

## 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] Update**

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's management resources are mostly focused on transdermal patches even among pharmaceutical products.

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

###### <Verification of Propriety of Strategic Shareholdings>

The Board of Directors annually evaluates whether it is reasonable to continue respective strategic shareholdings based on comprehensive consideration of points such as economic rationality based on the status of transactions and dividends of each stock.

Going forward, the Company will continue individual verification and proceed to reduce strategic shareholdings 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>

We need continue to be an organization that continuously creates new value in order to respond to drastic changes in the environment. We continue to strive for increasing diverse employment including women, non-Japanese, and mid-career employees regardless of their nationality or gender. At the same time, we are moving forward with efforts to provide opportunities to embrace the challenge of new work, and to improve the working environment that enables each individual to harness his or her own capabilities to their fullest while capitalizing on a diverse talent pool.

#### (1) Appointment of women in managerial positions

The ratio of female employees improved from 26% to 29%, and the percentage of managerial positions held by women improved from 3.3% to 5.7% over the last five years. (6.1% as of July 2021) Although the percentage of managerial positions held by women remains low, we have continued training and active promotion of female candidates for managerial positions through the enterprising creation of a friendly work environment in which women can continue to work regardless of life events.

	<FY2015>	→	<FY2020>	→	<FY2023 Target>
1. Percentage of managerial positions held by women	3.3%		5.7%		9.5%
2. Percentage of women continuing employment 9 to 11 years since joining the company	44.1%		38.2%		45.0%

#### (2) Appointment of women as officers

At this time, we have not yet appointed any women as directors or executive officers. We recognize this is an immediate issue for success of diverse personnel.

#### (3) Promoting mid-career hires to managerial positions

Our policy of promoting personnel to managerial positions is based on individual ability and achievements regardless of gender or method of employment. At the present time, more than 20% of managerial positions are accounted for by mid-career hires. We plan that half of our new employees will be mid-career hires from now on by continuously employing personal with specialized knowledge and experience in areas including quality control and digital transformation.

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

The work environment has recently changed drastically such as decline in the working population, diversification of working styles including teleworking during COVID-19 pandemic, and further activity of senior personnel. Under such conditions, we are creating a work environment that motivates employees to continue working to create new value while harnessing their capabilities to the fullest.

#### (1) Intrapreneurship system

The intrapreneurship system was launched in June 2021 for sustainable growth aiming at commercialization of new businesses planned by employees. We respect free ideas considering various possibilities regardless of age, gender and the method of employment, and create 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.

#### (3) Continuous training for female candidates for managerial positions

We have conducted "Hisamitsu Women's Leader Training" targeted at the candidates for the next managerial positions to open as an initiative spanning departments since 2013. We are 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)】

We have posted on company's website.

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

Medium-term Management Policy (FY2021-2025): [https://global.hisamitsu/ir/pdf/medium-term/7th\\_slide\\_E.pdf](https://global.hisamitsu/ir/pdf/medium-term/7th_slide_E.pdf)

**【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)】、【Supplementary Principle 4-11-1】**

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 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】**

<Our Company’s Efforts Aimed at Sustainability>

For specific details of our sustainability efforts, please refer to the following pages on our official corporate website.

Sustainability website: <https://www.hisamitsu.co.jp/sustainability/index.html>

Annual Integrated report: <https://www.hisamitsu.co.jp/ir/annual.html>

<Investing in Human Capital and Intellectual Property>

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

Relationship with Employees: <https://www.hisamitsu.co.jp/sustainability/employee.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】**

The 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, half of whose members are independent outside directors.

**【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>

Directors / Corporate Auditors		Corporate Management	Sales / Marketing	Global / Business	Production / R&D	IT/ DX	Human Resources	Sustainability / ESG	Health Service	
Directors	NAKATOMI Kazuhide (President & CEO)	●	●	●	●					
	SUGIYAMA Kousuke (Senior Managing Director & Executive Officer)	●		●	●		●			
	TAKAO Shinichiro (Managing Director & Executive Officer)			●		●		●		
	SAITO Kyu (Director & Executive Officer)	●	●	●						
	TSUTSUMI Nobuo (Director & Executive Officer)				●			●		
	MURAYAMA Shinichi (Director & Executive Officer)	●		●						
	ICHIKAWA Isao (Outside Director of the Company)	●		●			●			
	FURUKAWA Teijiro (Outside Director of the Company)						●		●	
	ANZAI Yuichiro (Outside Director of the Company)	●			●	●	●			
	MATSUO Tetsugo (Outside Director of the Company)	●	●							
	Corporate Auditors	NAKATOMI Nobuyuki (Corporate Auditor of the Company)	●							
		HIRANO Munehiko (Corporate Auditor of the Company)				●				
		ONO Keinosuke (Outside Corporate Auditor of the Company)	●			●		●	●	
		TOKUNAGA Tetsuo (Outside Corporate Auditor of the Company)	●					●	●	

### 【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.

The Company will continue to work on improvement of management based on the present results, and also 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.

## 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 (%)
Custody Bank of Japan, Ltd. (trust account)	6,691,500	8.18

The Master Trust Bank of Japan, Ltd. (trust account)	6,104,900	7.47
Custody Bank of Japan, Ltd. (Resona Bank, Ltd. retrust account, The Nishi-Nippon City Bank, Ltd. pension trust account)	4,370,000	5.34
The Nomura Trust and Banking Co., Ltd. (MUFG Bank, Ltd. pension trust account)	4,307,700	5.27
Nippon Life Insurance Company	3,910,090	4.78
The Bank of Fukuoka, Ltd.	3,371,872	4.12
Hisamitsu Business Partners' Shareholding Association	2,382,600	2.91
The Bank of Saga, Ltd.	2,356,000	2.88
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation pension trust account)	2,064,000	2.52
TKY	1,835,200	2.24

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 First Section Nagoya Stock Exchange First Section 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	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Outside Directors	4

**Outside Directors' Relationship with the Company (1)**

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
ICHIKAWA Isao	From another company												
FURUKAWA Tejiro	Other												
ANZAI Yuichiro	From another company											△	
MATSUO Tetsugo	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)**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
ICHIKAWA Isao	○	—	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 our company, and has no risk to cause conflicts

			of interest with general shareholders, he has been designated as an independent officer.
FURUKAWA Teijiro	○	—	He has been appointed as an outside director because he possesses deep insight with regard to the Company's business which he has acquired through his experience in important positions at the Ministry of Health and Welfare. Since he has no special interest with our company, and has no risk to cause conflicts of interest with general shareholders, he has been designated as an independent officer.
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 our 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 FY2020 is less than 1% 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 our company, and has no risk to cause conflicts of interest with general shareholders, he 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	4	4
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	2	2
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 directors through the reports from that committee.

#### [Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
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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)

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
ONO Keinosuke	Academic													△	
TOKUNAGA Tetsuo	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

- Executive officer in a listed company or its subsidiary
- Non-executive director or accounting advisor of a listed company or its subsidiary
- Executive officer or non-executive director of a parent company of a listed company
- Corporate auditor of a parent company of a listed company
- Executive officer of a fellow subsidiary of a listed company
- A person whose major business partner is a listed company, or an executive officer thereof
- Major business partner of a listed company, or an executive officer thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from a listed company besides executive compensation
- Major shareholder of a listed company (or an executive officer of the corporation, if the said major shareholder is a corporation)
- 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)
- Executive officer of a company, in which outside directors/auditors have a mutual appointment (the director himself/herself only)
- Executive officer of a company that receives a donation from a listed company (the director himself/herself only)
- Others

#### Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
ONO Keinosuke	○	Professor Emeritus of Keio University	He has been appointed as a corporate auditor because he possesses knowledge of business management which he has acquired in the course of his career as a professor of graduate school of business administration. Since he has no special interest with our



			company, and has no risk to cause conflicts of interest with general shareholders, he has been designated as an independent officer.
TOKUNAGA Tetsuo	○	—	He has been appointed as a corporate auditor because he possesses experience and knowledge of management which he has acquired in the course of his career as a corporate executive. Since he has no special interest with our 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	6
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#### Matters relating to In Independent Directors/Corporate Auditors

All Outside Directors/Corporate Auditors who satisfy the qualifications to be Independent Directors/ Corporate Auditors are designated by the Company as Independent Directors/Corporate Auditors.

#### [Incentives]

Incentive Policies for Directors	Introduction of 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.

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

The total amount of remuneration paid to the directors is 287 million yen and paid to the outside directors is 28 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 41 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

The Company has established the policies concerning the decision of remuneration amount, etc. of officers and calculation methods thereof. Directors' individual remuneration, etc. are discussed by the Board of Directors based on the deliberation and reports from the Nomination and Remuneration Committee comprising the representative director, directors, and outside directors, and in consideration of the company's business results, the position, job specifications and individual performance. Especially individual remuneration of each director is determined by the president & CEO (NAKATOMI Kazuhide). The representative directors determine the individual remuneration of each director within the range approved at the Annual General Meeting of Shareholders by entrustment of the Board of Directors.

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.

### **[Status of Persons Who Retired from the Office of Representative Director and President, etc.]**

Information on Retired Representative Director and President, etc. Holding Advisory Positions (Counselor, Advisor, etc.)

Name	Role/Rank	Job Description	Work Arrangement/Conditions (Full-time/part-time, compensated/uncompensated, etc.)	Date of Retirement as President, etc.	Term of Office
NAKATOMI Hiroataka	Honorary Chairman	None	No work history, uncompensated	July 28, 2020	None

Number of retired Representative Director and President, etc. holding advisory positions (Counselor, Advisor, etc.)	1
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Others

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

### **[Overview of Current Corporate Governance System]**

The Company is structured as a company with a Board of Corporate Auditors, comprising ten directors (including four 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.

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, seven certified public accountants, and ten others. In addition, all of the accounting auditors have served seven years or less.

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

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

Two more outside directors were appointed 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

	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 reports, management indicators and annual securities reports on its website ( <a href="https://global.hisamitsu/">https://global.hisamitsu/</a> ).	
Establishment of Department and/or Manager in Charge of IR	The Company has established the Public and Investor Relations Office, and works according to the timely disclosure system and rules. The head of the Public and Investor Relations Office is TAKAO Shinichiro, Director & Executive Officer.	

#### 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.
Development of Policies on Provision of	The Company has prepared the Disclosure Policy Rules for the timely

Information to Stakeholders	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.
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#### IV. Matters Related to the Internal Control System

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

###### (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 ten directors (including four outside directors) and four corporate auditors (including two outside corporate auditors) as of May 27, 2021.

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 two outside directors at the Annual General Meeting of Shareholders held on May 21, 2015 to further reinforce corporate governance, and appointed an additional two 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, reporting 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.

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>

Although the Company has not established selection criteria regarding the independence of outside officers, it does select outside officers based on the criteria of independence set forth by the Financial Instruments Exchange.

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 four outside directors are ICHIKAWA Isao, FURUKAWA Teijiro, ANZAI Yuichiro and MATSUO Tetsugo. ICHIKAWA Isao has gained overall management experience and knowledge through his past career experience such as serving as representative director of a listed company. FURUKAWA Teijiro has gained deep insight with regard to our particular business through his experience in important positions at the Ministry of Health and Welfare. 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.

Although FURUKAWA Teijiro concurrently serves as Executive Chairman of Imperial Gift Foundation Boshi-Aiiku-Kai, there are no special interests between the Company and this Foundation. ANZAI Yuichiro serves as Advisor for Academic Affairs to Keio University and Professor Emeritus of Keio University, and although the Company outsources research to Keio University, 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), Director of the JSPS Research Center for Science Systems, 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 Saga Television Station Co., Ltd., an outside director of FM Saga Co., Ltd., an outside director of Saga Ube Concrete Kogyo Co., Ltd., Chairman of Saga General Construction Association, and an outside director of West Japan Construction Surety Co., Ltd. However, there are no special interests between the Company and these companies.

The two outside corporate auditors are ONO Keinosuke and TOKUNAGA Tetsuo. ONO Keinosuke has gained scholarly knowledge related to management through his past career experience such as professor at a graduate school of business. TOKUNAGA Tetsuo has gained overall management experience and knowledge through his past career experience such as executive vice president and representative director of a listed company.

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 ONO Keinosuke serves as Professor Emeritus of Keio University and the company outsources research to Keio University, the transaction amounts are minimal. In addition, although ONO Keinosuke concurrently serves as an outside director of YKK Corporation and Professor Emeritus of Chubu University, the company does not have any special interests in YKK Corporation or Chubu University.

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 (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**

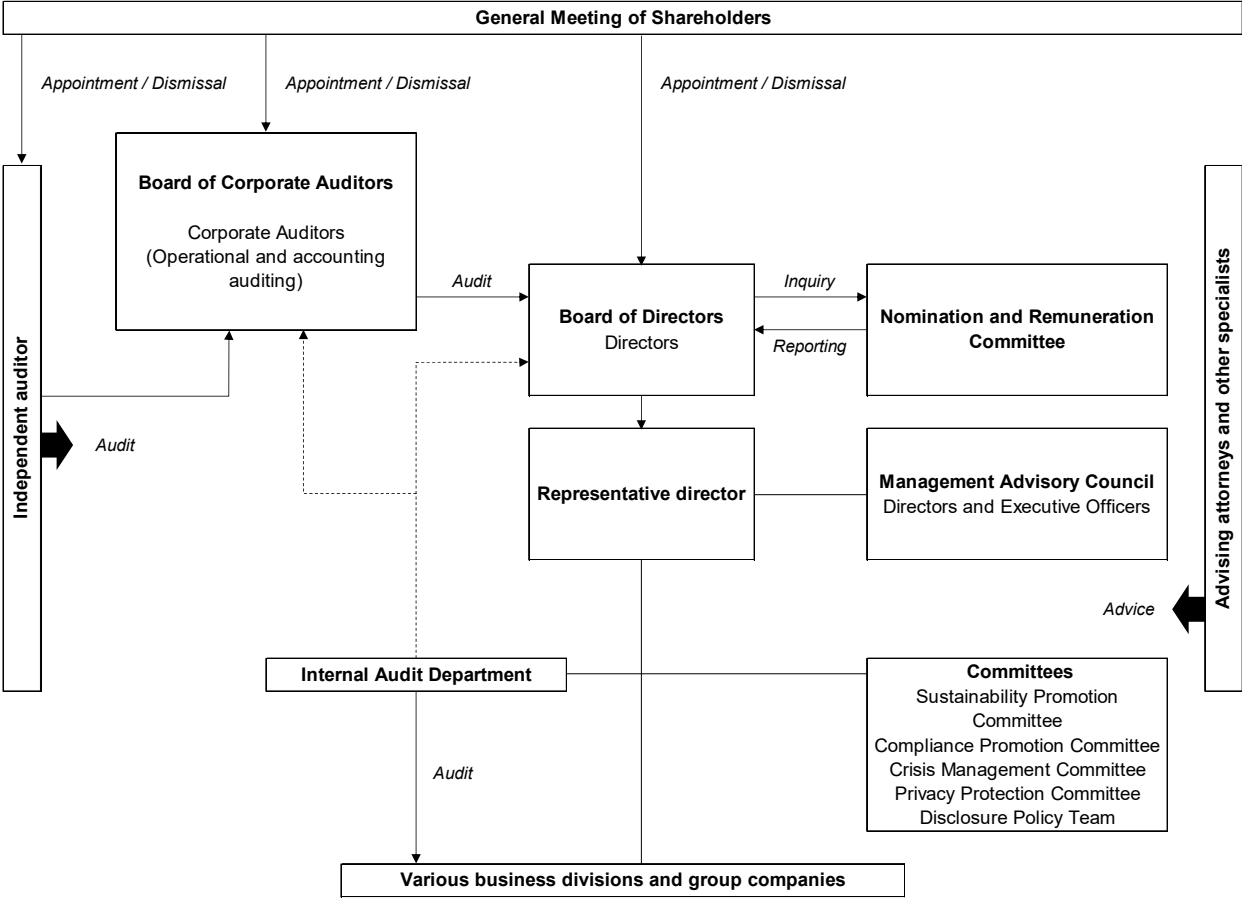
Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanations

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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 : Director in Management of Public Relations, Investor Relations Development
- Leader : Management of Public Relations, Investor Relations
- Member : 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

(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.

