

Hisamitsu Pharmaceutical Co., Inc.

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The corporate governance of Hisamitsu Pharmaceutical Co., Inc. (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information**1. Basic Views**

The Company considers corporate governance to be the framework for transparent, fair, prompt and resolute decision-making with due consideration of the interests of its stakeholders including shareholders, customers, employees and local communities, and positions the improvement of corporate governance as an important task. To this end, the Company has placed priority on creating an organization capable of quickly responding to changes in the business environment and has implemented structural reforms.

With this in mind, the Company has adjusted the number of directors to an appropriate level with the goals of enhancing the performance of the Board of Directors and speeding up decision making. The Company has also introduced an executive officer system to clarify roles and responsibilities in business execution.

Going forward, the Company seeks to create a stronger bond of trust with its stakeholders as a good corporate citizen by improving transparency, ensuring compliance, and upholding corporate ethics in its business activities.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The contents contained herein are based on the latest (June 2021) revision of Japan's Corporate Governance Code.

【Principle 1-4】**<Policy on Strategic Shareholdings>**

The Company believes that long-term partners who understand its business are essential, because there is a prolonged period from research and development to sales in the manufacture and sale of pharmaceuticals, and the Company leverages its management resources to respond to customer needs beyond pharmaceutical boundaries.

As to strategic shareholdings, the Company basically only holds shares of companies that contribute to enhancing corporate value.

<Verification of Propriety of Strategic Shareholdings>

In May every year, The Board of Directors evaluates whether it is reasonable to continue respective strategic shareholdings based on comprehensive consideration of qualitative verification such as the status of transactions and quantitative verification such as economic rationality based on benefits from transactions and dividends of each stock.

Based on the results of the evaluation, the Company will reduce strategic shareholdings that it deems unreasonable to hold, through ongoing discussions with the issuing companies.

<Basic Views on the Exercise of Voting Rights>

The Company will determine the exercise of voting rights of strategic shareholdings by taking into account whether or not it would lead to an enhancement of the Company's corporate value while respecting the management policies of the issuing company.

【Supplementary Principle 4-8-1】

Independent outside directors and outside corporate auditors indicate and exchange information in the Board of Directors based on objective positions. Meetings solely comprised of independent outside directors are held as necessary.

【Supplementary Principle 4-8-2】

The Company has not appointed a principal independent outside director because there are no problems with contact and coordination between independent outside directors and the management team or cooperation with the Board of Corporate Auditors.

[Disclosure Based on the Principles of the Corporate Governance Code] Update**【Principle 1-7】**

The Company endeavors to prevent people involved in the Company such as directors from using their positions to conduct transactions that harm the common interests of the Company or shareholders. In regard to transactions with directors and corporate auditors and their close relatives, the Company annually confirms with directors and corporate auditors themselves whether they have conducted such transactions.

【Supplementary Principle 2-4-1】

<Approach to Ensuring Diversity>

The Company needs to continue to be an organization that continuously creates new value in order to respond to drastic changes in the environment and improve medium- to long-term corporate value. The Company continues to strive for increasing diverse employment regardless of their nationality, gender or disabilities. At the same time, The Company is moving forward with efforts to provide opportunities to embrace the challenge of new work, and to improve the working environment with employee satisfaction survey that enables each individual to harness his or her own capabilities to their fullest while capitalizing on a diverse talent pool.

In accordance with the 7th Mid-Term Management Policy, the Company will build a system which promotes work styles that contribute to the continued success of various employees.

(1) Appointment of women in managerial positions

The ratio of female employees improved from 26.8% to 30.8%, and the percentage of managerial positions held by women improved from 4.3% to 7.8% over the five years from FY2019 to FY2023. During the same period, the rate of continued employment of female employees in their 9th to 11th year of employment increased from 42.6% to 51.4%. While maintaining our basic stance of promoting employees to management positions based on their demonstrated abilities and achievements, regardless of gender, whether new hires or mid-career hires, and other factors, the Company has continued training and active promotion of female candidates for managerial positions through efforts to create a work environment in which women can continue to work to ensure and enhance diversity in our organization.

	<FY2015>	→	<FY2020>	→	<FY2028 Target>
1. Percentage of managerial positions held by women	3.3%		5.7%		15.0%
2. Percentage of women continuing employment 9 to 11 years since joining the company	44.1%		38.2%		50.0%

(2) Appointment of women as officers

With the appointment of a female director in 2023, the Company will create a work environment that generates results through discussions and advice from more diverse perspectives than ever before.

(3) Promoting mid-career hires to managerial positions

The Company is working on mid-career hiring throughout the year, with mid-career hires accounting for 16% of all hires in FY2023. In addition, mid-career hires account for 20% of management positions. To ensure diversity, the Company will continue to recruit and train personnel with specialized knowledge and experience, and actively promote them.

(4) Recruiting and training foreign employees

The Company continuously hires employees regardless of nationality, and hired some people this year as well. After hiring foreign employees in Japan, the Company supports them to deepen their understanding of the Company through practical work, and trains them with a view to expand their scope of activity as an overseas local executive according to individual abilities in the future. The Company is also actively hiring locally at our overseas subsidiaries and branches, and is making efforts to appoint employees to key positions and share our management philosophy.

(The percentage of foreign employees in the entire Hisamitsu Group is 42%)

(5) Recruiting persons with disabilities

Employees with different categories and degrees of disabilities are working in various departments and positions, and the employment rate of persons with disabilities in FY2023 was 2.3%. The Company continues to work to create a comfortable working environment through collaboration with the Employment and Lifestyle Support Center for Persons with Disabilities, follow-up interviews, and education for workplace staff.

<Policy and Implementation Status of Human Resource Development and Internal Environmental Improvement to Ensure Diversity>

Taking a long-term perspective, the Company is committed to investing in the human capital that supports our value chain and to increasing the value of each and every employee, who are the driving force behind the realization of our management philosophy. The Company is also working on cross-organizational training, expanding systems aimed at improving job satisfaction, and creating an environment for diverse work styles.

(1) Intrapreneurship system

The intrapreneurship system aiming at commercialization of new businesses planned by employees respects free ideas considering various possibilities regardless of age, gender and the method of employment, and creates growth opportunities for both employees and the Company.

(2) Outside loan / study abroad system

Interaction of diverse people by dispatching personnel to business school and on loan to outside companies every year helps employees think without being constrained by the company's circumstances and gain the ability to discover issues and make proposals, prompting growth as core personnel for the future. The Company will continue to actively utilize such opportunities in the future.

(3) Continuous training for female candidates for managerial positions

The Company has conducted “Hisamitsu Women’s Leader Training” targeted at the candidates for the next managerial positions to open as an initiative cross-organizational. Since 2013, 114 participants have taken the course, and working on the creation of an environment to enable them to think about their future career paths and play active roles in work for realizing those careers through discussion with women working in managerial positions.

【Principle 2-6】

Aiming for the stable operation of the corporate pension plan through the corporate pension fund, the Company has established a basic policy on the operation of pension reserves and established appropriate bodies such as the Board of Representatives and the Asset Management Committee as stipulated under applicable laws and regulations. In order to ensure the effectiveness of the basic policy, a system has been established through which the Company can appropriately keep track and evaluate the management status of pension reserves such as by appointing an personnel with specialized knowledge regarding reserve fund management to the Asset Management Committee as well as asking an outside experts for advice.

【Principle 3-1-(1)】

The Company has posted on company’s website.

Corporate Philosophy: <https://global.hisamitsu/company/philosophy.html>

Medium-term Management Policy (FY2021-2025): <https://global.hisamitsu/ir/medium-term.html>

【Principle 3-1-(2)】

As stated in “1-1 Basic Views” of this Report.

【Principle 3-1-(3)】

As stated in “Director Remuneration” of this Report

【Principle 3-1-(4)】

The Company determines the candidates for inside director and management who have capabilities and experience for implementing the Company’s mission of “Promoting “TE-A-TE” Culture Worldwide” by resolution of the Board of Directors. The Company appoints candidates for outside director and outside corporate auditor who can provide oversight and advice, and also takes diversity of experience and insight into consideration.

The composition of the Board of Directors is based on the Company’s strength being unity among sales, production and R&D. When appointing inside directors, consideration is given to the diversity that centers on the function of organization. When appointing outside directors, consideration is given to the diversity that centers on areas such as management experiences and a high level of knowledge of areas in which the Company does business.

As for the dismissal of executive officers, the requirements for dismissal are prescribed in the executive officer rules. Executive officers to whom the requirements apply are dismissed by resolution of the Board of Directors.

【Principle 3-1-(5)】

Regarding the appointment of candidates for directors and corporate auditors, their individual careers and reasons for appointment are detailed in the reference documents for the General Meeting of Shareholders.

【Supplementary Principle 3-1-3】

<The Efforts Aimed at Sustainability>

In 2021, The Company identified nine materiality points (important challenges) to create the common value “TE-A-TE Creating Smiles,” presented in our sustainability policy, and promotes activities for sustainability. For specific details of our sustainability efforts, please refer to the following pages on our official corporate website.

Sustainability website: <https://global.hisamitsu/sustainability/>

Integrated Report: <https://global.hisamitsu/ir/report.html>

In May 2022, The Company also expressed support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Based on the recommendations of this initiative, the Company will continue to analyze and respond to risks and opportunities that climate change poses to our business. Please refer to the following page on our official corporate website for details of disclosure.

<https://global.hisamitsu/sustainability/environment/environment-01.html>

<Investing in Human Capital and Intellectual Property>

The Company engages in human resource development for creating new value intended to secure and train diverse human resources and improves employee satisfaction. Please refer to the following pages on our official corporate website about our activities related to the human resources.

Bonds with Employees: <https://global.hisamitsu/sustainability/society/society-02.html>

【Supplementary Principle 4-1-1】

Important management decisions are made based on deliberation by the Management Advisory Council comprising key directors and executive officers, etc., and particularly important resolutions are debated and decided by the Board of Directors.

Matters subject to resolution of the Board of Directors are specified in the rules of the Board of Directors in order to perform the function of oversight of business execution.

【Principle 4-9】

Candidates for independent outside director are appointed pursuant to the provisions of the Companies Act and the rules prescribed by the Stock Exchange. The Company appoints the candidates for independent outside director who are able to provide accurate oversight and advice for the Company's management based on their experience and insight.

【Supplementary Principle 4-10-1】

Important matters such as nomination and remuneration are sufficiently considered through discussion in the Board of Directors, and appropriate involvement and advice is received from the Nomination and Compensation Committee, which has been established to improve management transparency and objectivity. The majority of the members are independent outside directors, and the Company considers it to have adequate independence.

【Supplementary Principle 4-11-1】

<Our Thinking Regarding the Makeup of the Board of Directors>

Our Board of Directors appoints outside directors within the number specified by the Companies Act and the Articles of Incorporation. They bring both diversity and effectiveness to the Board of Director because they have well-balanced knowledge, experience and skill to practically fulfill their roles and responsibilities.

<Skill Matrix of Directors and Corporate Auditors>

A skill matrix of directors and corporate auditors is described in the reference documents for the General Meeting of Shareholders.

【Supplementary Principle 4-11-2】

At the Board of Directors every period, the Company confirms the companies in which positions are concurrently held by directors and corporate auditors and that there are no problems with the execution of their duties. The Company discloses the state of the main companies in which positions are concurrently held by directors and corporate auditors in the notice of convocation of the General Meeting of Shareholders.

【Supplementary Principle 4-11-3】

The secretariat of the Board of Directors conducts a survey with the aim of substantially evaluating the composition of the Board of Directors and the state of management for improvement of the effectiveness of the Board of Directors. Furthermore, the survey results are reported and discussed at the Board of Directors. The major topics of the survey were as follows.

- Composition and management of the Board of Directors.
- Management strategy and business strategy.
- Corporate ethics and risk management.
- Monitoring of business results and remuneration of the management team.
- Dialogue with shareholders.
- Appropriate cooperation with stakeholders.
- Ensure appropriate information disclosure and transparency

Through discussion in the Board of Directors based on the survey results, The Company has evaluated that the effectiveness of the Board of Directors is secured enough. In addition, getting to be active discussions on ESG commitments and risk management, etc., The Company will continue to endeavor to secure and enhance the functionality and effectiveness of the Board of Directors.

【Supplementary Principle 4-14-2】

Candidates for director and corporate auditor who have capabilities and experiences in order to promote and practice the company mission "Promoting "TE-A-TE" Culture Worldwide" are determined by resolution of the Board of Directors. Moreover, the Company endeavors to deepen their understanding of the Company and its business environment through the agenda of the Board of Directors. Seminars are also planned and held as necessary at the request of directors and corporate auditors.

【Principle 5-1】

As stated in the “IR Activities” section of this Report, the Company has established an investor relations system. The Board of Directors receives IR reports quarterly and discusses the establishment of necessary system and initiatives.

【Principle 5-2】 【Actions to implement management that is conscious of cost of capital and stock price】

The Company aims for return on capital to exceed its cost of capital in order to sustainably increase its corporate value. In the 7th Medium-term Management Policy, the Company has set a target of ROE of 8% or more, as well as investment in growth of 150 billion yen or more over a five-year period. The Company has developmentally redefined its corporate mission as Promoting “TE-A-TE” Culture Worldwide, and has announced that it will expand its business activities by utilizing the management resources it has cultivated over the years. The 7th Medium-term Management Policy is available on our website.

Medium-term Management Policy (FY2021 - 2025): <https://global.hisamitsu/ir/medium-term.html>

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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【Status of Major Shareholders】 Update

Name / Company Name	Number of Shares Owned (shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,650,400	10.10
Custody Bank of Japan, Ltd. (Resona Bank, Ltd. retrust account, The Nishi-Nippon City Bank, Ltd. pension trust account)	4,370,000	5.77
The Nomura Trust and Banking Co., Ltd. (MUFG Bank, Ltd. pension trust account)	4,060,100	5.36
Nippon Life Insurance Company	3,910,090	5.16
Custody Bank of Japan, Ltd. (trust account)	3,657,400	4.83
The Bank of Fukuoka, Ltd.	3,371,872	4.45
Hisamitsu Business Partners' Shareholding Association	2,641,700	3.49
The Bank of Saga, Ltd.	2,356,000	3.11
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation pension trust account)	2,064,000	2.72
TKY	1,842,000	2.43

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Markets and Market Sections	Tokyo Stock Exchange Prime Market Nagoya Stock Exchange Premier Market Fukuoka Stock Exchange
Fiscal Year-End	February
Type of Business	Pharmaceutical
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) as of the End of the Previous Year	From 100 billion yen to less than 1 trillion yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances Which May Have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with a Board of Corporate Auditors
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[Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	12
Term of Office of Directors Stipulated in the Articles of Incorporation	1 Year
Chairperson of the Board of Directors	President & CEO
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Outside Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
ANZAI Yuichiro	From another company											△	
MATSUO Tetsugo	From another company								○				
WATANABE Tamako	From another company												

* Categories of "Relationship with the Company"

* "○" The director presently falls or has recently fallen under the category,

"△" The director fell under the category in the past

* "●" A close relative of the director presently falls or has recently fallen under the category,

"▲" A close relative of the director fell under the category in the past

- a. Executive officer of a listed company or its subsidiary
- b. Executive officer or non-executive director of a parent company of a listed company
- c. Executive officer of a fellow subsidiary of a listed company
- d. A person whose major business partner is a listed company, or an executive officer thereof
- e. Major business partner of a listed company, or an executive officer thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company besides executive compensation
- g. Major shareholder of a listed company (or an executive officer of the corporation, if the said major shareholder is a corporation)
- h. Executive officer in a business partner of a listed company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive officer of a company, in which outside directors/auditors have a mutual appointment (the director himself/herself only)
- j. Executive officer of a company that receives a donation from a listed company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **Update**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
ANZAI Yuichiro	○	Adviser for Academic Affairs to Keio University Professor Emeritus of Keio University	He has been appointed as an outside director because he possesses management experience and knowledge which he has acquired in the course of his career such as university management. Since he has no special interest with the Company, and has no risk to cause conflicts of interest with general shareholders, he has been designated as an independent officer.
MATSUO Tetsugo	○	President of Matsuo Construction Co., Ltd The transaction value between Matsuo Construction Co., Ltd. and the Company in FY2023 is less than 2% of the consolidated sales of both sides.	He has been appointed as an outside director because he possesses management experience and knowledge which he has acquired in the course of his career such as corporate management. Since he has no special interest with the Company, and has no risk to cause conflicts of interest with general shareholders, he has been designated as an independent officer.
WATANABE Tamako	○	—	She has been appointed as an outside director because she possesses experience and knowledge of management which she has acquired in the course of her career such as serving a certified public accountant, a certified tax accountant and a licensed social insurance consultant. Since she has no special interest with the Company, and has no risk to cause conflicts of interest with general shareholders, she has been designated as an independent officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Name, Composition, and Attributes of Chairperson of Committee(s)

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	The Nomination and Compensation Committee	The Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Others	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

The Company has established the Nomination and Compensation Committee as a consultative body to the Board of Directors, and also determines the appointment and remuneration of the directors through the reports from that committee.

The majority of the members are independent outside directors and the Company considers it to have adequate independence.

[Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in the Articles of Incorporation	4
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

Corporate auditors regularly engage in the operating audits of each business division. Regarding the accounting audits, corporate auditors receive reports of the annual auditing schedule from the accounting auditors. In addition, corporate auditors convene meetings at least six times a year such as for audit reports of summaries of interim and year-end audits, and engage in the audits such as on-site audits of headquarters and major offices with accounting auditors as necessary.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Outside Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1) **Update**

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
WATANABE Kentaro	From another company														
ITAKURA Ryusuke	From another company										△				

* Categories of "Relationship with the Company"

* "○" The director presently falls or has recently fallen under the category,

"△" The director fell under the category in the past

* "●" A close relative of the director presently falls or has recently fallen under the category,

"▲" A close relative of the director fell under the category in the past

- a. Executive officer in a listed company or its subsidiary
- b. Non-executive director or accounting advisor of a listed company or its subsidiary
- c. Executive officer or non-executive director of a parent company of a listed company
- d. Corporate auditor of a parent company of a listed company
- e. Executive officer of a fellow subsidiary of a listed company
- f. A person whose major business partner is a listed company, or an executive officer thereof
- g. Major business partner of a listed company, or an executive officer thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company besides executive compensation
- i. Major shareholder of a listed company (or an executive officer of the corporation, if the said major shareholder is a corporation)
- j. Executive officer in a business partner of a listed company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- k. Executive officer of a company, in which outside directors/auditors have a mutual appointment (the director himself/herself only)
- l. Executive officer of a company that receives a donation from a listed company (the director himself/herself only)
- m. Others

Outside Corporate Auditors' Relationship with the Company (2) **Update**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
WATANABE Kentaro	○	—	He has been appointed as an outside corporate auditor because he possesses experience and knowledge of management which he has acquired in the course of his career as an attorney-at-law. Since he has no special interest with the Company, and has no risk to cause conflicts of interest with general shareholders, he has been designated as an independent officer.
ITAKURA Ryusuke	○	He is a former executive officer of Sumitomo Mitsui Banking Corporation, but has been retired for more than 10 years. The transaction value between Sumitomo Mitsui Banking Corporation and the Company in FY2023 is less than 2% of the consolidated sales of either side, and the amount of borrowings is less than 2% of consolidated total assets.	He has been appointed as an outside corporate auditor because he has knowledge of finance he acquired over many years in the financial industry and experience as a corporate manager. Since he has no special interest with the Company, and has no risk to cause conflicts of interest with general shareholders, he has been designated as an independent officer.

[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	5
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Matters relating to Independent Directors/Corporate Auditors **Update**

(Criteria for selecting independent officers)

I. If an outside officer does not fall under any of the attributes listed in the following items, the Company determines that the outside officer is fully independent from the Company.

1. Relationship with group companies

- (1) An executive^{*1} or a Director who is not an executive of the parent company of the Company in the past ten years
- (2) A Corporate Auditor of the parent company of the Company in the past ten years (This is limited to the case where an Outside Corporate Auditor is designated as an independent officer.)
- (3) An executive of a fellow subsidiary of the Company in the past ten years

2. Remuneration from the Company

- (1) An attorney at law, certified public accountant, certified public tax accountant, consultant, etc. who has received ¥10 million or more of money or other financial benefits per year from the Group (This refers to the Company and its parent company, fellow subsidiaries, and subsidiaries. The same applies hereinafter.) in any of the past three business years, other than the officer's remuneration
- (2) A person who belongs to a corporation such as a law office, audit corporation, tax accountancy corporation, or consulting firm or an organization such as a partnership that has received a certain amount^{*2} or more of money or other financial benefits from the Group in any of the past three business years or a person who has recently fallen under this category

3. Business relationship

A person who has a significant business relationship^{*3} with the Group or, if the person is a corporation or other organization, an executive thereof or a person who has recently fallen under this category

4. Major shareholder

A person who is a major shareholder^{*4} of the Company, or an executive of a company of which the Company is a major shareholder in any of the past three business years

5. Donation recipient

A person who has received a donation exceeding ¥10 million from the Company in any of the past three business years (If the person is a corporation or other organization, a person who has received a donation exceeding ¥10 million and accounting for more than 2% of the total revenue of the corporation or other organization) or, if the person is a corporation or other organization, an executive of the person

6. Others

(1) A spouse or a relative within the second degree of a person who falls under any of the items 1 to 5 (This is limited to a person who is in a significant position^{*5} for an executive of a corporation or other organization or a person described in 2 (2).)

(2) A spouse or a relative within the second degree of a person who falls under any of the following (This is limited to a person who is in a significant position.)

1) An accounting advisor of the Company (If the accounting advisor is a corporation, it includes an employee who is to perform the duties thereof. The same shall apply hereinafter.) (This is limited to the case where an Outside Corporate Auditor is designated as an independent officer.)

2) An executive of a subsidiary of the Company

3) A Director who is not an executive or accounting advisor of a subsidiary of the Company (This is limited to the case where an Outside Corporate Auditor is designated as an independent officer.)

4) An executive or a Director who is not an executive of the parent company of the Company 5) A Corporate Auditor of the parent company of the Company (This is limited to the case where an Outside Corporate Auditor is designated as an independent officer.)

6) An executive of a fellow subsidiary of the Company

7) A person who has recently fallen under items 1) to 3) or an executive of the Company (This includes a Director who is not an executive in the case where an Outside Corporate Auditor is designated as an independent officer.)

II. Even if an outside officer falls under any of the attributes listed in any of the items stipulated in I., the Company may determine that there is no problem with the requirements for an independent officer when the Board of Directors or the Board of Corporate Auditors of the Company conducts a comprehensive review and determines that independence is ensured.

(Notes)

*1 An executive refers to an executive stipulated in Article 2, paragraph (3), item (vi) of the Regulations for Enforcement of the Companies Act, which includes an executive Director, corporate officer, executive officer, and other employee.

*2 A certain amount refers to 2% of the gross sales of the corporation or an organization such as a partnership.

*3 A person who has a significant business relationship refers to a person who falls under either (1) or (2) described below.

(1) A person for which the Group is a significant business partner

A person who has received a payment of the amount exceeding 2% of the consolidated net sales from the Group in any of the past three business years

(2) A person who is a significant business partner of the Group

A person who has paid an amount exceeding 2% of the Group's consolidated net sales to the Group, or a person who has provided a loan exceeding 2% of the Company's consolidated total assets as of the end of the previous business year to the Group in any of the past three business years

*4 A major shareholder refers to a shareholder who holds 10% or more of the total voting rights of the Company.

*5 A person in a significant position refers to a Director (excluding Outside Directors), executive officer, corporate officer, or a person with authority equivalent thereto. (In addition to the person, it includes an attorney at law, certified public accountant, or certified public tax accountant belonging to a law office, audit corporation, or tax accountancy corporation for the person described in I. 2 (2).)

[Incentives]

Incentive Policies for Directors	Introduction of a performance-based remuneration system and a stock option system
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Supplementary Explanation

Total director remuneration is determined within limits set by resolution of the General Meeting of Shareholders. It is described in the "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" below.

Introduction of the stock option system was approved at the 113th General Meeting of Shareholders on May 21, 2015, replacing the retirement benefits system for directors.

In addition to existing director remuneration, the upper limit on the number of share acquisition rights as stock option that is allotted within a year of the General Meeting of Shareholders in each fiscal year is 1000.

Recipients of Stock Options	Inside directors
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Supplementary Explanation

In order to share the advantages and risk of stock price fluctuations with shareholders and further enhance motivation to contribute to the improvement of the stock price and corporate value, the recipients of stock options are inside directors. (Outside directors are excluded)

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Only partial individual disclosure
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Supplementary Explanation **Update**

The total amount of remuneration paid to the directors is 226 million yen and paid to the outside directors is 19 million yen. This amount includes base remuneration and stock options. Furthermore, in cases where directors concurrently serve as employees, the amount does not include allowances and bonuses paid as employees.

The total amount of remuneration paid to the corporate auditors is 43 million yen, and the total amount of remuneration paid to the outside directors is 15 million yen.

The Company has disclosed remuneration of some directors in the annual securities report according to applicable laws and regulations.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

At the Board of Directors meeting held on February 18, 2021, the Company established the following policy on determining the content of individual remuneration for the directors. As the basic remuneration policy for the directors, the Company has adopted a remuneration system linked to shareholder interests so that it will fully function as an incentive to continuously improve corporate value. Also, the Company has decided that the remuneration of the individual directors is to be determined at an appropriate level based on their respective responsibilities.

Specifically, the remuneration of the executive directors consists of basic remuneration as fixed remuneration, performance-linked remuneration, and stock remuneration, and the remuneration of the outside directors who have supervisory functions is only basic remuneration in view of their duties.

The remuneration ratio for each type of executive director is examined by the Nomination and Compensation Committee based on the remuneration level with reference to other companies which have same business scale and employee scale as the Company, or belong to related industries.

The guideline for the ratio of each type of remuneration is 50% basic remuneration, 30% performance-linked remuneration, etc. and 20% non-monetary remuneration, etc. (when the Company achieves 100% of its performance indicators).

The resolution date of the General Meeting of Shareholders concerning the remuneration, etc. of directors was May 25, 2006, and the maximum amount of remuneration for directors was approved to be ¥500 million per year. (The number of directors at the time of the resolution was eight.) In addition, the resolution date of the General Meeting of Shareholders concerning the share acquisition rights as stock options was May 21, 2015, and the maximum amount of remuneration related to the share acquisition rights as stock options for directors apart from usual directors' remuneration was determined to be ¥200 million per year. (The number of directors to be granted these at the time of the resolution was ten, excluding outside directors.)

Corporate auditors' remuneration is determined through discussion with corporate auditors within the range approved at the General Meeting of Shareholders.

The resolution date of the General Meeting of Shareholders concerning the remuneration, etc. of corporate auditors was May 25, 2006, and the maximum amount of remuneration for auditors was determined to be ¥100 million per year. (The number of corporate auditors at the time of the resolution was four.)

[Support System for Outside Directors and/or Corporate Auditors]

To better facilitate precise and fair auditing, outside directors and outside corporate auditors attend important meetings such as those of the Board of Directors together with inside corporate auditors.

2. **Matters Pertaining to Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)** **Update**

【Overview of Current Corporate Governance System】

The Company is structured as a company with a Board of Corporate Auditors, comprising nine directors (including three outside directors) and four corporate auditors (including two outside corporate auditors).

【Overview of Business Execution】

Important management decisions are made based on deliberation by the Management Advisory Council comprising key directors and executive officers, as needed, and particularly important resolutions are debated and decided in meetings of the Board of Directors which corporate auditors including outside corporate auditors attend. Furthermore, the Company has also introduced an executive officer system aimed at rapid management decisions, transparency and clarification of roles and responsibilities in business execution. In accordance with Article 427, Paragraph 1 of the Companies Act, The Company has entered into an agreement with each outside director and each outside corporate auditor that limits the maximum amount of liability for damage set forth in Article 423, Paragraph 1 of the same Act.

The Company has also established a variety of internal committees as follows to strengthen business execution and oversight functions.

<Sustainability Promotion Committee>

In January 2021, the Company established the Sustainability Promotion Committee, which was reorganized from the CSR Committee. It is made up of Sustainability Promotion Committee members from each business division and is chaired by the director in charge.

To respond to social and environmental issues surrounding the company and various requests from stakeholders, the committee promotes activities for the sustainability of our group companies.

<Compliance Promotion Committee>

The Compliance Promotion Committee chaired by the director in charge has distributed the Hisamitsu Corporate Charter as handbooks to officers and employees to ensure thorough compliance and ethicality, in addition to recognizing the importance of compliance and maintaining awareness. Both the Compliance Promotion Committee and the Compliance Promotion Office continue efforts to bolster compliance related to social responsibility, including corporate ethics, the environment, and privacy protection in the Company and group companies.

<Crisis Management Committee>

The Company established the Crisis Headquarters chaired by the president & CEO, which also serves as a permanent Crisis Management Committee to operate under normal conditions, and conducts training of committee members as needed.

<Privacy Protection Committee>

The Company established the Privacy Protection Committee chaired by the director in charge to fully comply with the Personal Information Protection Act.

Committee meetings are held as needed to create an organization to protect individual rights and interests and to ensure that this organization is safely operated and managed.

<Disclosure Policy Team>

The Company established the Disclosure Policy Team chaired by the president & CEO.

All officers and employees work toward timely disclosure based on the Disclosure Policy Rules to provide timely and appropriate disclosure of corporate information.

<Accounting Auditing>

The Company has concluded an auditing contract with KPMG AZSA LLC to serve as an independent auditor responsible for accounting auditing, and provides an environment conducive to fair auditing by providing accurate business information and taking other steps.

The accounting auditors who are engaged in the accounting audits are two designated partners and engagement partners, nine certified public accountants, and eighteen others. In addition, all of the accounting auditors have served seven years or less.

3. **Reasons for Adoption of Current Corporate Governance System** **Update**

From the perspective of an external check system, audits are conducted by the outside corporate auditors in accordance with Article 2, Item 16 of the Companies Act, and the system for management oversight is functioning properly.

The Company appointed outside directors at the 113th Annual General Meeting of Shareholders held on May 21, 2015 to further reinforce corporate governance.

The number of outside directors was increased at the 118th Annual General Meeting of Shareholders held on May 21, 2020 to achieve sustainable growth of the Company and work to increase corporate value over the medium and long term.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company sends notifications about three weeks before the date of the General Meeting of Shareholders.
Scheduling AGMs Avoiding the Peak Day	The Company selects a schedule in late May every year that avoids the peak day.
Allowing Electronic Exercise of Voting Rights	The Company has allowed electronic exercise of voting rights since the voting at the 118th General Meeting of Shareholders held on May 21, 2020.
Participation in Electronic Voting Platform	The Company participates in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc. since the 118th General Meeting of Shareholders held on May 21, 2020.
Providing Convocation Notice in English	The Company prepares convocation notices in English (summary) and post the notices on its website.
Others	The Company has made sincere efforts to vitalize the General Meeting of Shareholders, such as providing video presentations and narration of the business report and other reports during the meeting. In addition, the Company works to make voting smoother, by means such as posting convocation notices on its website.

2. IR Activities **Update**

	Supplementary Explanations	Explanation by The Representative
Regular Investor Briefings for Analysts and Institutional Investors	Financial settlement briefings for sell-side and buy-side analysts are held once every quarter. The Company representative provides direct briefings for the year-end and first-half financial results.	Available
Posting of IR Materials on Website	The Company has various IR materials including information about financial results that are disclosed by Tokyo Stock Exchange, news releases, presentation materials of financial results, notices of convocation, notices of resolutions, annual Integrated reports, Medium-term Management Policy, management indicators and annual securities reports on its website (https://global.hisamitsu/ir/).	
Establishment of Department and/or Manager in Charge of IR	The Company has a Public and Investor Relations Division, and works according to the timely disclosure system and rules. The head of the Public and Investor Relations Division is ISOBE Yuichi, Executive Officer Head of Corporate Strategy Planning Division	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Hisamitsu Corporate Charter sets forth the behavior of officers and employees and responsibility to stakeholders such as shareholders both in Japan and Overseas, employees, customers, and community residents.
Implementation of Environmental Activities, CSR Activities, etc.	The Company has obtained ISO 14001 certification in the Tosu Factory and the Utsunomiya Factory, and conducts activities and provides education for resource conservation, energy conservation, and environmental conservation. In addition, the Company also obtained ISO 45001 certification in December 2019, and is creating a workplace environment with consideration for environmental conservation and employee's health and safety. The Company has published CSR Reports since 2007, and annual Integrated reports since 2021.
Development of Policies on Provision of Information to Stakeholders	The Company has prepared the Disclosure Policy Rules for the timely and appropriate disclosure of corporate information according to the relevant laws and regulations such as the Financial Instruments and Exchange Act and the Timely Disclosure Rule of the Tokyo Stock Exchange, and the Disclosure Policy Team chaired by the president & CEO is entrusted with their implementation.

IV. Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and the Progress of System Development Update

(1) Basic Views on the Internal Control System

The Company has established the Basic Policy on Internal Control for thoroughly improving transparency and ensuring compliance in its business, and has placed priority on creating an organization capable of responding quickly to changes in the business environment and implemented structural reforms while making improvements to corporate governance.

The Company seeks to create a stronger bond of trust with stakeholders as a good corporate citizen by ensuring compliance, and upholding corporate ethics in its business activities.

(2) Status of the Internal Control System

<Overview of the Company's corporate governance structure and reasons for adopting the structure>

The Company is structured as a company with a Board of Corporate Auditors, comprising nine directors (including three outside directors) and four corporate auditors (including two outside corporate auditors) as of May 24, 2024.

In the area of corporate governance, the Company had reduced the number of directors as a way to clarify the responsibilities and authority of management and speed up decision-making and business execution. However, in order to further reinforce and enhance the management structure in conjunction with the expansion of the organization, the Company amended the articles of incorporation to increase the number of directors from ten or less to twelve or less, at the Annual General Meeting of Shareholders held on May 23, 2013. Furthermore, the Company appointed outside directors at the Annual General Meeting of Shareholders held on May 21, 2015 to further reinforce corporate governance, and increased the number of outside directors at the 118th Annual General Meeting of Shareholders held on May 21, 2020.

In addition, the Company introduced an executive officer system in March 2003 to improve the speed, transparency, and strategic focus of business decisions. Moreover, to clarify management responsibilities of directors and construct a management structure that can respond to changes in management environments, the term of directors was changed from two years to one year at the Annual General Meeting of Shareholders held on May 26, 2011.

Important management decisions are made based on deliberation by the Management Advisory Council comprising key directors and executive officers, etc. as needed, and particularly important resolutions are debated and decided by the Board of Directors.

As stated above, the Company has worked to enhance management oversight and to separate, decentralize, and strengthen decision making functions and business execution functions.

To better facilitate fair auditing, the Company switched to an auditing system in which two of the four corporate auditors are outside corporate auditors at the Annual General Meeting of Shareholders held on May 26, 2004.

Corporate auditors attend meetings of the Board of Directors, regularly convene meetings of the Board of Corporate Auditors, and receive audit reports from the accounting auditors as needed. The independence of the two outside corporate auditors from the Company has been ensured, and the Company has determined that a structure sufficiently capable of monitoring management has been established.

<Systems to ensure appropriate operations of the corporate group comprising Hisamitsu Pharmaceutical and group companies>

The Company has requested group companies to prepare and observe their own rules regarding compliance, equivalent to the Hisamitsu Corporate Charter, and are making the best efforts to foster the compliance awareness of directors and employees of the Group as a whole.

The Company is monitoring the business status of each subsidiary through compliance of the Operation Manuals for Overseas and Domestic Group Corporations, reporting at Meetings of Presidents of Subsidiaries and group audits by the Company's corporate auditors, and is also working on sharing information through exchanging opinions between corporate auditors of the subsidiaries and the Company.

Directors, executive officers, division managers of the Company and presidents of group companies have authority and responsibility for the establishment and operation of internal control systems to ensure appropriate business execution in each business division.

The Internal Audit Department of the Company carries out internal audits of the Company and group companies, reports results to relevant business division managers and directors in charge, and provides guidance on improvement measures for internal control as well as support and advice on their implementation as needed.

<Internal auditing and audits by the Board of Corporate Auditors>

The Company established the Internal Audit Department (with four staff members) as an internal audit division. The Internal Audit Department is responsible for auditing the business activities of the Company and group companies to ensure that these activities are effective and appropriate and that they comply with relevant laws and regulations along with the articles of incorporation. Audit results are reported not only to the Representative Director, but also to the Board of Directors and the Board of Corporate Auditors, promoting mutual cooperation, reporting to relevant business division managers and directors, and providing support and advice as needed to improve internal control. Through these activities, the Internal Audit Office ensures the effectiveness of internal audits.

In addition to conducting audits based on predetermined audit guidelines and plans, the Board of Corporate Auditors also regularly holds individual hearings with directors, executive officers, division managers and key staff from

each business division.

<Outside directors and outside corporate auditors>

In addition to the criteria for independence stipulated by financial instruments exchanges, the Company has established "Criteria for selecting independent officers" and appoints persons who have no vested interest in the Company in accordance with these criteria.

The Company has entered into agreements, in accordance with Article 427, Paragraph 1 of the Companies Act, with outside directors and outside corporate auditors to limit their liability for damages to the minimum amount stipulated in Article 425, Paragraph 1 of the Companies Act, provided that their duties have been carried out in good faith and with no gross negligence.

The Company's three outside directors are ANZAI Yuichiro, MATSUO Tetsugo and WATANABE Tamako. ANZAI Yuichiro has gained overall management experience and knowledge through his past career experience such as university management. MATSUO Tetsugo has gained overall management experience and knowledge through his past career experience such as serving as representative director of a construction company. WATANABE Tamako has gained overall management experience and knowledge through her past career experience such as a certified public accountant, a certified tax accountant and a licensed social insurance consultant.

Although ANZAI Yuichiro serves as Advisor for Academic Affairs to Keio University and Professor Emeritus of Keio University, and although the Company dispatches employees to Keio University as students of the business school, the transaction amounts are minimal. Furthermore, he serves as Director of the Nakatomi Foundation, Chairman of the Japanese Association of University Physical Education and Sports, President of the Kojunsya Club, Senior Advisor to the Japan Society for the Promotion of Science (JSPS), and Executive Director and Chief Executive Officer of The Tokyo Foundation for Policy Research, and there are no special interests between the Company and these organizations. MATSUO Tetsugo concurrently serves as President of Matsuo Construction Co., Ltd., although the transaction amounts are minimal. Furthermore, he serves as an outside director of FM Saga Co., Ltd., Outside Director of Saga Ube Concrete Kogyo Co., Ltd., Chairman of Saga General Construction Association, and an Outside Director of New Otani Kyushu Co., Ltd. However, there are no special interests between the Company and these companies. Although WATANABE Tamako serves as representative of Itsuki Accounting Firm, there are no special interests between the Company and the firm. Furthermore, she serves as an Outside Auditor of SHOEI CO., LTD. However, there are no special interests between the Company and this company.

The two outside corporate auditors are WATANABE Kentaro and ITAKURA Ryusuke. WATANABE Kentaro has gained overall management experience and knowledge through his past career experience such as an attorney-at-law and the person responsible for legal affairs and compliance division at a business company. ITAKURA Ryusuke has knowledge of finance he acquired over many years in the financial industry and experience as a corporate manager.

Outside corporate auditors regularly attend meetings of the Board of Directors and meetings of the Board of Corporate Auditors. The Company has determined that a structure sufficiently capable of auditing management has been established.

Although WATANABE Kentaro serves as representative of Watanabe Kentaro Law Office, there are no special interests between the Company and the firm. Although ITAKURA Ryusuke serves as Director of Tanioka Gakuen Educational Foundation, there are no special interests between the Company and the foundation.

Apart from the information stated above, there are no special interests between the outside directors and outside corporate auditors and the Company.

<Accounting auditing>

The Company has concluded an auditing contract with KPMG AZSA LLC to serve as an independent auditor responsible for accounting auditing, and provides an environment conducive to fair auditing by providing accurate business information and taking other steps. There are no special interests between the company and KPMG AZSA LLC and their designated limited liability partners and engagement partners.

Additionally, the Company receives advice from attorneys as needed in regards to general legal matters arising day to day.

<Committees>

•Sustainability Promotion Committee (Chair: Director in Charge)

In January 2021, the Company established the Sustainability Promotion Committee, which was reorganized from the CSR Committee. It is made up of Sustainability Promotion Committee members in each business division and is chaired by the director in charge. To respond to social and environmental issues surrounding the company and various requests from stakeholders, the committee promotes activities for the sustainability of our group companies.

•Compliance Promotion Committee and Compliance Promotion Office (Chair and head of office: Director in Charge)

The Company prepared the Hisamitsu Corporate Charter in June 2002 and established the Compliance Promotion Committee and Compliance Promotion Office, which are chaired and headed by the director in charge, to ensure thorough compliance and ethicality. The Company has distributed handbooks to officers and employees to promote recognition and sustained awareness of the importance of compliance, and has worked to ensure behavior based on high ethical and moral standards.

Going forward, the Company will continue efforts to bolster compliance related to social responsibility, including corporate ethics, the environment, and privacy protection, in the Company and group companies.

•Crisis Management Committee (Chair: President & CEO)

The Company established a Crisis Headquarters to help prevent risk and prepare for times of crisis, and it also serves as a permanent Crisis Management Committee to operate under normal conditions, and conducts training of committee members as needed.

•Privacy Protection Committee (Chair: Director in Charge)

The Company established the Privacy Protection Committee in April 2005 to fully comply with the Personal Information Protection Act. The Company has called personal information administrators together and held committee meetings as needed to create an organization to protect individual rights and interests and to ensure that this organization is safely operated and managed.

•Disclosure Policy Team (Chair: President & CEO)

The Company established the Disclosure Policy Team in April 2001 to provide the timely and appropriate disclosure of corporate information. All officers and employees work toward timely disclosure based on the Disclosure Policy Rules.

The Company strives to actively disclose information to enhance management transparency and seeks to promote smooth communication with shareholders and investors through investor relations activities.

2. Basic Views on Eliminating Anti-Social Forces

The Company takes a firm stance against anti-social forces and organizations. To ensure compliance by all employees, the Hisamitsu Corporate Charter stipulates the elimination of relationships with anti-social forces and organizations, and that anti-social forces and organizations are to be confronted with determination.

Furthermore, the General Administration Department takes the lead to keep all employees thoroughly informed in cooperation with organizations such as the competent police offices and National Center for Removal of Criminal Organizations.

V. Other

1. Adoption of Anti-Takeover Measures

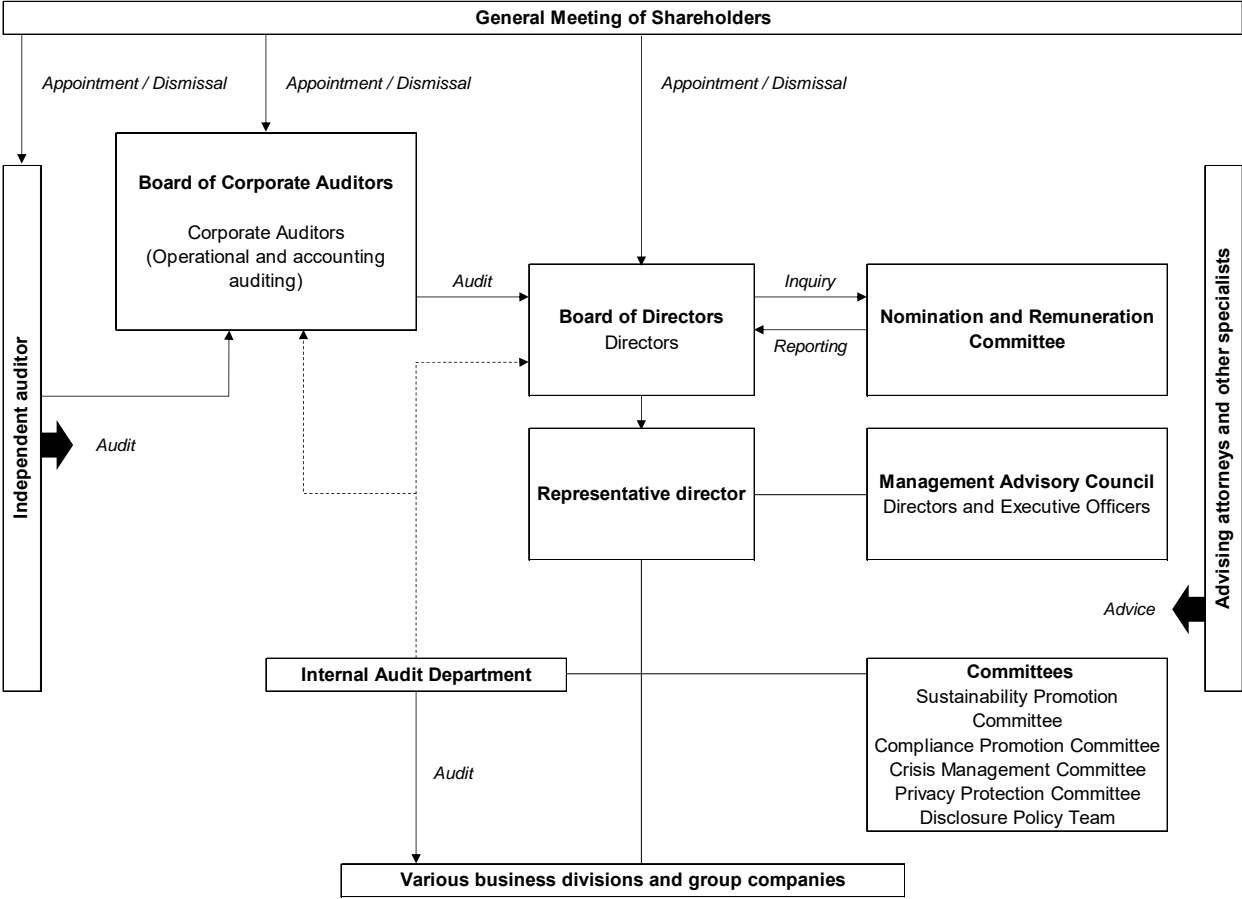
Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanations

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2. Other Matters Concerning to Corporate Governance System

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The Company has prepared the Disclosure Policy Rules for the timely and appropriate disclosure of corporate information. The Company positions corporate information for which timely disclosure is required under the Financial Instruments and Exchange Act and the Timely Disclosure Rules of the Tokyo Stock Exchange as important disclosure information. In addition, the Company also positions corporate information that does not fall under the Timely Disclosure Rules and may affect investment decisions as important disclosure information.

(Internal System)

The Company has established the Disclosure Policy Team as follows, and it determines, controls, reconsiders and supervises the Disclosure Policy Rules. The Company also determines important disclosure information, confirms publication and performs risk management.

- Chairperson : President & CEO
- Vice-chairperson : Officer in charge of Corporate Strategy Planning
- Leader : Head of Corporate Strategy Planning Division
- Member : Head of BU Division, General Manager of Accounting & Financing Department, Department General Manager of Accounting & Financing Department, General Affairs Department (Kyushu) Section Manager of Corporate Stock Section, Corporate Strategy Planning and Business Development Department, Public and Investor Relations Office
- Observer : Director in Management of Compliance, Head of R&D Division, Head of Production Division, Executive Secretary President's Office, General Manager of Legal, External Affairs Department

(Gathering Information)

The Disclosure Policy Rules have been established for all officers and employees. The Company has created a system in which all officers and employees properly report the necessary information to the Disclosure Policy Team according to scope of business conducted based on segregation of duties.

(Information Disclosure)

In principle, important disclosure information is disclosed through the person in charge of information disclosure who is a member of the Disclosure Policy Team.

