 1, Item 1 of the Companies Act or losses as stipulated in Item 2 of the said Paragraph.
 6. The Company has entered into a directors and officers liability insurance contract with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act. The insurance contract covers compensation for damages and litigation expenses that an individual insured person incurs in the event that a claim for damages is made against the insured during the insurance period due to an act committed by the insured in his/her capacity as such. If Ms. Kaori Matsubara assumes the office of Outside Director who is an Audit & Supervisory Committee member, she will become the insured person under the insurance contract.

Proposal 6: Revision of the Amount of Remuneration for Directors and Audit & Supervisory Committee Members

The amount of remuneration for the Company's Directors (excluding Directors who are Audit & Supervisory Committee members; the same shall apply hereinafter in this proposal) and Directors who are Audit & Supervisory Committee members was approved at the 36th Annual General Meeting of Shareholders held on June 28, 2016 to be a maximum of 1,000 million yen annually for Directors (including a maximum of 20 million yen annually for Outside Directors) and a maximum of 50 million yen annually for Directors who are Audit & Supervisory Committee members, and the same applies today. However, in consideration of various circumstances such as subsequent changes in social and economic conditions, and preparations for a future increase in the number of Outside Directors, the Company proposes that the annual amount of remuneration for Directors (the amount per business year) be set at a maximum of 1,000 million yen (including a maximum of 50 million yen annually for Outside Directors), and the annual amount of remuneration for Directors who are Audit & Supervisory Committee members (the amount per business year) be set at a maximum of 50 million yen.

In addition, in order to adjust the period covered by "annual amount" to the business year from the perspective of ease of understanding by shareholders, the Company proposes that these revisions take effect retroactively, as of April 1, 2022.

This proposal is in line with the Decision-making Policy Pertaining to the Contents of Individual Remuneration, etc. for Directors and Executive Officers (refer to page 22 for an overview) established by the Company at a meeting of the Board of Directors held on February 21, 2022. As the Company has received a report from the Nomination and Compensation Committee, comprised of a majority of Independent Outside Directors, that it has deemed the proposal appropriate upon a multifaceted examination, the Company believes the proposal is reasonable.

Currently, the number of Directors is ten (including two Outside Directors) and the number of Directors who are Audit & Supervisory Committee members is three. If Proposal 3 and Proposal 4 are approved as originally proposed, the number of Directors will be nine (including two Outside Directors) and the number of Directors who are Audit & Supervisory Committee members will be three.

Proposal 7: Partial Revision to the Amount and Details of Stock-based Remuneration, etc. for Directors, etc.

1. Reasons the revision to the remuneration system is appropriate

At the 41st Annual General Meeting of Shareholders held on June 24, 2021, the Company received the approval of shareholders for a stock-based remuneration plan (the “Plan”) under which the Company’s shares and money equivalent to the amount being converted from shares to cash (the “Company Shares, etc.”) will be delivered and paid (the “Delivery, etc.”) to Directors (excluding Directors who are Audit & Supervisory Committee members, Outside Directors and non-residents of Japan, the same shall apply hereinafter), and the same applies today. However, in line with the introduction of the Executive Officer System in April 2022, the Company requests approval for the partial revision of the content of the Plan to include Executive Officers as persons eligible under the Plan.

The purpose of revising the Plan is to share interests with shareholders by including Executive Officers as persons eligible under the Plan and raising their motivation to contribute to the improvement of the medium- and long-term business performance and the enhancement of corporate value, and the Company believes said revisions are reasonable.

In association with the addition of persons eligible under the Plan, the Company will add beneficiary conditions in order to receive the Delivery, etc. of Company Shares, etc. to include the requirement that the person must be an Executive Officer and resign from the position of Executive Officer during the Eligible Period.

Additionally, the Company proposes that the upper limit of cash contributed by the Company be revised to 126 million yen for three business years, and that the upper limit of the Company’s shares for the Delivery, etc. to Directors and Executive Officers be revised to 123,000 shares for three business years (41,000 shares each business year).

These revisions are in line with the Decision-making Policy Pertaining to the Contents of Individual Remuneration, etc. for Directors and Executive Officers (refer to page 22 for an overview) established by the Company at a meeting of the Board of Directors held on February 21, 2022. As the Company has received a report from the Nomination and Compensation Committee, comprised of a majority of Independent Outside Directors, that it has deemed the proposal appropriate upon a multifaceted examination, the Company believes the proposal is reasonable.

If the Proposal 3 “Election of Nine Directors (excluding Directors Who Are Audit & Supervisory Committee Members)” is approved as originally proposed, the number of Directors subject to the Plan at the conclusion of this Annual General Meeting of Shareholders will be seven. As stated above, the Plan will now also include Executive Officers; therefore, the number of Directors and Executive Officers that are subject to the Plan at the conclusion of this Annual General Meeting of Shareholders will be eighteen (of whom, the number of Executive Officers not concurrently serving as Directors will be eleven). Remuneration based on the Plan includes remuneration for Executive Officers. However, in view of the fact that those Executive Officers may be newly appointed as Directors during the Eligible Period (defined in 2. (1) below) of the Trust (defined in 2. (1) below), the amount and details of the entire remuneration based on the Plan will be proposed as remuneration, etc. for Directors.

2. Details, etc. following the revision of the Plan

(1) Outline of the current Plan

The Plan covers the three business years from the business year ended March 31, 2022 to the business year ending March 31, 2024 (hereinafter, the “Eligible Period”), and is a stock-based remuneration plan under which the Company’s shares will be acquired through a trust using cash contributed by the Company as the source, and the Delivery, etc. of the Company’s Shares, etc. to persons eligible under the Plan through said trust will be according to their position, etc. in accordance with the share delivery rules established by the Company.

The Plan employs a mechanism known as Officer Remuneration BIP (Board Incentive Plan) Trust (hereinafter, the “BIP Trust”) (the BIP Trust established for the purpose of implementing the Plan is hereinafter referred to as the “Trust”).

(2) Revised contents of the Plan

In line with the introduction of the Executive Officer System on April 1, 2022, the revisions to the Plan involve adding Executive Officers (excluding non-residents of Japan, the same shall apply hereinafter) to persons eligible under the current Plan.

In association with this, the Company will add beneficiary conditions in order to receive the Delivery, etc. of the Company Shares, etc. to include the requirement that the person must be an Executive Officer and resign from the position of Executive Officer during the Eligible Period.

The period for granting points to Directors is from July 1 of the previous year until the Annual General Meeting of Shareholders. However, considering differences in terms of office, the period for granting points to Executive Officers shall be from April 1 of the previous year to March 31 of the current year.

In addition, in line with these revisions, the upper limit of money contributed by the Company and the maximum number of shares of the Company for Delivery, etc. to Directors and Executive Officers shall be revised as shown in the table below.

[Main details of revisions]

	Before revisions	After revisions
1) Persons eligible for the Delivery, etc. of the Company Shares, etc. in the Plan	<ul style="list-style-type: none"> Directors of the Company (excluding Directors who are Audit & Supervisory Committee members, Outside Directors, and non-residents of Japan) 	<ul style="list-style-type: none"> Directors of the Company (excluding Directors who are Audit & Supervisory Committee members, Outside Directors, and non-residents of Japan) and Executive Officers (excluding non-residents of Japan) (hereinafter, “Directors, etc.”)

2) Impact that the Company’s shares subject to the Plan will have on the total number of outstanding shares of the Company		
	Before revisions	After revisions
Upper limit of cash contributed by the Company	<ul style="list-style-type: none"> 87 million yen for three business years 	<ul style="list-style-type: none"> 126 million yen for three business years
Method of acquisition of the Company’s shares and upper limit of the Company’s shares for the Delivery, etc. to Directors, etc.	<ul style="list-style-type: none"> The Company’s shares will be acquired from the stock market or from the Company (disposal of treasury stock) The upper limit of points to be delivered to Directors is 15,000 points (equivalent to 15,000 shares) per business year The ratio of the number of shares equivalent to the upper limit of points to be delivered to Directors in a business year to the total number of outstanding shares (as of March 31, 2021, excluding treasury stock) is approximately 0.05%. 	<ul style="list-style-type: none"> With these revisions, the Company’s shares will be acquired from the stock market (see (3) below) The upper limit of points to be delivered to Directors, etc. is 41,000 points (equivalent to 41,000 shares) per business year The ratio of the number of shares equivalent to the upper limit of points to be delivered to Directors, etc. in a business year to the total number of outstanding shares (as of March 31, 2022, excluding treasury stock) is approximately 0.13%.

* In principle, a certain number of points will be granted to those who were in office of Directors, etc. during the following period (hereinafter, the “Eligible Tenure”) according to the basic remuneration, number of months in office, and position during the Eligible Tenure.

Directors: From July 1 of the previous year to the Annual General Meeting of Shareholders

Executive Officers: From April 1 of the previous year to March 31 of the current year

There are no other changes to the contents of the Plan. Concerning details of the Plan, please refer to the “Notice Regarding the Abolition of Retirement Benefits Plan for Directors and Introduction of a Stock-based Remuneration Plan” announced on May 19, 2021.

(3) Acquisition of the Company’s shares under the Plan

In line with these revisions, we plan to acquire the Company’s shares from the stock market within the range of the upper limit of cash contributed by the Company and the upper limit of the Company’s shares for Delivery, etc. to Directors, etc. in (2) above.

In addition, the acquisition of the Company's shares by the Trust, which was scheduled at the time the Plan was introduced, will be carried out in conjunction with the acquisition of the Company's shares in line with these revisions.

During the trust period, if it is possible that the number of shares in the Trust will be insufficient as the number of shares corresponding to the points to be granted to Directors, or if it is possible that the cash within the trust assets will be insufficient for the payment of trust fees and trust expenses, the Company may make an additional cash contribution to the Trust and acquire additional Company's shares within the range of the upper limit of cash contributed by the Company and the upper limit of the Company's shares for Delivery, etc. to Directors, etc. in (2) above.

(Reference)

An overview of the details of the Decision-making Policy Pertaining to the Contents of Individual Remuneration, etc. for Directors and Executive Officers established by the Company at a meeting of the Board of Directors held on February 21, 2022 is as follows.

Decision-making Policy Pertaining to the Contents of Individual Remuneration, etc. for Directors and Executive Officers

1. Basic policy

The remuneration shall be appropriate to secure and maintain excellent human resources who work to realize the Company's corporate philosophy, and to motivate them to sufficiently fulfill their expected roles in enhancing sustainable corporate value and shareholder value. Specifically, remuneration for Directors and Executive Officers in charge of business execution consists of basic remuneration, performance-linked remuneration, and stock-based remuneration (share delivery trust), and remuneration for Outside Directors responsible for oversight functions and Directors who are Audit & Supervisory Committee members consists solely of basic remuneration.

In addition, in order to sufficiently fulfill accountability to shareholders and other stakeholders, the Company shall provide rationality, objectivity and transparency in both the content of the remuneration and in the decision-making process.

2. Policy on determining the individual amounts, etc. of basic remuneration, and the timing or conditions for granting thereof

Basic remuneration is fixed monthly remuneration payable by money. The amount of basic remuneration is determined by adding the position, position allowance according to the role, and role allowance to the amount specified in the basic salary table common to Directors and Executive Officers, and is paid at a fixed time every month. A basic salary table shall be established for each Director and Executive Officer, and shall be reviewed as appropriate in accordance with annual evaluations and tenure, etc.

3. Policy on determining the details of performance indicators related to performance-linked remuneration, the amount or calculation method, and the timing or conditions for granting thereof

In order to raise their motivation to contribute to the improvement of business performance for each business year, Directors and Executive Officers in charge of business execution shall be paid a monetary amount at a set time each year following the conclusion of the Annual General Meeting of Shareholders for the relevant business year, calculated according to the following method, as a bonus.

(1) Directors

Profit-share method based on consolidated ordinary profit and target method based on consolidated net sales, consolidated operating profit, and evaluations by each Director

(2) Executive Officers

Target method based on non-consolidated net sales, non-consolidated operating profit, and evaluations by each Executive Officer

4. Policy on determining the details of stock-based remuneration, the amount and calculation method, and the timing or conditions for granting thereof

In order to raise their motivation to share value with shareholders, and contribute to the improvement of the medium- and long-term corporate value and shareholder value, Directors and Executive Officers in charge of business execution shall be granted shares, etc. based on the share delivery trust system at a set time following their retirement. The number of shares to be granted shall be equivalent to the cumulative number of annual share delivery points granted according to position.

5. Policy on determining the ratios of the amounts of basic remuneration, performance-linked remuneration, and stock-based remuneration to the amount of individual remuneration for Directors and Executive Officers

The ratio of each type of remuneration for Directors and Executive Officers in charge of business execution shall be determined based on factors such as their position, role, and trends among other companies of similar business scale as the Company.

6. Matters concerning procedures for determining the content of individual remuneration, etc. for Directors and Executive Officers

Remuneration for all Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee members) and Executive Officers shall be determined by resolution of the Board of Directors based on deliberation and reports of the Nomination and Compensation Committee, comprised of a majority of Independent Outside Directors.

Proposal 8: Payment of Bonuses to Directors

In order to reward contributions to the business performance for the fiscal year under review, taking into consideration the profit for the fiscal year under review, previous amounts of bonuses to directors, and various other factors, the Company proposes to pay a bonus of a total amount of 38.84 million yen for the eight Directors, excluding Audit & Supervisory Committee members and Outside Directors, serving at the end of the fiscal year under review.

Furthermore, the Company proposes that the amount to be paid to each Director, the timing of payment, and other matters be left to the determination of the Board of Directors.

The content of this proposal is to pay a bonus for Directors in charge of business execution as performance-linked remuneration in order to raise their motivation to contribute to the improvement of business performance for each business year, in line with the Decision-making Policy Pertaining to the Contents of Individual Remuneration, etc. for Directors (For its outline, please refer to page 39 of the Japanese version of Business Report for an overview) established by the Company at a meeting of the Board of Directors held on February 15, 2021. As the Company has received a report from the Nomination and Compensation Committee, whose majority of members is Independent Outside Directors, that it has deemed the proposal appropriate upon a multifaceted examination, the Company believes the proposal is reasonable.