

Date of Last Division: July 3, 2023
Taisho Pharmaceutical Holdings Co., Ltd.
Representative: Akira Uehara, Chief Executive Officer
Contact: Shinichi Tanaka, General Manager,
Corporate Communications
TSE: Code 4581
<https://www.taisho.co.jp/global/>

The status of corporate governance at Taisho Pharmaceutical Holdings Co., Ltd. is as follows.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Approach Updated

To fulfill its corporate mission, the Taisho Pharmaceutical Holdings Group aims to establish even stronger management foundations in line with its management policies to ensure that it continues to achieve steady growth and development amid global competition.

Guided by this basic approach, Taisho Pharmaceutical Holdings Co., Ltd. (the “Company”) was established as a pure holding company on October 3, 2011 to manage the Group as a whole. The Company is responsible for formulating Group management strategy and effectively allocating resources to businesses and operations in Japan and overseas with the objective of increasing corporate value by generating sustainable growth and strengthening competitiveness in the Self-Medication Operation Group and Prescription Pharmaceutical Operation Group, and by achieving synergies between these two businesses.

The Company has positioned the enhancement of corporate governance as a crucial management priority for achieving its corporate mission. Accordingly, the Company has established an appropriate Groupwide business management framework for properly monitoring and supervising the status of business and operational execution at the Company and Group companies. Specifically, the Group’s basic approach to corporate governance is to establish a corporate governance structure and properly implement this structure, with the aim of achieving its overall business objectives and fulfilling its social responsibilities. The basic principle behind these efforts is for the Board of Directors and the Audit & Supervisory Board or its members to work in close collaboration, while properly managing the entire Group by exchanging information with the business management bodies of the Company and Group companies.

[Reasons for Not Complying with Each Individual Principle of the Corporate Governance Code]

Updated

[Supplementary Principle 4.10.①]

The Independent Outside Directors of the Company do not constitute a majority of the members of the Board of Directors, and no independent nomination committee or remuneration committee has been established. The Company believes that nomination and remuneration committees are not currently necessary because ample opportunity for the appropriate involvement of and advice from the Independent Outside Directors is obtained by developing a communication environment which includes regular briefings.

[Supplementary Principle 4.11 Preconditions for the Effectiveness of the Board of Directors and Audit & Supervisory Board]

The Board of Directors is constituted in such a manner as to facilitate well-rounded discussions from a wide

range of perspectives on issues such as the sustainable development of the company and decision-making on important matters, in addition to taking into consideration individual attributes such as gender and nationality.

[Disclosures Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4 Cross-Shareholdings]

The Company may hold shares as cross-shareholdings in cases where those shares serve to strengthen cooperation and partnerships on product development and business expansion, along with bolstering various other business relationships for facilitating business activities, regarding them as beneficial for the long- and medium-term growth of the Group's corporate value. The Company will successively sell shares that it judges to be unsuitable for holding in view of their effect of boosting corporate value, etc.

The Company inspects whether or not to hold individual shares as cross-shareholdings with a focus on medium- and long-term increases in corporate value and the risks arising from holding. The Board of Directors is to examine the inspection results.

In FY2022, based on inspection by the Board of Directors, the Company sold some shares held in one corporation.

With regard to exercising voting rights associated with shares held as cross-shareholdings, the Company determines whether to vote for or against an individual proposal after reviewing whether it meets the purpose of cross-shareholdings, whether the vote has a negative impact on the growth of the Company's corporate value, whether there is a risk of posing any particular obstacle to the Group's business operation and whether the vote will contravene shareholders' common interests or otherwise be detrimental to shareholder value, and in consideration of the status of the partner company and other factors on a proposal-by-proposal basis.

[Principle 1.7 Related Party Transactions]

When engaging in related party transactions, the Company has adopted a procedure whereby transaction approval must be obtained from the appropriate in-house bodies, including the Board of Directors, and/or by circular authorization, according to the transaction value and volume, after passing checks by the Legal Division and the Financial Division. This procedure is undertaken in accordance with the Related Party Transaction Rules established by the Board of Directors.

The Company has a system in place whereby the details of related party transactions are regularly audited by the internal audit division and can be viewed by the Audit & Supervisory Board Members at all times.

[Principle 2.4.①]

- Policy for ensuring diversity

A fundamental policy of the Company is to create a foundation and an environment that enable talented personnel to participate fully without regard for gender, nationality, time of recruitment or other employee attributes, their lifestyles or values, etc. The Company's human resources development policy and internal environment improvement policy are posted in its Employees webpage.

<https://www.taisho.co.jp/global/sustainability/social/employees/>

- Promotion of women

In its plan of action for general employers developed based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the Company set a target of 18% of its managers (people in positions equivalent to section chief or higher) being women by the end of FY2025. As of April 1, 2023, 15.8% of its managers are women.

- Promotion of foreign nationals and midcareer hires

As the Company is not aware of any issues regarding the impact of nationality and time of recruitment on

employees' promotion to managerial positions, it has not set any goals for the promotion of foreign nationals and midcareer hires to managerial positions. It will continue to deliberate on the necessity of setting relevant goals based on its recognition of the importance of ensuring diversity in managerial positions who play a key role in the Company's management.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

Because the management of corporate pension funds impacts stable asset formation for employees and the Company's own financial standing, the Company appoints qualified persons, such as personnel with work experience in the Financial Division, to the posts of officer and secretariat, and manages corporate pension funds in accordance with the Basic Policies on Pension Asset Management and Guidelines on Pension Asset Management, in conjunction with utilizing external professional institutions.

[Principle 3.1 Enhancement of Information Disclosure]

(1) Business principles, business strategies and business plans

The Company's mission is to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty. To accomplish this mission, the Company is implementing the following Management Policies: 1. Focus on core businesses and 2. Continue to drive sustained growth in business activities while fulfilling the obligations expected of the Company by stakeholders. Under those policies, the Company conducts business activities in accordance with its Code of Conduct (Values), beginning with values such as "Honesty, diligence and passion."

For details, please visit the Company's website at the address below.

https://www.taisho.co.jp/global/who_we_are/philosophy.html

Moreover, the Company communicates its aspirations for the enterprise and the future course of each of its businesses based on the Philosophy it has announced. Details on the matters above are disclosed in the form of activities and specific issues through events such as earnings presentations and various materials such as annual reports.

(2) Basic approach and policies on corporate governance

The Company's basic approach and policies on governance are laid out in section "I-1. Basic Approach" in this report. Please see this section for details.

(3) Policies and procedures on compensation of directors and Audit & Supervisory Board members

For details, please see section II-1 Compensation of Directors in this report.

(4) Policies and procedures for the nomination of candidates for directors and Audit & Supervisory Board members, and other related matters

Based on recommendations from the President and Chief Executive Officer, the Board of Directors determines candidates for directors, Audit & Supervisory Board members, and executive officers. The criteria for determining the candidates are that (1) the candidate possesses the extensive knowledge, experience and track record needed to discuss proposals put forward to the Board of Directors; (2) the candidate has the ability to accurately grasp the issues faced by one's assigned division(s) and to cooperate with other corporate officers to solve problems; and (3) the candidate is trustworthy and has the discernment needed to rigorously comply with laws and regulations, as well as business ethics.

If the Board of Directors determines that a director, Audit & Supervisory Board member, or executive officer does not meet the abovementioned criteria, and determines that allowing the individual to remain in his or her post will significantly disrupt the management of the Company, the Board of Directors will implement dismissal proceedings in accordance with the procedures stipulated by the Companies Act and internal rules.

(5) Reasons for the appointment of candidates for directors and Audit & Supervisory Board members

The individual reasons for the appointment of outside directors and Audit & Supervisory Board members are shown in the reference documents of the Notices of Convocation for the Ordinary General Meeting of Shareholders. In regard to the nomination and appointment of directors and Audit & Supervisory Board members, career summaries of each individual are included in the reference documents of the Notices of Convocation for the Ordinary General Meeting of Shareholders. In the event of a dismissal, the reasons for the dismissal will also be published.

[Supplementary Principle 3.1.㉓]

Regarding the Company's sustainability initiatives, please refer to the Sustainability Policy on the Company's website.

<https://www.taisho.co.jp/global/sustainability/policy/>

Moreover, regarding investment in human capital and intellectual property, the Company works to develop global human resources that are able to create diverse value and secure and maintain research and development capabilities, marketing know-how and intellectual property such as patent and trademark rights.

[Supplementary Principle 4.1.㊦]

The following matters must be approved by resolution of the Board of Directors pursuant to standards for putting proposals forward to the Board of Directors.

- (1) Matters stipulated by the Companies Act of Japan and other laws and regulations
- (2) Matters stipulated by the Articles of Incorporation
- (3) Matters entrusted to the Board of Directors by resolution of the Shareholders' Meeting.
- (4) Certain other important management matters

In addition, the following matters must be reported to the Board of Directors pursuant to standards for putting proposals forward to the Board of Directors.

- (1) The status of business execution and other matters stipulated by the Companies Act of Japan and other laws and regulations
- (2) Certain other important matters

With respect to matters other than those above, the President and Chief Executive Officer must decide and execute those matters, in principle. However, decision-making authority is also delegated to executive directors, executive officers and others besides the President and Chief Executive Officer, depending on criteria such as the nature of the transaction and the transaction value, in accordance with internal rules on delegation of authority.

[Principle 4.9 Independence Standards and Qualification for Independent Directors]

In regard to standards for the independence of outside directors and outside Audit & Supervisory Board members from the Company, the Company has established Standards for the Appointment and Independence of Outside Directors and Audit & Supervisory Board Members. Please see the Company's securities report for details on those standards.

[Supplementary Principle 4.11.㊦]

To ensure that a balanced and diversified Board of Directors is created in terms of knowledge, experience and capabilities as a whole, the Company appoints its Internal Directors and Audit & Supervisory Board members based on whether or not they have sufficient experience, knowledge and expertise that match its corporate philosophy, code of conduct and management strategies. At the same time, the Company selects at least two people as its Outside Directors and Audit & Supervisory Board members, mainly from among corporate executives and experts by taking into consideration their experience, knowledge and expertise. The Company

stipulates in its articles of incorporation that the number of its Directors shall be 13 persons or less, including both Internal Directors and Outside Directors. Please see the skill matrix showing the skills of each Director and Audit & Supervisory Board member posted on the Company's Corporate Governance webpage.

https://www.taisho.co.jp/global/sustainability/governance/corporate_governance.html

For disclosure of policies and procedures for the appointment of directors, please see "Principle 3.1 (4) Policies and procedures for the nomination of candidates for directors and Audit & Supervisory Board members, and other related matters."

[Supplementary Principles 4.11.②]

Every year, the Company discloses the status of important concurrent positions held by candidates for directors and incumbent directors in the reference documents of the Convocation Notices for Ordinary General Meetings of Shareholders, in business reports, and in other disclosure documents. For disclosure of the status of important concurrent positions held by outside directors as of the renewal date of this report, please see section "II-1. Matters Concerning Outside Directors, Relationships with the Company (2)" in this report.

[Supplementary Principle 4.11.③]

Every year, the Company analyzes and evaluates the effectiveness of the Board of Directors as a whole, focusing on the matters considered to be important in effectively fulfilling the roles and responsibilities of the Board of Directors. Among those matters are the size, composition, deliberation status, method of providing reference materials, support framework and others of the Board of Directors. A summary of the results is as follows.

- Regularly hold briefings for Outside Directors on themes that the Company considers important (in the fiscal year ended March 31, 2023, meetings were held three times, once each in August, September and March). Deepening Outside Directors' understanding of the details of work carried out by each operational group connects to more meaningful deliberations.
- The information in the materials provided at the Board of Directors' meetings is simple yet the details and amount are appropriate. Supplementary verbal explanation is given as necessary, which helps enhance the deliberations.
- The Company will continue its consideration regarding ensuring diversity.
- These steps have been highly evaluated for improving the quality of deliberations. Looking forward, the Company will continue examining ways to achieve livelier deliberations in the Board of Directors.

[Supplementary Principle 4.14.②]

The Company supplies information to new and incumbent directors as well as Audit & Supervisory Board members through presentations and briefings in writing by management executives on information deemed necessary, including laws and regulations and business issues and plans, along with the status of progress on the foregoing and other matters. This is to ensure that the new and incumbent directors and Audit & Supervisory Board members can deepen their knowledge and understanding of the Company's industry and the Group's management, and thereby fulfill their responsibilities of office.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company endeavors to explain its business activities by holding events such as general meetings of shareholders, quarterly earnings presentations, and individual meetings, which serve as opportunities for communication between the Company and its shareholders and other investors. The officer responsible for dialogue with shareholders and other investors oversees dialogue with these stakeholders, while the relevant internal departments work closely together to provide information and to collect the opinions of shareholders

and other investors. In the course of engaging in dialogue with shareholders and other investors, the Company appropriately controls insider information in accordance with its internal rules on insider trading.

2. Capital Structure

Foreign shareholding ratio: 10-20%

[Major Shareholders] **Updated**

Shareholder	Number of shares	% of total
The Uehara Memorial Foundation	15,000,000	18.28
Shoji Uehara	7,679,200	9.36
The Master Trust Bank of Japan, Ltd. (Trust account)	5,765,900	7.03
Uehara Museum	3,900,000	4.75
Sumitomo Mitsui Banking Corp.	3,000,000	3.66
MUFG Bank, Ltd.	3,000,000	3.66
Akira Uehara	2,143,500	2.61
Custody Bank of Japan, Ltd. (Trust account)	1,853,800	2.26
Kajima Corporation	1,650,000	2.01
Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Limited ReTrust Account/ Sumitomo Chemical Company, Limited Employee Pension Trust Account)	1,530,000	1.86

Existence of controlling shareholder (other than parent company):—

Existence of parent company : None

Supplementary explanation regarding capital structure **Updated**

(Notes)

1. The Company held treasury stock of 3,091,809 shares as of March 31, 2023. Treasury shares have been excluded from the table of major shareholders above.
2. The 5,765,900 shares held by The Master Trust Bank of Japan, Ltd. (trust account) above represent the number of shares related to trust operations.
3. The 1,853,800 shares held by Custody Bank of Japan, Ltd. (trust account) above represent the number of shares related to trust operations.
4. The 1,530,000 shares held by Custody Bank of Japan, Ltd. (Sumitomo Mitsui Trust Bank, Ltd. ReTrust Account/ Sumitomo Chemical Company, Limited Employee Pension Trust Account) above represent the number of shares related to trust operations.

3. Corporate Attributes

Listed exchange and market division: TSE Standard Market

Fiscal year-end: March

Sector: Pharmaceuticals

Number of employees (consolidated) at the most recent fiscal year-end: 1000 or more

Sales (consolidated) in the most recent fiscal year: ¥100 billion to under ¥1 trillion

Number of consolidated subsidiaries at the most recent fiscal year-end: 10 to under 50

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

–

5. Other Special Circumstances which may have Material Impact on Corporate Governance

–

II. Organization of Management for Operational Decision-making, Execution and Supervision, and Other Corporate Structures

1. Matters Pertaining to the Structure, Operation, etc. of the Organizations

Form of the organizations: The Company with Audit and Supervisory Board

[Matters pertaining to Directors]

Number of Directors stipulated in the Articles of Incorporation	13
Terms of office of Directors stipulated in the Articles of Incorporation	2 years
Chairman of the Board of Directors	Chief Executive Officer
Number of Directors	8
Appointment of outside Directors	Appointed
Number of outside Directors	2
Number of independent Directors among outside Directors	2

Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company(*)											
		a	b	c	d	e	f	g	h	i	j	k	
Takeshi Kunibe	From another company												
Hiroyuki Uemura	From another company								○				

- * Selection criteria regarding relationship with the Company
- * ○: indicates that the selection criterion is or was applicable to the individual either currently or until recently;
- △: indicates that the selection criterion was applicable to the individual in the past
- * ●: indicates that the selection criterion is or was applicable to a close relative of the individual either currently or until recently
- ▲: indicates that the selection criterion was applicable to a close relative of the individual in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f)
- i. Executive of a company, between which the Company's outside Directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Relationship with the Company (2) Updated

Name	Independent Director	Supplementary information on applicable item(s)	Reasons for appointment
Takeshi Kunibe	○		<p>(Reasons for election as Outside Director) Mr. Kunibe played a central role in a financial institution for a long period of time, and as a result of his service, he is familiar with many different industries and can offer advice on the management of a range of companies. He therefore has such extensive experience, knowledge and human connections that he is expected to play supervisory and advisory roles from an independent and objective standpoint that will help the Company to expand into new business domains and increase its corporate value.</p>
Hiroyuki Uemura	○	<p>The Company has a business relationship with Hochiki Corporation, where Mr. Hiroyuki Uemura holds a concurrent position. However, the Company has determined that Mr. Uemura's independence is sufficiently assured as the respective transaction amounts with that company are small.</p>	<p>(Reasons for election as Outside Director) Mr. Hiroyuki Uemura has played an active role as an executive for many years and has deep insight based on his extensive experience in corporate management. He is expected to strengthen the function of the Company's Board of Directors by providing guidance to promote the solid and effective management of the Company. Therefore, we have appointed him as an outside director of the Company. (Reasons for designating Mr. Uemura as an Independent Director) None of the items concerning the attributes of Independent Directors listed by the Tokyo Stock Exchange as possible causes of conflicts of interest with general shareholders apply to Mr. Uemura, nor does he have any special relationships with the Company. Therefore, we have determined that he possesses a high degree of independence and have designated him as an Independent Director.</p>
Establishment of a discretionary committee equivalent to a Nomination Committee or Compensation Committee		None	

[Matters pertaining to Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated in the Articles of Incorporation	6
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Independent Internal Auditing Departments

The Audit & Supervisory Board Members periodically receive reports on the proceedings and results of audits, along with exchanging information with the Accounting Auditor at each stage of the planning and implementation of audits.

Moreover, the Audit & Supervisory Board Members execute audits in close cooperation with the Audit Division, and the Independent Internal Auditing Departments, such as the Internal Affairs Department, along with various internal departments including the Legal Division, Financial Division and Personnel Department.

Notably, the Audit & Supervisory Board Members receive reports on the status of internal audits, legal compliance, risk management and other aspects of major subsidiaries from the Audit Division, which is an organization devoted to internal audits. The Audit & Supervisory Board Members share information with the Audit Division while deepening cooperation with the division in order to efficiently and effectively conduct audits.

Appointment of outside Audit & Supervisory Board members	Appointed
Number of outside Audit & Supervisory Board members	2
Number of independent Audit & Supervisory Board Members among outside Audit & Supervisory Board members	1

Relationship with the Company (1)

Name	Attribute	Relationship with the Company(*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Chushiro Aoi	From another company													
Makoto Matsuo	Attorney-at-law													

- * Selection criteria regarding relationship with the Company
- * ○: indicates that the selection criterion is or was applicable to the individual either currently or until recently;
- △: indicates that the selection criterion was applicable to the individual in the past
- * ●: indicates that the selection criterion is or was applicable to a close relative of the individual either currently or until recently
- ▲: indicates that the selection criterion was applicable to a close relative of the individual in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive Director or accounting advisor of the Company or its subsidiary
- c. Non-executive Director or executive of parent company of the Company
- d. Audit & Supervisory Board Member of parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration of other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder is a legal entity)

- j. Executive of a client or supplier company of the Company (which done not correspond to any of f, g, or h)
- k. Executive of a company, between which the Company's outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company(the Audit & Supervisory Board Member himself/herself only)
- m. Others

Relationship with the Company (2)

Name	Independent Audit & Supervisory Board Member	Supplementary information on applicable item(s)	Reasons for appointment
Chushiro Aoi	○	-----	(Reasons for election as Outside Audit & Supervisory Board Member) Mr. Aoi has an abundance of experience and extensive knowledge as a corporate executive, and he is therefore expected to provide the Company with comments and remarks from an external perspective that will be helpful for the Company's management.
Makoto Matsuo		-----	(Reasons for election as Outside Audit & Supervisory Board Member) Mr. Matsuo has extensive experience and specialist knowledge as well as a strong commitment to compliance as a lawyer. He is therefore expected to contribute to improvements in the Company's audit system as a legal expert.

[Matters pertaining to independent Directors and Audit & Supervisory Board Members]

Number of independent Directors and Audit & Supervisory Board Members	3
---	---

Other Matters related Independent Directors and Audit & Supervisory Board Members

All Outside Directors and Audit & Supervisory Board Members who satisfy the criteria for Independent Officers have been designated as Independent Officers.

[Matters pertaining to incentives]

Implementation of measures to grant incentives to Directors	Introduced Performance-based compensation and stock option plan
---	---

Supplementary Explanation

The performance-linked remuneration system of the Company are, for the purpose of raising awareness of improving business performance, paid at a certain time each year as a bonus to the members of the Board of Directors (excluding outside directors) according to achievement of the target for Group consolidated sales. It is a monetary remuneration. The percentage of performance-linked remuneration is described in the

[Matters pertaining to remunerations for Directors] section.

As for the stock option system, stock compensation-type stock options (stock acquisition rights) are introduced in place of retirement benefits, with the aim of further increasing motivation and morale to contribute to medium- to long-term performance improvement and corporate value improvement.

Allottees who are eligible for stock options	Internal Directors, employees, Directors of subsidiaries, and employees of subsidiaries
--	---

Supplementary Explanation

The Company grants stock options (stock acquisition rights) for a stock-linked compensation plan to the members of the Board of Directors (excluding Outside Directors) and other officers of the Company, along with the Directors and other officers of Taisho Pharmaceutical Co., Ltd., a subsidiary of the Company.

[Matters pertaining to remunerations for Directors]

Disclosure of individual Directors' remuneration	Partial disclosure
--	--------------------

Supplementary Explanation **Updated**

Total Amounts of Compensation by Position, Total Amount by Type of Compensation, and Number of Eligible Directors/Audit & Supervisory Board Members

Position	Total amount of Compensation (Millions of yen)	Total amount by type of compensation (Millions of yen)			Number of eligible Directors/Audit & Supervisory Board Members
		Basic compensation	Performance-based compensation, etc.	Non-monetary compensation, etc.	
Directors (excluding Outside Directors)	236	204	12	19	6
Audit & Supervisory Board Members (excluding Outside Members)	25	25			2
Outside Directors/Outside Audit & Supervisory Board Members	48	48			4

Notes:

1. Directors' compensation does not include any compensation Directors receive for concurrently serving as employees of the Company.
2. As performance-based compensation, bonuses are paid to Directors (excluding Outside Directors).
3. As non-monetary compensation, stock options are granted to Directors (excluding Outside Directors).

Total Amount of Consolidated Compensation Paid to Those Receiving Total Consolidated Compensation of ¥100

Million or More

Name	Position	Company	Amount of consolidated compensation by type of compensation (Millions of yen)			Total amount of consolidated compensation (Millions of yen)
			Basic compensation	Performance-based compensation, etc.	Non-monetary compensation, etc.	
Akira Uehara	Chief Executive Officer	Filing company	68	4	5	119
	Chairman	Taisho Pharmaceutical Co., Ltd.	34	2	5	
Shigeru Uehara	Executive Vice President	Filing company	37	2	5	129
	Chief Executive Officer	Taisho Pharmaceutical Co., Ltd.	75	4	5	

Policy on determining remuneration amounts and calculation methods	Established
--	-------------

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods **Updated**

- Matters pertaining to the policy on determining the content of remuneration, etc. for individual Directors

The Company has set a policy for determining the content of remuneration, etc. for individual Directors (the "Determination Policy") and determines the ranges of the levels of Directors' remuneration and other rewards depending on individual ranks based on those of consumer goods manufacturers, pharmaceutical manufacturers, and other companies of similar size in such a way as to ensure that the total remuneration will not exceed the limit adopted in advance by the General Meeting of Shareholders. In addition, when determining remuneration for individual Directors, the basic policy is to set the remuneration at an appropriate level in light of their duties. Specifically, remuneration, etc. for Directors consists of fixed remuneration as basic compensation, a bonus as performance-based compensation and stock compensation-type stock options (share acquisition rights) as non-monetary compensation. However, in light of their duties, Outside Directors receive only the basic compensation.

The ratio of remuneration for Directors by type is initially set so that the expected ratio of the basic compensation and the performance-based compensation will be roughly 12:1. Subsequently, the amount of performance-based compensation is adjusted within a certain range based on the business performance of the Company. The details of the performance indicators selected as the basis for calculating the amount of performance-based compensation, etc. are based on the degree of achievement of the Group's consolidated sales compared with the target, among other factors. The purpose of selecting the performance indicators is to increase the Directors' awareness of the improvement of business performance in each fiscal year. The Group's consolidated sales in the fiscal year under review were 301,381 million yen compared with the forecast of 280,500 million yen. In addition, non-monetary compensation is paid in lieu of retirement benefits within the range determined at the 1st Ordinary Meeting of Shareholders held on June 28, 2012 with the aim of

medium- to long-term incentives, and its ratio to other compensation is not set in advance in view of its nature. Moreover, the Determination Policy is set by the resolution of the Board of Directors.

- Matters pertaining to the resolution of the Ordinary Meeting of Shareholders on remuneration, etc. for Directors and Audit & Supervisory Board Members

The amount of monetary compensation for Directors was resolved at the 1st Ordinary General Meeting of Shareholders held on June 28, 2012 to be within 360 million yen per year (including 36 million yen per year for Outside Directors) (not including salaries Directors receive for their concurrently serving as employees of the Company). The number of Directors as of the conclusion of the 1st Ordinary General Meeting of Shareholders is 11 (including two Outside Directors). In addition, separate from the monetary compensation, the amount of stock options (share acquisition rights) was resolved at the 1st Ordinary General Meeting of Shareholders held on June 28, 2012 to be within 70 million yen per year (Outside Directors are not subject to stock options). The number of Directors as of the conclusion of the 1st Ordinary General Meeting of Shareholders (excluding Outside Directors) is 9.

The amount of monetary compensation for Audit & Supervisory Board Members was resolved at the 1st Ordinary General Meeting of Shareholders held on June 28, 2012 to be within 60 million yen per year. The number of Audit & Supervisory Board Members as of the conclusion of the 1st Ordinary General Meeting of Shareholders is 4.

- Matters pertaining to the delegation of determination of the content of remuneration, etc. for individual Directors

In the Company, Chief Executive Officer Akira Uehara determines the specific content of remuneration for individual Directors based on a resolution of the Board of Directors.

With respect to the basic compensation and the performance-based compensation, the extent of his authority is to determine the ranges of remuneration levels for individual ranks and the specific amount of remuneration for individual Directors according to the Determination Policy.

The reason for delegating this authority is that most Directors are executive directors, and in order to evaluate the performance of executive directors and determine the content of their remuneration while maintaining oversight of the Company's overall performance, it is more appropriate for the Chief Executive Officer, who oversees the execution of business operations, to make decisions rather than for the Board of Directors to deliberate and make decisions after consultation.

To ensure that such authority is properly exercised by the Chief Executive Officer, the Board of Directors takes measures such as listening to the opinions of Outside Directors and taking them into consideration. Given that the amount of remuneration for individual Directors is determined through such procedures, the Board of Directors has judged that the content is in line with the Determination Policy.

- Details of activities of the Board of Directors

The Board of Directors deliberated and determined the amount of remuneration, etc. for Directors of the Company for the fiscal year under review at the following meetings.

- June 29, 2022: The amount of remuneration for Directors and the issuance of stock options
- August 3, 2022: Allotment of stock options

[Systems to support outside Directors (outside Audit & Supervisory Board Members)]

The Secretariat to the Board of Directors provides support for the outside directors and outside Audit & Supervisory Board members in coordination with the relevant departments.

Specifically, it uses the electronic data room to provide them with reference materials for Board meetings and preliminary explanations of important items on the agenda before the Board of Directors meet. It also facilitates periodic reports from the directors in charge of each business to provide status updates and other information on business issues and plans.

The Company also nominates a director in charge of contacting and liaising with the outside directors and outside Audit & Supervisory Board members. There is also a system in which the outside directors and outside Audit & Supervisory Board members can seek coordination with the Company when they consider it necessary.

2. Matters on functions of Business Execution, Audit, Oversight, Nomination, and Determination of Remuneration, etc. (Summary of the Current Corporate Governance System) Updated

- Overview of corporate governance system

- Explanation of the Company's basic mechanisms

The Company has adopted a corporate governance system with a Board of Directors and an Audit & Supervisory Board. As of June 29, 2023, the Company has eight Directors, two of whom are Outside Directors, and four Audit & Supervisory Board Members, two of whom are Outside Members.

The Board of Directors holds its meetings monthly and as necessary. In fiscal year 2022, 14 meetings took place. The Board of Directors makes decisions on important matters related to the Company's business execution and Group-wide management, and monitors operations undertaken based on their decisions. As an advisory body for the Board of Directors, the Management Advisory Committee, whose members include the Company's Representative Directors, holds meetings as required to discuss important matters, including those put forward to the Board of Directors, to further facilitate effective and rapid management decision-making.

The Audit & Supervisory Board meets, in principle, at least once every three months. At these meetings, its Members exchange opinions regarding the status of the audits they conduct in accordance with principles and standards for audits that have been established by the Audit & Supervisory Board, and receive reports on the processes and results of audits conducted by the accounting auditor, and on internal control system audits. Audit & Supervisory Board Members check the status of business execution and asset protection and report as appropriate to Representative Directors and the Board of Directors, providing advice as needed.

In addition, key divisions of the Company and each Group company hold regular report meetings, among other means, to appropriately communicate management-related information on the status of business execution and related tasks at the Company and Group companies to the Audit & Supervisory Board Members.

The Company has set up various committees, comprising members centered on assigned officers and managers of related divisions and departments, to address a variety of across-the-board business management issues faced by the Company and Group companies. These committees include the Risk Management Committee, the Compliance Advisory Committee and the Internal Control Assessment Committee. The Company implements Group-wide monitoring of various issues in each field, and has a reporting system in place to ensure that appropriate information is communicated to business managers at the Company and various Group companies.

- Internal audits and audits by Audit & Supervisory Board Members

The Audit Division is an internal audit organization exclusively for auditing and is independent of the Company's lines of business execution. Consisting of nine staff members as of June 29, 2023, this division formulates annual audit plans according to the significance of various risks, based on which it performs internal audits in accordance with the Company's internal auditing regulations. In addition, it maintains close contact with the audit organizations of Group companies, with a view to overseeing and managing the

implementation of internal audits by Group companies. Regarding internal control audits, the Audit Division and the Accounting Auditor cooperate to enable the appropriate and efficient execution of mutual audit operations by sharing information concerning audit plans, procedures and verification results.

The Audit & Supervisory Board is the organization that conducts audits and comprises two full-time Audit & Supervisory Board members and two Outside Audit & Supervisory Board members. The Company selects members of the board who have knowledge of legal, financial, accounting and other matters.

Audit & Supervisory Board Members conduct comprehensive audits of all Director duties in line with audit policies formulated in accordance with audit standards set by the Audit & Supervisory Board. Full-time Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, and routinely audit the decision making of the Board of Directors and Directors and the status of execution of Directors' duties primarily through field audits of divisions within the Company and offices of Group companies. Full-time Audit & Supervisory Board Members establish regulations for communicating and reporting to Audit & Supervisory Board Members and the Audit & Supervisory Board. They set rules that they must report directly to Audit & Supervisory Board Members if they have obtained information or learn that job duties are not performed appropriately by any of the Directors and employees of the Company and its subsidiaries, who has violated a law, regulation, the Articles of Incorporation, or an important internal rule or caused a compliance problem or related issue, and they must not cause any disadvantage to a whistleblower for making a report while gathering important information on risks.

The Audit & Supervisory Board receives reports on the status of execution of Directors' duties and the progress and results of audits on accounting and internal control with a focus on legality, risk management and internal control as areas of examination, and reports to the Representative Directors and other Directors on the status and results of audits implemented by the Audit & Supervisory Board Members.

The Audit & Supervisory Board Members, the Audit Division and the Accounting Auditor communicate with each other to support the execution of efficient and effective audits.

- Status of accounting audits

Name of audit firm: Ernst & Young ShinNihon LLC

Continuous audit period: 2 year

Certified public accountants who audited the Company: Hironao Yazaki and Hiroyuki Nakada

Persons who provide assistance for the Company's accounting audit work consist of 8 certified public accountants and 28 others.

- Overview of the Limited Liability Contract and Its Content

The Company has concluded a limited liability contract with outside directors and outside Audit & Supervisory Board members in accordance with Article 427-1 of the Companies Act and Articles 29 and 40 of its Articles of Incorporation. Provided that they are without knowledge and are not grossly negligent, the contract stipulates that the liability for damages under Article 423-1 of the Companies Act shall be limited to the total amount of the amounts under Article 425-1 of the Companies Act.

3. Reason for Adopting the Current Corporate Governance System

The Company believes that fostering close cooperation between the Board of Directors, and the Audit & Supervisory Board and its Members, is fundamental to business management. Based on this belief, the Company has adopted the current corporate governance system.

The Board of Directors comprises Internal Directors who possess deep knowledge and experience of the Company's business, and Outside Directors who possess a wide range of experience and a high degree of discernment regarding management in general, thereby achieving appropriate decision-making regarding business execution. At the same time, audits are performed by Internal Audit & Supervisory Board Members

who possess deep knowledge and experience of the Company's business, and Independent Outside Audit & Supervisory Board Members who possess discernment based on knowledge and experience regarding corporate management and certain specialized fields. Through this framework, the Company achieves effective oversight of business execution.

The Company considers that the appointment of Outside Directors and Outside Audit & Supervisory Board Members who possess a high degree of independence is functioning effectively to strengthen management oversight and improve transparency.

The Company considers that this current system harmoniously achieves the dual aspects of improving corporate competitiveness and profitability and of strengthening the supervisory function of management, and is the optimal method for increasing the Company's corporate value over the medium to long term.

III. Status of Measures for Shareholders and Other Stakeholders

1. Status of Initiatives to Invigorate the General Meeting of Shareholders and Facilitate the Exercise of Voting Rights

	Supplementary Explanation
Early Delivery of the Notice of Convocation of the General Meeting of Shareholders	<p>Notice of the date of the General Meeting of Shareholders should be made as early as possible, with a target date three weeks before the meeting is convened.</p> <p>(Send out the Notice of Convocation of the General Meeting of Shareholders on June 7 and hold the General Meeting of Shareholders on June 29)</p> <p>The Notice of Convocation of the General Meeting of Shareholders shall also be listed on the Company's website.</p> <p>(Before sending the Notice of Convocation of the General Meeting of Shareholders, it made available on the Company's website and via the Tokyo Stock Exchange Listed Company Information Service. Both disclosures made on June 3)</p>
Electronic exercise of voting rights	The Company has been using information technology for the electronic exercise of voting rights since the Ordinary General Meeting of Shareholders held in June 2013 to enhance convenience for individual and institutional investors.
The Company also participates in an electronic voter platform and engages in other initiatives aimed at enhancing the exercise of voting rights environment for institutional investors.	The Company has participated in ICJ, Inc.'s electronic voting platform since the Ordinary General Meeting of Shareholders held in June 2013.
Posting a condensed English version of the Notice of Convocation of the General Meeting of Shareholders	The Company has been posting a condensed English version of the notice and related reference materials on its website since the Ordinary General Meeting of Shareholders held in June 2013.

2. IR Activities Updated

	Supplementary Explanation	Explanation by the President
Regular briefings for individual investors	The person in charge of IR provides individual investors with briefings where appropriate. In FY2020 to FY2022, however, to prevent the spread of COVID-19 infections, briefings for individual investors were not provided.	None
Regular briefings for analysts and institutional investors	At the time of the announcement of year-end financial results, financial results briefings were held face-to-face in person, and after the representative explained the business performance, etc., the general management of each business division was also explained. In addition, we set up time for questions and answers with participants and answer questions directly. When the first, second, and third quarter financial results are announced, briefings are	Yes

	held by conference call, where the Company's management reports on business results and answers questions from participants.	
Regular briefings for overseas investors	The Company takes part in face-to-face conferences for overseas institutional investors held by various securities companies, explains the Company and accepts questions.	None
IR materials on the Company's website	The Company's website contains information related to business results, including financial results and presentations, timely disclosure of information other than business results, Securities Reports (in Japanese), Annual Reports and Notice of Convocation of the General Meeting of Shareholders. Moreover, to promote understanding of the Company, it posts "Taisho Pharmaceutical at a Glance" on its website to provide summarized information about its business, performance, and efforts for sustainable growth. Please refer to the following link for information for investors on the Group website: https://www.taisho.co.jp/global/investors/	
Establishment of the IR Division (person in charge)	A person in charge of IR has been positioned in the Corporate Communications Division	

3. Initiatives Respecting the Stakeholders' Standpoint Updated

	Supplementary Explanation
The Company has regulations to respect the stakeholders' standpoint through such means as internal regulations	The Declaration of Corporate Conduct and the Taisho Pharmaceutical Group's Code of Conduct stipulate that the Group will comply with laws, regulations, social norms and business rules and will also fully respect its stakeholders.
Environmental Activities and CSR Activities	- Environmental Activities Taisho Pharmaceutical Holdings Group considers environmental issues a key priority in its corporate activities and promotes consideration for the environment in all business activities including product R&D, production, disposal, distribution and sales. Taisho Pharmaceutical, which is the core operating company, promotes environmental activities and continuously implements initiatives for each fiscal year based on its Fundamental Policy and Code of Conduct related to the environment and on its Fifth Fundamental Environmental Plan (FY2021-FY2025), established in August 2021.- CSR Activities The Taisho Pharmaceutical Group is engaged in creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services to contribute to enriching people's lives by improving health and beauty. Furthermore, as a good corporate citizen, the Company also actively supports research in life science-related fields, promotion of self-medication and contributions to sports and the arts. Please refer to the Group website for details about activities

	https://www.taisho.co.jp/global/sustainability/
Policy regarding information provided to our stakeholders	The Company has stipulated public relations regulations as basic items related to fair, timely and appropriate disclosure and public relations, and strives to receive appropriate evaluation from society by increasing understanding and interest in the Company from stakeholders including consumers, business partners, employees, local communities, and shareholders and investors. The Company management has established a Public Relations-IR Committee to promote smooth operation of these activities.
Others	Aiming to achieve an 18% ratio of female managers by fiscal year ending March 31, 2025, we are continuously creating an environment in which women can continue to play an active role by promoting education to raise employee awareness and expanding support measures, and encouraging women's career development.

IV. Matters Related to the Internal Control System

1. Basic Approach to the Internal Control System and Development Status

1.1. Basic Approach to the Internal Control System

Structure to ensure proper operations

A summary follows of the basic policy decided by the Board of Directors regarding a system to ensure the execution of duties by directors conforms to laws, regulations and the Articles of Incorporation, as well as the proper operations of other duties the Company carries out.

1.1.1 Systems to Ensure the Execution of Duties by Directors Conforms to Laws, Regulations and the Articles of Incorporation (Article 362, Paragraph 4, Item 6 of the Companies Act)

The Company is a holding company responsible for coordinating the activities of the group of companies (hereinafter "the Group") comprising the Company and its subsidiaries (the latter hereinafter collectively referred to as "Group companies") while also performing management-related administration and supervisory functions. For greater success in achieving its full range of objectives, the Company, as a whole, will consider its corporate social responsibilities and relationships with shareholders and other stakeholders, in efforts to increase its corporate value. Based on this approach, the Company will establish a framework, in line with the following, to ensure that the execution of duties by directors of the Company conforms to laws, regulations and the Articles of Incorporation.

- (1) The Board of Directors shall decide the Group's basic management policies and be responsible for supervising the execution thereof. At the same time, the directors shall execute their duties in accordance with these policies, and in compliance with laws and regulations with due care and diligence. While noting the roles and responsibilities of each internal body and the coordination thereof, the directors shall share information within the Group and shall provide proper disclosure of information to shareholders and society at large.
- (2) The directors shall implement the Group's corporate mission, which is "to contribute to society by creating and offering superior pharmaceuticals and health-related products as well as healthcare-related information and services in socially responsible ways that enrich people's lives by improving health and beauty"; the Declaration of Corporate Conduct, which sets forth principles of conduct based on the long-held tradition of *shinsho* ("gentlemanly business"), a hallmark of the Company's corporate culture; and the Code of Conduct, which provides specific guidelines with respect to the above principles.
- (3) In accordance with the above, the Board of Directors shall develop systems that ensure effective and efficient internal controls throughout both the Company and Group companies, from the standpoint of legal compliance, ensuring the reliability of financial reporting, raising operating efficiency, and preserving the value of assets, among other priorities.

1.1.2 Systems for Ensuring the Efficient Execution of Duties by Directors (Article 100, Paragraph 1, Item 3 of the Ordinance of Enforcement of the Companies Act)

The Company shall adopt a management team of a scale sufficient to facilitate agile responses to changes in the Group's business environment, management strategies and economic conditions as well as laws, regulations and other rules. The Board of Directors shall decide on the Group's basic management policies and strategies, as well as important matters related to business execution. The Company shall strive to centralize and raise the efficiency of directors' execution of duties by assigning and coordinating roles among corporate bodies such that directors responsible for operations fulfill an executive role in those operations. Furthermore, the Company will endeavor to raise the efficiency of the execution of duties by having directors perform duties according to organizational rules and rules on job roles and responsibilities.

1.1.3 Systems Concerning Storage and Management of Information Related to the Execution of Duties by

Directors (Article 100, Paragraph 1, Item 1 of the Ordinance of Enforcement of the Companies Act)

The Company properly stores and manages information regarding decision-making processes at shareholders' meetings, Board of Directors meetings, and other important meetings and the execution of important decisions. This is accomplished by recording and storing information in writing or electronic recording media based on a system of rules including rules on document management and digitization of information. The Company also conducts training and monitoring of employees, among other measures. In addition, the Company requires subsidiaries to properly manage documents, including electronic recording media, concerning the execution of duties by directors in the same manner as the Company, and assists with this process.

1.1.4 Systems to Ensure the Execution of Duties by Employees Conforms with Laws, Regulations and the Articles of Incorporation (Article 100, Paragraph 1, Item 4 of the Ordinance of Enforcement of the Companies Act)

1.1.4.1. The Chief Executive Officer and Representative Director shall formulate the Group's Declaration of Corporate Conduct and Code of Conduct, clearly stating the Company's basic policy on compliance with laws and regulations. Moreover, the Company shall establish a compliance structure as described below to ensure that the execution of duties by employees conforms with laws, regulations and the Articles of Incorporation.

- (1) By formulating the Compliance Rules, the Company shall clarify the organizational structure and operational procedures for compliance activities. The Company shall implement guidance and training on the Compliance Rules within the scope of responsibility of the divisional managers. The Company shall also assess and investigate whether compliance activities are properly implemented and work to make improvements.
- (2) In cases where the conformity of business execution processes with laws, regulations, rules, the Articles of Incorporation and so forth is in question, all employees shall be permitted to consult with the Legal Division or to obtain legal advice as necessary. In order to enhance the effectiveness of compliance, the Company shall also establish internal and external compliance hotlines via telephone, electronic means, or in writing to field compliance consultations and to function as a whistleblower system.
- (3) The Company shall continue to make improvements to the aforementioned Declaration of Corporate Conduct, Code of Conduct and other internal rules of the Group in areas that require correction without delay. While at the same time, to ensure continued compliance therewith, the Company shall implement compliance education and training activities.

1.1.4.2. In regard to anti-social forces, the Company shall establish a division responsible for responding to such entities, closely cooperate with specialist external agencies and other organizations, and gather information related to anti-social forces. In this manner, the Company shall develop a system for resolutely rejecting any illegitimate and unlawful requests, while ensuring there are no relations with anti-social forces.

1.1.5 Rules Concerning the Management of the Risk of Losses and Other Related Systems (Article 100, Paragraph 1, Item 2 of the Ordinance of Enforcement of the Companies Act)

To ensure the ability to respond to the risk of losses, the Company's Risk Management Coordination Section shall establish a rule-based system to coordinate and manage the divisions of the Company.

- (1) The Board of Directors and Management Advisory Committee of the Company shall respond to those risks of losses that concern management, and shall manage and assist various divisions in this respect.

- (2) The Risk Management Coordination Section of the Company shall take the lead in developing a risk management framework addressing all risks other than (1) above of the Company that could have a material impact on the Group, as well as major natural disasters, major accidents, and similar risks.
- (3) The divisions and departments shall develop a risk management framework for those risks other than (1) and (2) above that can reasonably be addressed by divisions and departments, after identifying, assessing and examining each type of risk. The Risk Management Coordination Section shall inspect, advise and provide guidance on such activities.
- (4) In the event that the risk of losses materializes, the divisions involved with the relevant risk shall respond in a cooperative manner.
- (5) With respect to risks associated with breaches of laws and regulations, product quality, information security, leaks of confidential information (including personal information), collection of accounts receivable, and the environment and risk of losses stemming from foreign laws, regulations and other rules, the relevant divisions and other entities responsible for each area shall develop and implement response measures to each risk based on the advice and guidance of each company's Risk Management Coordination Section. In addition, each division shall establish rules, guidelines and so forth for each field, while making these known to employees through education and training programs as well as the distribution of manuals and through other means.

1.1.6 Systems to Ensure Proper Operations by the Group of Companies Comprising the Relevant Company as well as Its Parent Company and Subsidiaries (Article 100, Paragraph 1, Item 5 of the Ordinance of Enforcement of the Companies Act)

1.1.6.1. The Company shall establish rules for the management of Group companies. Based on these rules, while giving consideration to the scale and attributes of each subsidiary such as whether the subsidiary is publicly listed on a stock exchange, whether the subsidiary is based in Japan or overseas, and the Company's investment ratio, the Company will establish a system to ensure proper operations for the Group as a whole, as follows.

- (1) In cases where subsidiaries are classified as large companies as stipulated by the Companies Act, an internal control system equivalent to that of the Company shall be established at the relevant subsidiary. Regarding other companies in the Group, the extent of control by the Company, the nature of each company's business operations, and the details of laws and regulations applicable to each company shall be examined closely, and a system for ensuring proper operations shall be considered for each relevant company.
- (2) Based on this process, the Company shall clearly identify which aspects shall be managed in a unified manner as a holding company, and which aspects shall be managed separately. To ensure proper operations throughout the Group, the Company shall establish a system mainly focused on enhancing communication channels and audit systems.

1.1.6.2.

- (1) System for reporting to the group of companies comprising the relevant company about items regarding the execution of duties by the directors and others of subsidiaries
The Company will establish a system between subsidiaries according to the scale and attributes of each subsidiary to report the overall business content and content of important individual duties to subsidiaries, and to hold meetings and prepare reports on a regular basis or whenever necessary.
- (2) Rules concerning the management of the risk of losses of subsidiaries and other systems
To ensure the ability to respond to the risk of losses related to the Group overall, the Company shall

establish a rule-based system as the Group's management to enable the Company's Risk Management Coordination Section to coordinate and manage the risk management sections of subsidiaries. Moreover, it shall establish a system that in the event that a risk of losses materializes, the divisions of the Company and its subsidiaries involved with the relevant risk shall respond in a cooperative manner.

- (3) System to ensure the efficient execution of duties by the directors and others of subsidiaries
The Company shall formulate policies for the business execution of the Group overall, and the Company shall advance the specialization of work duties through a framework of collaboration, and strive to centralize and raise the efficiency of the business execution by assigning and coordinating roles among Group companies such that each subsidiary executes business in line with this policy. Moreover, for relevant targets, the specialized divisions of the Company shall cooperate with the directors and others of subsidiaries in raising the efficiency and improving detailed business execution in each field of responsibility.
- (4) System to ensure the execution of duties by directors and others of subsidiaries conforms with laws, regulations and the Articles of Incorporation
 - a In the course of subsidiaries' business operations and in an effort to prevent the occurrence of breaches of various business-related laws, regulations, guidelines or other standards, the Company shall cooperate in establishing an effective compliance system for subsidiaries, and in accordance with the attributes of and necessity for the subsidiaries, shall collect and provide data, administer business inspections, monitor and provide other necessary assistance.
 - b In regard to anti-social forces, the Company shall manage and assist all subsidiaries to develop systems identical to those at the Company for resolutely rejecting any anti-social forces.

1.1.7 Items Concerning Employees Assigned to Assist with the Duties of Corporate Auditors at the Request of Corporate Auditors (Article 100, Paragraph 3, Item 1 of the Ordinance of Enforcement of the Companies Act)

The Company shall establish the Corporate Auditors Office and an operational support system for the corporate auditors and the Board of Corporate Auditors, such as by assigning dedicated employees to assist with the duties of corporate auditors.

1.1.8 Items Concerning the Independence of Employees Described in Section 1.1.7 Above from the Directors (Article 100, Paragraph 3, Item 2 of the Ordinance of Enforcement of the Companies Act)

To ensure the independence of employees assisting with the duties of the corporate auditors from the directors, the Company shall assign the relevant dedicated employees after discussing the matter with the corporate auditors based on the rules of the Corporate Auditors Office, and the opinions of the corporate auditors concerning personnel considerations, personnel transfers and disciplinary measures of the relevant employees shall be respected.

1.1.9 Items to Ensure the Effectiveness of Instructions from Corporate Auditors to the Employees Described in Section 1.1.7 Above (Article 100, Paragraph 3, Item 3 of the Ordinance of Enforcement of the Companies Act)

To ensure the effectiveness of the instructions of corporate auditors given to employees who are assisting the corporate auditors' duties, corporate auditors shall lead and supervise the relevant employees, who shall observe the stipulations of laws, regulations, rules, the Articles of Incorporation and other guidelines, as prescribed by the rules of the Corporate Auditors Office. Moreover, in the case of addressing improvements in the actions of relevant employees, directors and employees shall do this through the corporate auditors.

1.1.10 1) Systems to Ensure Reporting to the Corporate Auditors by Directors and Employees, 2) Systems to Ensure Reporting to the Corporate Auditors by Directors, Corporate Auditors and Employees of Subsidiaries and Those Who Have Received Reports from These People and 3) Other Systems Concerning Reporting to the Corporate Auditors (Article 100, Paragraph 3, Item 4 of the Ordinance of Enforcement of the Companies Act)

Based on the Rules for Communication and Reporting, to the Corporate Auditors and Board of Corporate Auditors, the Company shall establish a system for the directors and employees to report to the corporate auditors.

- (1) System for the directors and employees of the Company and the directors, corporate auditors and employees of its subsidiaries to report to the Board of Corporate Auditors or the corporate auditors of the Company, and for the directors and employees of the Company who have received reports from the directors, corporate auditors and employees of its subsidiaries to report to the Board of Corporate Auditors or the corporate auditors of the Company.
- (2) The Company shall also establish a system that governs the responses of directors, corporate auditors and employees in the event that corporate auditors of the Company ask directors and employees of the Company or directors, corporate auditors and employees of its subsidiaries questions or request the submission of documents and reports.
- (3) The Company shall also establish a system that governs audits and attendance in meetings when such attendance in internal meetings, etc., of the Company is deemed necessary by the corporate auditors and enables the viewing of minutes of those meetings.

Moreover, the corporate auditors shall endeavor to cooperate and share information within the necessary scope with the accounting auditors and their assistants as well as the Audit Division and others.

1.1.11 Systems to Ensure That People Who Reported under Section 1.1.10 Above Do Not Receive Unfavorable Treatment as a Result of These Reports (Article 100, Paragraph 3, Item 5 of the Ordinance of Enforcement of the Companies Act)

To discover misconduct or suchlike at an early stage and rectify it, the Company shall prohibit the dismissal, demotion, salary reduction, cancellation of temporary work contracts, and any other forms of unfair treatment or harassment to ensure that people who reported under section 10 above do not suffer because of these reports, and the Company and its subsidiaries shall rigorously punish anyone who conducts such harassment or similar actions in accordance with employment regulations.

1.1.12 Items Related to Policies Regarding the Prepayment of Expenses Incurred by Corporate Auditors in the Execution of Their Duties and Regarding the Treatment of Expenses or Loans Generated by the Execution of Redemption Procedures and Other Relevant Duties (Article 100, Paragraph 3, Item 6 of the Ordinance of Enforcement of the Companies Act)

With the aim of contributing to the smooth and effective operation of the corporate auditors' audits, the Company has arranged that the corporate auditors independently conduct surveys and other measures that are deemed appropriate at the Company's expense. Moreover, the corporate auditors may obtain the opinions of lawyers, certified public accountants and other external experts at the Company's expense, except when such advice is not deemed necessary to their auditing duties.

1.1.13 Other Systems to Ensure the Effective Implementation of Audits by Corporate Auditors (Article 100, Paragraph 3, Item 7 of the Ordinance of Enforcement of the Companies Act)

To ensure the effective implementation of audits by the corporate auditors, the Company shall establish a

system to ensure that the corporate auditors of the Company have adequate access to the Company and its subsidiaries as well as receive adequate communication and reporting from the directors and employees of the Company and the directors, corporate auditors and employees of its subsidiaries with respect to the following information and facts, based on the Rules for Communication and Reporting, to the Corporate Auditors and Board of Corporate Auditors.

- (1) Situations where the Group is likely to incur substantial losses, or the relevant facts when such losses have materialized
- (2) Situations where breaches of laws, regulations or the Articles of Incorporation or misconduct may occur, or the relevant facts when such breaches have occurred
- (3) Situations where product safety, information security, environmental or other issues may occur, or the relevant facts when such issues have occurred
- (4) Other situations in which events equivalent to those in items (1) to (3) above may occur, or the relevant facts when such events have occurred

1.2. Development of the Internal Control System

1.2.1. Building a system and environment for internal control

The Company has developed various in-house systems and regulations that provide the basis for internal control, and is working to ensure their proper implementation by promoting Groupwide understanding and adherence. Also, the Company has established a structure to monitor whether business operations are conducted appropriately and efficiently based on laws, ordinances and various in-house systems and regulations. This structure is underpinned by the Audit Division, the Internal Affairs Division, the Legal Division, the Financial Division, and the Quality Assurance Management Division.

In connection with internal control of financial reporting operations, relevant divisions periodically conduct self-assessments, and the Audit Division conducts internal audits. Continuous improvement activities are implemented based on the results of these assessments and audits. In addition, the Company has established the Internal Control Assessment Committee as an advisory body to the representative directors for the purpose of issuing reports in accordance with the internal control reporting system of the Financial Instruments and Exchange Act. This committee evaluates the results of self-assessments and internal audits of the status of development and implementation of internal controls for financial reporting, and issues reports on the results of its evaluations to the chief executive officer and representative directors.

1.2.2. Compliance Framework

The Group formulated the Taisho Pharmaceutical Group's Code of Conduct supervised by the the Internal Affairs Division, and having built a Companywide framework for enforcing compliance, the Company continuously conducts employee education while striving to rigorously ensure that employees observe legal compliance and corporate ethics in the conduct of their respective duties.

Furthermore, based on Internal Reporting Regulations, the Group has built a structure for the early detection of risks and rapid response to receiving risk information or whistleblowing from employees by establishing several hotlines for direct contact with the chief executive officer, Crisis Management Committee, Internal Affairs Division, Human Resources Division, external lawyers and external counseling companies.

1.2.3. Risk Management System

The Company has established a Risk Management Committee for initiating response measures depending on the nature, magnitude and other aspects of risks in accordance with risk management regulations. In addition, we manage risks associated with management strategies by consulting with the representative directors and other members of top management on the implementation of appropriate and flexible responses as necessary.

The Company has established the Risk Management Coordination Section to set up a system for conducting inspections and providing advice and guidance on all aspects of risk management activities. While identifying risks that could materialize, the Risk Management Coordination Section is working to enhance risk management so that various organizations within the Company can prepare for and respond flexibly to a variety of risks.

1.2.4. Information Management Measures

The Group formulates basic regulations regarding information management and regulations and operational details for various types of information management including confidential information management regulations, basic regulations regarding the protection of private information, internal rules on insider trading and rules on digitization of information. It also builds an information management system and strives to properly manage information. Moreover, it formulates regulations on document management and storing of other information and stipulates storage periods taking into account departments in charge and legal requirements for all types of important information.

1.2.5. Development of a Framework to Ensure Appropriate Execution of Duties at Subsidiaries

Taisho Pharmaceutical Holdings and Taisho Pharmaceutical will jointly establish an organizational framework based on regulations related to affiliated companies to ensure the appropriate execution of duties at subsidiaries, as well as to receive reports on the business and operational management of each subsidiary. The Group will also establish dedicated organizations in each field for Group compliance, risk management and to maintain and improve internal controls. We provide subsidiaries with guidance where necessary and strive to ensure duties are being appropriately carried out. Audits shall be carried out by the Company's Audit Division and the audit organization established within the subsidiary, with items necessary to ensure appropriate execution of duties inspected and efforts made for continued improvement.

2. Basic Approach to Exclusion of Anti-Social Forces

2.1. Basic Approach

The Group conducts absolutely no transactions with anti-social forces, does not respond to various forms of insistent demands and shows firm resolve in rigorously terminating any such kind of relationship. We ensure that contractual agreements with transaction partners contain a clause excluding organized crime.

2.2. Development status

(1) Establishment of coordinated response division

The General Affairs Division will be the coordinated response division and strongly advance rejection any relationship with anti-social forces. A specialist person shall be appointed and a system established to respond in case of an emergency.

(2) Cooperation with external organizations

Efforts will be made to prevent activities by anti-social forces including by maintaining close, daily contact with local police and engaging in activities conducted by the local community's Special Organized Crime Prevention Countermeasure Consociation.

(3) Collection of information related to anti-social forces

The specialist person in charge shall always attend liaison meetings, such as that of the Special Organized Crime Prevention Countermeasure Consociation, and collect information. Based on information obtained through cooperation with local police, the person in charge shall also ascertain and manage within the General Affairs Division the latest information related to movements by anti-social forces or incidents that have occurred within the community.

(4) Legal response in the event of an emergency

The Company shall resolutely reject any illegitimate and unlawful requests, while ensuring there are no relations with anti-social forces. In the event of a legal response being required, the Company shall cooperate with local police and enact decisive steps to rapidly repel such forces.

V. Other

1. Introduction of takeover defense measures

Existence of takeover defense measures	None
--	------

Supplementary explanation for applicable items: Not applicable

2. Other matters related to the corporate governance structure

Timely disclosure policy

The Company strives to rapidly provide accurate, fair disclosure of information, not only for shareholders and investors, but also to earn the trust of wider society. The Declaration of Corporate Conduct, Code of Conduct both states the Company and Global Compliance Guide will “disclose accurate information in a fair and timely manner.”

Internal system related to timely disclosure

The Company has formulated regulations related to public relations, including internal information disclosure activities, and these are advanced and managed by the Corporate Communications Division. Disclosure of financial results is made following deliberation among Company management at the Public Relations-IR Committee and after being approved for disclosure by the Board of Directors. Disclosure of information other than financial results is carried out by the stipulated person in charge in a manner appropriate for the content.

