

# Corporate Governance and Social Responsibility

*The MEDICEO Group conducts its business activities while ensuring transparent and sound management in order to continuously improve corporate value and realize our management philosophy of “contributing to people’s health and the advancement of society through creation of value in distribution.”*

## Strengthening Corporate Governance

The MEDICEO Group is strengthening its corporate governance system with a focus on maximizing corporate value while ensuring transparent and sound management.

The Board of Directors considers and decides matters stipulated by management policy and by law, as well as other important matters concerning management, and also supervises the status of overall business execution. The Board consists of 10 directors, and holds monthly meetings attended by corporate auditors.

MEDICEO Holdings has adopted the auditor system, and has five corporate auditors, three of whom are from outside the company. The corporate auditors strictly monitor the execution of the duties of directors from the standpoints of legality and efficiency.

By resolution of the Ordinary General Meeting of Shareholders held on June 29, 2004, the term of office of directors was reduced from two years to one year to support the flexible creation of an optimal management structure and increase opportunities to earn shareholder confidence. In addition, the system of special retirement benefits for directors and corporate auditors was discontinued in order to clarify evaluation of management’s performance.

The Company has adopted an executive officer system to clearly separate management decision-making and supervision from business execution. In addition, directors, executive officers and corporate auditors

participate in a Management Meeting, which convenes once a week, in principle, to share information on management strategies and consider business solutions.

## Strengthening the Audit System

The Compliance Office, under the direct control of the President, conducts regular, company-wide internal audits to promote sound management and improvement in all of the Company’s operations. Based on the Basic Audit Policy prepared each fiscal year, the Compliance Office carries out on-site, paper and combined audits covering all aspects of the Company’s business execution and organizational structure. Upon completion of the audits, the Compliance Office prepares an audit report and submits it to the President. After determining from the audit report areas in need of improvement, the President issues instructions to the concerned divisions, and has them prepare improvement plans and report on implementation.

Corporate audits are conducted by three attending corporate auditors and two non-attending corporate auditors. The corporate auditors attend all meetings of the Board of Directors in addition to important meetings within the Company, and conduct audits in areas including legal compliance and adherence to the Company’s articles of incorporation, competitive trade and conflict of interest rules.

Corporate auditors also attend meetings of the independent auditors concerning audit plans and results to exchange views,

and work to perform efficient and effective audits through collaborative efforts including participation in audits of business sites and subsidiaries. In addition, the corporate auditors exchange views concerning the business execution audits of the Internal Audit Division.

The three outside corporate auditors have no personal, financial, business or other relations of interest with the Company.

## Promotion of Corporate Ethics

In November 2004, the MEDICEO Group compiled “Our Stance,” a set of decision-making and action guidelines to promote accurate, thorough understanding of its fundamental principles as a company engaged in the distribution of pharmaceuticals.

### Our Stance

- I. Establish the MEDICEO brand
- II. Work to convey accurate information as the first step in CSR
- III. Value the opportunity to meet people and emphasize the importance of trust
- IV. Generate funds through high-quality profitability (funds are the corporate lifeline)
- V. Work thoroughly to solve problems and reform management
- VI. Enhance dialogue by listening attentively
- VII. Learn for yourself, then share this learning with others

These action guidelines were compiled in a booklet with detailed explanations, and distributed to all MEDICEO Group employees, who are instructed to keep the booklet on hand at all times. Other measures to promote thorough knowledge and practice of these standards include regular divisional meetings held for that purpose.

With the enactment of the Personal Information Protection Act in April 2005, the MEDICEO Group established the MEDICEO Group Information Security Policy. This policy defines the management structure and handling procedures for all personal information in the Group’s possession, and educational programs are being conducted for all employees.

