



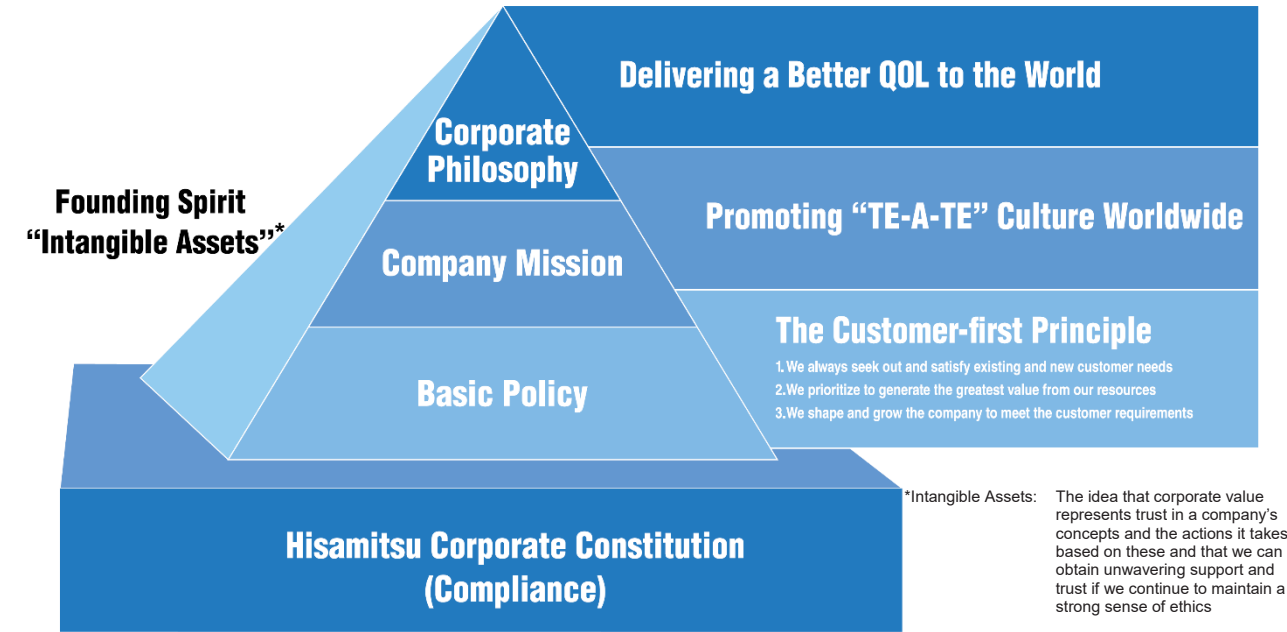
Promoting “TE-A-TE” Culture Worldwide

Hisamitsu Pharmaceutical Group
Integrated Report 2023

 **Hisamitsu®**



Hisamitsu Pharmaceutical Management Guidelines



Our Philosophy and Mission Delivering a Better QOL to the World

Since the launch of "Asahi Mankinko®" in 1907, transdermal analgesics and anti-inflammatory drugs such as "Salonpas®" have been used by many customers to treat pain and stiffness by "patching" care.

We strive to create and develop new drugs and improve formulation technologies for transdermal patches based on our world-class Transdermal Drug Delivery System (TDDS). Through manufacturing and sales, we shall contribute to the formation of a healthy society based on our Management Philosophy, "Delivering a Better QOL to the World."

The culture that we will uphold is the culture of "TE-A-TE." We place our hands (TE-A-TE) on our loved ones to cheer, encourage, and heal with compassion.

"TE-A-TE" is about caring for others.

Such compassion is the starting point of our "patch treatment culture," which we have emphasized since our establishment.

With our Corporate Mission "Promoting 'TE-A-TE' Culture Worldwide," we will actively develop our business to communicate with people around the world the "TE-A-TE" culture of caring for others and providing comfort and inspiration.

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Editorial Policy

To facilitate understanding of a wide range of stakeholders, including shareholders and investors, we have created this Integrated Report since FY22, which comprehensively incorporates our E (Environment), S (Social), and G (Governance) initiatives besides financial information such as growth strategies and business overviews. The report also includes information in an easy-to-understand manner on the Hisamitsu Pharmaceutical Group's history and approach to value creation with reference to the "International Integrated Reporting Framework" of IFRS and other related guidelines. Additionally, information not included in this report and related information, and the latest information, including financial results announcements, are available on our website. <https://www.hisamitsu.co.jp/>

Scope of Reporting

Hisamitsu Pharmaceutical Co., Inc. and its domestic and overseas subsidiaries

Reporting Period

FY2022 (March 1, 2022, to February 28, 2023)

*Some information is outside the period covered.

Report Release: November 2023

Cautions Concerning Forecasts, etc.

This Report contains forward-looking statements regarding the Company's medium-term policies and performance. These forward-looking statements are based on information currently available to us but involve risks and uncertainties. Please note that actual results may differ from these forecasts due to changes in various factors.

Although the Report contains information on drugs (including development items), such information is not intended for the purpose of promotion, advertisement, or medical advice.

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History of Value Creation

Since our founding in 1847, we have been committed to improving people's health through the provision of pharmaceuticals, especially transdermal analgesics and anti-inflammatory drugs, and has grown to become a leading company in Japan.

Our company mission is to spread "TE-A-TE" culture, which we have valued since our foundation, throughout the world. To accomplish this mission, we intend not only to operate in the field of treatment, but also proceed with an extensive range of business development, including offering a wide variety of services and engaging in preventive care.

Management milestones

1847
Komatsuya founded (Nihei Hisamitsu)

1871
The company name, Komatsuya, changed to Hisamitsu Joiedo (Yoichi Hisamitsu)

1903
Hisamitsu & Co. established (Saburo Nakatomi; former name: Saburo Hisamitsu)



1944
Hisamitsu & Co. plays a leading role in the incorporation of Miyaki Seiyaku Co.

1951
Hisamitsu & Co. Incorporated established (Masayoshi Nakatomi)

1965
The company is renamed Hisamitsu Pharmaceutical Co., Inc.

1971
Tosu Laboratories completed

1987
Utsunomiya Factory completed

1990
Tsukuba Laboratories completed



2005
Hisamitsu acquires all issued shares of Bio Medics Co., Ltd., to which SSP Co., Ltd. had transferred its split prescription (Rx) drug business, and changes the trade name to Hisamitsu Medical Co., Ltd. (consolidated company)

2007
Hisamitsu absorbs Hisamitsu Medical Co., Ltd. (consolidated company)

2009
Hisamitsu acquires all issued shares of the U.S. pharmaceutical company Noven Pharmaceuticals, Inc., through TOB and makes it a 100% owned subsidiary



2020
SAGA HISAMITSU SPRINGS Co., Ltd. (consolidated company) established

2023
Hisamitsu Wellness Co. Ltd. (consolidated company) established Assets, etc. related to both "S-Cup" and "Lacalut" brands partially transferred from SSP Co., Ltd.




Overseas expansion

1960
Taiwan Hisamitsu Pharmaceutical Co., Ltd. established

1975
P.T. Salonpas Indonesia established

1986
Hisamitsu Farmaceutica do Brasil Ltda. established

1987
Hisamitsu America, Inc. established

1994
Hisamitsu Vietnam Pharmaceutical Co., Ltd. established

2002
Hisamitsu UK Limited established

2009
Hisamitsu US Inc. established
Noven Pharmaceuticals, Inc. acquired (U.S.)

2011
Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd. established

2017
Hisamitsu Pharmaceutical (China) Co., Ltd. established

2018
Hisamitsu Pharmaceutical (Hong Kong) Co., Ltd. established

2019
Hisamitsu Italy S.r.l. established

2020
Hisamitsu Pharmaceutical Malaysia Sdn. Bhd. established

Major Products

1907
Asahi Mankinko® launched

1934
Salonpas® launched




1963
Air® Salonpas® launched

1971
Salonsip® launched




1988
MOHRUS® launched

1995
MOHRUS® Tapes launched

1997
Lifecella® launched





2000
ESTRANA® Tapes launched

2003
BUTENALOCK® launched
FEITAS® launched

2005
KEPLAT® launched (Italy)

2008
Salonpas® Pain Relief Patch






2010
FENTOS® Tapes launched

2012
Allegra® FX launched

2013
MINIVELLE® launched (U.S.)
NEOXY® Tapes launched

2015
MOHRUS® Paps XR launched

2018
ALLESAGA® Tapes launched

2019
HARUROPI® Tapes launched








2020
SECUADO® launched (U.S.)

2021
ZICTHORU® Tapes launched
Nobinobi® Salonsip® File® (Poke-Sip®) launched

2023
APOHIDE® Lotion 20% launched






CSR Activities

As part of our contribution to the communities, we donate money and supplies to disaster-stricken areas.

1990s

Donation/relief money
January 1995 Donation of 30,000 sheets of fomentation and 70,000 heating pads to the city of Kobe for the damage caused by the Great Hanshin-Awaji Earthquake
January 1995 Donated 5 million yen to the Japanese Red Cross Society as relief funds for the Great Hanshin-Awaji Earthquake
December 1997 Started "Overseas Relief Volunteer Activities" sponsored by the Japanese Red Cross Society

Contribution to Local Communities
1999 Started co-sponsorship of Hisamitsu Culture Special

2000s

Donation/relief money
November 2005 Donation of 610,000 yen to the Japanese Red Cross Society for the earthquake relief in Pakistan
August 2006 Rented first and second floors of Ryuseikan (training facility) as a dormitory for Sagan Tosu players
December 2007 Hisamitsu Vietnam donated 50 wheelchairs to the Vietnam Red Cross Society

Contribution to Local Communities
May 2005 Start of co-sponsorship to the SALONPAS World Ladies' Golf Tournament
August 2006 The First Tosu Public Lecture was held (conducted 27 lectures by 2022)
February 2007 The First Hisamitsu Spring Tea Party (held 26 times by 2022)

2010s -

Donation/relief money
September 2017 Donation of relief money to the Japanese Red Cross Society for the major U.S. hurricane Irma
October 2019 Donation of relief money to the Japanese Red Cross Society for the August 2019 Torrential Rain Disaster
August 2021 Donation of relief money to the Japanese Red Cross Society for the August 2021 Heavy Rain Disaster
August 2022 Donation to the public interest incorporated foundation of SAGA Heavy Ion Medical Accelerator in Tosu (SAGA HIMAT, Tosu City, Saga Prefecture)

Contribution to Local Communities
November 2014 Start of co-sponsorship for the Fukuoka Marathon
February 2016 Start of co-sponsorship for the Saga International Balloon Festa
August 2018 Start of co-sponsorship for the Saga Sakura Marathon

Message from President and CEO

We will make further efforts to ensure the realization of our Philosophy “Delivering a Better QOL to the World” ahead of the steady progress of HX2025.



President and CEO

Kazuhide Nakatomi

Facing An Era of “Coexistence with COVID-19”

COVID-19 was reclassified to Class 5 in May 2023. Peace has gradually returned not only in Japan but also globally. On the other hand, social uncertainties such as the emerging geopolitical risks, the risk of infectious diseases that will remain a concern, and the fear of impacts of climate change are also expected to increase.

Even for Hisamitsu, which celebrates its 175th anniversary, such an aspect of social reform is an unexperienced area, and we believe that we must work with reasonable determination to strengthen our partnerships with all stakeholders and fulfill our important responsibilities as a member of society. We have developed the Medium-term Management Policy to realize sustainable growth under these circumstances, with our FY2025 targets set as follows: sales growth rate (CAGR) at 5% or higher, overseas sales ratio at 50% or higher, return on equity (ROE) at 8% or higher, and growth investment of 150 billion yen.

Progress of the Medium-term Management Policy

In September 2021, Hisamitsu announced HX2025 (Hisamitsu Transformation 2025), its Seventh Medium-term Management Policy, which defines a new mission for the Company to fulfill while inheriting the culture it has nurtured. That is to develop not only transdermal patches but also various products and services aimed at realizing “Promoting ‘TE-A-TE’ Culture Worldwide” of compassion for people all over the world. To achieve this Mission, we have established the following Action Policies: Expand—“Pillars of Growth,” Exceed—“Overcome Challenges,” and Enhance—“Strengthen Functions,” aiming for further growth and improving profitability and establishing a foundation for sustainable growth with a minimum of sales growth rate at 5% CAGR, ROE at 8%, and overseas sales ratio at 50% as our Management Targets by FY2025.

• Expand—“Pillars of Growth”:

For overseas expansion of Salonpas® (Concentration of resources on priority regions, expansion of new Salonpas®), sales generally increase as planned, although there were some variations depending on the country/region. In Japan, inbound tourism is increasing as the pandemic has subsided, and there is a sign of recovery.

Besides pain treatment, we are advancing the development of a new area of growth in Rx drugs, such as the expansion of the sales volume of ZICTHORU® Tapes and the launch of APOHIDE® Lotion, a treatment drug for primary palmar hyperhidrosis.

• Exceed—“Overcome Challenges”

Overseas sales including the United States have been doing well, and the overseas sales ratio was 41.8%. As Eco activities, we are working to further expand the “HELLO! eco!” products. Additionally, in overseas Rx drugs, we are working on the development of XELSTRYM (Development code: ATS) in the United States. In the future, we will make further efforts to make a solid contribution from the perspective of the circular economy.

• Enhance—“Strengthen Functions”

The restructuring of the R&D organization for the new research lab scheduled to be completed in March 2024 is also steadily progressing in consideration of the consistency with the overall Medium-term Management Policy. Regarding the pipeline, we are steadily working to further advance the R&D organization including open innovation.

As for the establishment of the internal organization, we are working to ensure the achievement of HX2025 by implementing appropriate management of human capital and improving operational efficiency through Digital Transformation and making organizational and business changes as key elements.

Against the sales target in HX2025 for the fiscal year ended February 2023 of CAGR 5.0% or higher, it reached 5.9%.

Regarding the overseas sales ratio target of "50.0% or more," the overseas business in the United States and other countries has been brisk, and the actual ratio reached 41.8%. We will continue to make efforts to achieve the target.

Regarding ROE target of "8.0% or higher," the actual ROE is 4.7% leaving a plenty of room for improvement. We will strive to achieve the goal in light of initiatives such as full-scale promotion of Digital Transformation, start of a new R&D organization, and contribution through growth investment.

Progress of the Medium-term Management Policy, HX2025
(Year 1) (Year 2)

	FYE 2021/2	FYE 2022/2	FYE 2023/2	Targets
Net sales	114.5 billion yen	120.1 billion yen	128.3 billion yen (CAGR 5.9%)	≥5.0% (CAGR)
Overseas sales ratio (Overseas net sales)	34.4% (39.3 billion yen)	34.5% (41.4 billion yen)	41.8% (53.6 billion yen)	≥50.0%
ROE	3.7%	3.8%	4.7%	≥8.0%
		<ul style="list-style-type: none"> ✓ Acquisition of 2 million treasury shares 	<ul style="list-style-type: none"> ✓ Dividend increase for 10 consecutive years ✓ Acquisition of 2 million treasury shares 	
Growth investment		<ul style="list-style-type: none"> ✓ Investment in GAIA Biomedicine Corporation, a bio-venture originating from Kyushu University ✓ Signing of licensing agreement with RaQualia Pharma Inc. 	<ul style="list-style-type: none"> ✓ Acquisition of shares of AYM HD Corporation ✓ Construction of a new research institute and restructuring of research bases 	Growth investment 150 billion yen

We must cooperate with not only international organizations but also governments, administrative agencies, corporations, and NPOs in various countries. Regarding the "biodiversity" issues, we should take appropriate actions based on future trends. As with the TCFD Recommendations we currently comply with, we will address TNFD as necessary. The pharmaceutical industry, particularly, did not pay much attention to the post-marketing situation, so we should work on this area as well. Unlike the large city, Tosu City in Saga Prefecture is rich in nature. Given the fact that Hisamitsu has its head office in Tosu, we believe we should discuss this issue seriously.

In terms of society, the issue of "human rights" is also important. This includes a broad range of people including our employees, suppliers, and patients and their families. Having certain business activities overseas, we believe this is an issue we need to work on.

These sustainability challenges are closely related to our business activities in a multilayered way. We recognize that it is important to always have a broad perspective and carry forward our efforts.



Measures for Sustainability

We will further enhance the functions of the Sustainability Promotion Committee established in 2021, integrate with management, and foster a corporate culture that can meet the expectations of all stakeholders. We also believe it is important to continue the support for victims of disasters and for social groups through the "Hisamitsu-Hot-Heart Club" in an effort to influence the Company's environment and society. To address climate change, which has recently become an important issue in general life, is one of the most important issues for Hisamitsu Pharmaceutical. The degree of urgency is increasing as TCFD disclosure is required in the system disclosure in Japan. As the Hisamitsu Pharmaceutical Group, we believe we need to take measures from the following perspectives:

1. To minimize the energy consumption;
2. To convert the energy source to green energy; and
3. To build all means to offset the remaining external impact.

To reduce the energy consumption, we are constantly reviewing our own operations and also making efforts to participate in regional energy management, such as the Smart Energy Project at Kiyohara Industry Park where our Utsunomiya Factory is located. Additionally, as an effort to reduce environmental impact through products and services, the reduction of Scope 3 impact through "HELLO! eco!" is also important.

To Our Stakeholders

How do we manage the Company in the social situation with unprecedented uncertainty? We know that very challenging steering is required. Conversely, we need a change in our way of thinking that it is now possible to find many opportunities and grow.

What can and should we do towards our 200th anniversary? We hope to be a corporate group that is needed for society with further engagement with various stakeholders. We strongly believe this will be synonymous with our Management Philosophy "Delivering a Better QOL to the World."

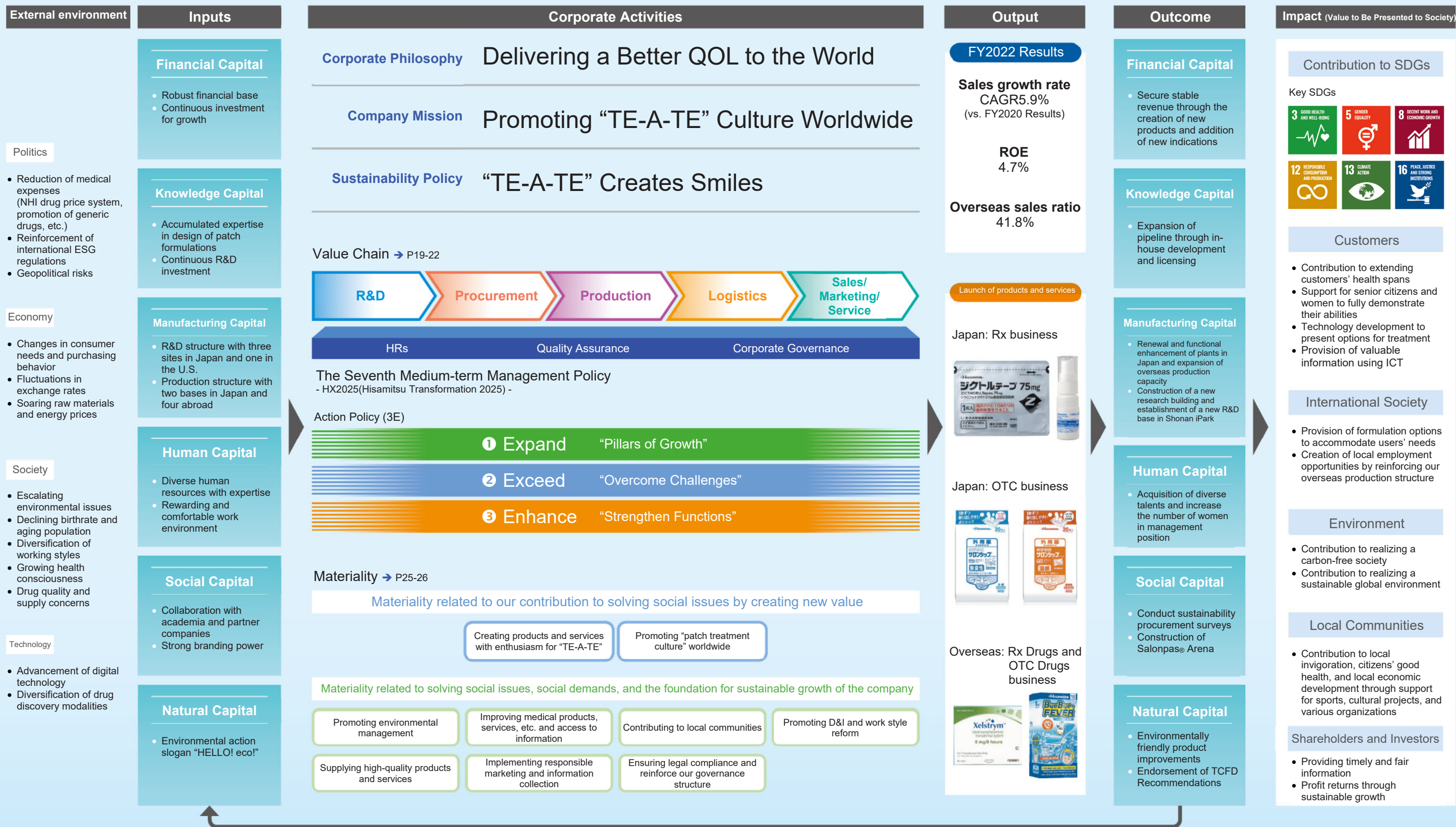
Worldwide, it is obvious that sustainability issues, such as climate change and human rights, are closely related to corporate activities and are important factors in making management decisions.

We will continue to do our best so that we can share the Hisamitsu corporate culture with external stakeholders and refine ourselves continually. In this regard, we look forward to continuing to receive your support as ever.

Value Creation Model

The Hisamitsu Pharmaceutical Group has established "Delivering a Better QOL to the World" as its Management Philosophy and strives to create value for all stakeholders, including customers and society, through its business activities. To adapt to the recent rapid changes in the external environment and to meet the diversifying needs of our customers, we have established the "Seventh Medium-term Management Policy" and Materiality (priority issues) under our Company

Mission "Promoting 'TE-A-TE' Culture Worldwide" and have been working on our business activities accordingly. While focusing on ESG and Sustainable Development Goals (SDGs), we will proactively take on the challenge of unprecedented initiatives and realize change, with the aim of increasing corporate value and realizing a sustainable society.



Financial Strategy

Let us carry out the Three Action Policies to realize our Company Mission “Promoting ‘TE-A-TE’ Culture Worldwide”!

1. Expand - “Pillars of Growth”
2. Exceed - “Overcome Challenges”
3. Enhance - “Strengthen Functions”

Executive Officer
Head of BU Division

Yasuyuki Masuya



Results and Challenges of the Medium-term Management Policy

In the fiscal year ended February 2023, the second year of the “HX2025 (Hisamitsu Transformation 2025), the Seventh Medium-term Management Policy,” formulated in 2021, we have executed the financial strategy in accordance with the Policy and properly executed measures to achieve the targets.

Although there are impacts of the pandemic that has been seen worldwide since 2020, society is regaining its calmness. We can see some positive signs for society and economy. The Medium-term Management Policy was established, redefining the Mission to “Promoting ‘TE-A-TE’ Culture Worldwide” based on the understanding that people’s lifestyles and values have irreversibly changed under the impact of COVID-19.

Under these circumstances, we continued to strengthen our conventional activities, such as “Indication added for ZICTHORU® Tapes,” and also launched “APOHIDE® Lotion 20%,” the first transdermal treatment drug for primary palmar hyperhidrosis in Japan.

We also received some assets related to the two brands, “S-Cup” and “Lacalut” from SSP Co., Ltd. Traditionally, our business remained within the scope of “transdermal patches,” but we have broadened the scope and concept of our business in the direction of how we perceive the “TE-A-TE culture” and are developing business to meet the needs of our customers by utilizing the accumulated management resources.

Additionally, the Company aims to realize a virtuous cycle between the resolution of social issues and the growth of our Group while proactively addressing the SDGs, and as a specific example, we have expanded the line of products using “Eco & Compact” packaging (Poke-Sip®) to reduce the raw material consumption. Under the Seventh Medium-term Management Policy, we plan to make a growth investment of 150 billion yen in total in five years until FY2025. First, we are making strategic investments such as M&A and alliances. Second, we are making growth investments to strengthen our sales, production, R&D, and other functions by promoting overseas operations and to improve labor productivity. To further strengthen our R&D capabilities, we are currently constructing a new research building and working on the restructuring of the R&D organization. Third is facility renewal and expansion. Particularly overseas, we must promote local production besides maintaining and renewing production facilities. Fourth, investment are being made to enhance our capital efficiency, with our targets set as follows: sales growth rate (CAGR) at 5% or higher, overseas sales ratio at 50% or higher, and return on equity (ROE) at 8% or higher.

Current Issues and Measures to Achieve Target ROE

We have set “ROE at 8.0% or higher” as our management target for FY2025. Additionally, the sales growth rate targets CAGR at 5% or higher from FY2020. The ROE for the fiscal year ended February 2023 improved from last year and reached 4.7%. This is due to the fact that we are in the process of restoring sales that have declined because of the impact on the economy caused by the spread of COVID-19 and the stagnation of activities, as well as to various increases in costs such as steep global distribution costs.

We recognize that improving the operating profit margin further is an issue to be addressed in order to achieve ROE at 8%. To achieve this, besides lowering the cost of sales ratio, it is necessary to lower the SG&A expense ratio, which has been on a constant rise. Additionally, the specific level of R&D expenses will not be mentioned in relation to the pipeline to be explained later, but it is estimated to be about 10% for the time being.

	ROA (%)	ROE (%)	Operating profit ratio (%)	Shareholders' equity ratio (%)
FYE 2023/2	3.8	4.7	9.0	81.6
Mean value over the past five years	4.5	5.5	11.5	82.7

Return on assets (ROA)

Ratio of net profit to total assets
Index used for judging a company's entire management performance from a comprehensive perspective

Return on equity (ROE)

Ratio of net profit to shareholders' equity
Index used for measuring a company's equity efficiency from the perspective of owners of the parent

Operating profit ratio (Operating profit to net sales)

Ratio of operating profit to net sales
Index used for measuring a company's profitability

Shareholders' equity ratio (Shareholders' equity to total assets)

Ratio of shareholders' equity to total assets
Index used for checking a company's financial safety

Policy for the Distribution of Dividends

The Company considers the continuation of stable dividends to shareholders as the basis. Additionally, we will add special or commemorative dividends based on our performance, etc. to return profits.

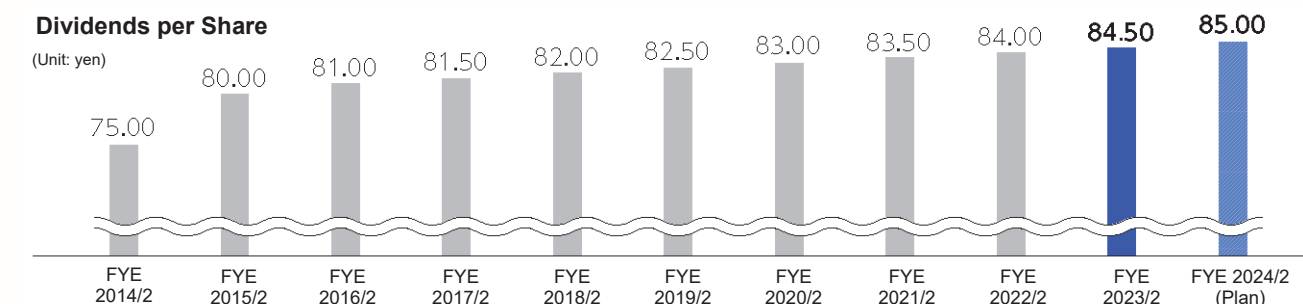
The basic policy of the Company is to pay dividends of surplus twice a year, consisting of interim dividends and year-end dividends. The organization that determines these dividends is the Annual General Meeting of Shareholders for year-end dividends and the Board of Directors for interim dividends.

For the year ended February 2023, the year-end dividend is 42.25 yen as initially planned, and the annual dividend is 84.5 yen in total including the interim dividend of 42.25 yen. This resulted in an increase in the dividend per share for the tenth straight fiscal year. For the year-end dividend for the fiscal year ending February 2024, we plan to pay 85 yen, including an increase of 0.5 yen, as an annual dividend per share considering our current financial position and a stable dividend for shareholders.

Regarding retained earnings, we will make efforts to strengthen our management foundation by investing mainly in promotion of R&D, expansion of production facilities, and expansion of overseas business.

Besides the acquisition of four million treasury shares in the past 2 years, we have announced the acquisition of another two million shares this year and take financial measures flexibly as an effective way to return profit to shareholders.

While considering an appropriate balance between the business environment, business results, strategic investment, growth investment, etc., we will continue to enhance efficiency of shareholders' equity and return our profits to shareholders on a mid- to long-term basis.



Business Strategies

<Japan> Rx business



In addition to existing MR activities, we will maximize product value through new products and drug development by expanding information provision activities that integrate digital technologies.

Executive Officer
Head of Sales & Marketing Division, RX

Mitsutoshi Tsuruta

Business Strategies

<Japan> OTC business



Promote the provision of products and services leading the era of "Coexistence with COVID-19," including the expansion of digital marketing

Executive Officer
Head of Sales & Marketing Division, OTC

Masaya Okuno

Japan: Rx Drug Business Strategy

Although various regulations apply to Rx drugs, it is important to appeal not only diseases but also a wide range of educational activities including the lifestyle of citizens. We are also working on initiatives that include the provision of information on ZICTHORU® Tapes online and the launch of a disease awareness website for APOHIDE® Lotion, which was newly launched in June 2023, since it is for primary palmar hyperhidrosis, a disease with a low level of awareness.

We will make use of the technologies and knowledge accumulated for TDDS to provide pharmaceutical products to treat various types of pain, our major field, and expand into fields that can contribute to the improvement of patients' QOL.

Additionally, we will promote MR activities that achieve the optimal combination of digital and real services based on the progress of digital technologies including AI and develop human resources for that purpose with an even greater sense of speed.

Japan: OTC Business Strategy

The COVID-19 pandemic has settled down to some extent. It is important to provide products that correspond to the era of "Coexistence with COVID-19," accurately grasp social trends, and analyze market trends in more detail.

In particular, it is important to make strong appeals to consumers who are sensitive to products and their marketing appeals such as ethical consumers and new young adult segment, and we were able to achieve certain results through efforts on the packaging and in-store promotion.

It is also important to capture the inbound tourism in Japan that is coming back to the pre-COVID level. We are working to strengthen the system for "drug development" by collaborating with retail stores and wholesalers and by swiftly cooperating with in-house departments including R&D, Production, and Quality.



*MOHRUS® Tapes 20mg, MOHRUS® Tapes L 40mg
 • Received the "Packing Technology Award" of the 47th Kinoshita Award (https://global.hisamitsu/pdf/news_release_E_230614.pdf)
 • Received the "Proper Packaging Award" of the Japan Packaging Contest 2023 (https://global.hisamitsu/pdf/news_release_E_230831.pdf)

*Nobinobi® Salonsip® Fit® (Poke-Sip®)
 • Received the "Good Design Award 2022" (https://www.hisamitsu.co.jp/company/pdf/news_release_221007.pdf)

Challenges to be addressed

- Promote proper MR activities in order to increase sales of new products and maximize the product value through drug development.
- Increase the value of TDDS products through educational activities.
- Promote product strategies such as "Eco & Compact" in response to ethical awareness of patients and healthcare professionals.
- Provide valuable information with the optimal balance between digital and real services, and develop human resources to do so.

Challenges to be addressed

- Promote marketing for ethical consumers who are sensitive to social trends as well as new young adult segment.
- Under the new Company Mission "Promoting 'TE-A-TE' Culture Worldwide", challenge new fields (dermatological diseases, cosmetics, health drinks, and quasi-drugs) by taking advantage of our brand power and transdermal absorption technology, not limited to our core anti-inflammatory analgesic category.
- Establish and implement effective global strategies for digital marketing through SNS and others.
- Develop human resources to solve problems.

Business Strategies

<Overseas> Rx Drugs and OTC Drugs



Through repeated information sharing and discussions with Hisamitsu Pharmaceutical Group companies, we will seek to understand the culture and economic activities of each country, promote the patch treatment culture, and pursue growth that is appropriate for the region.

Executive Officer
Head of International Division

Taro Hiramatsu

Production Environment



We will realize "Promoting 'TE-A-TE' Culture Worldwide" by improving the GMP standards on a global level in collaboration with overseas factories and by thoroughly implementing product quality control and productivity enhancement.

Executive Officer
Head of Production Division

Taro Ozaki

Overseas: Business Strategy for Rx Drugs and OTC Drugs

Movement restrictions due to COVID-19 have been relaxed in various countries, which has led to increased human activities. Under these circumstances, the OTC business which mainly consists of "Salonpas®" has grown mainly in the United States and Asia. This was due to the fact that we captured changes in customers' consumption behavior due to the relaxation of movement regulations, actively implemented marketing activities with a view to the market, including creating sales spaces linked to accurate advertising activities, and proactively launched new products in the United States, Asia, and Brazil (23 items).

We will continue to implement overseas expansion measures such as the launch of Rx drugs like the approval of "XELSTRYMTM" in the United States and expansion into Africa through the approval of "Salonpas®" in Nigeria.



Challenges to be addressed

- Actively launch transdermal patches tailored to each country's market environment and then improve them properly so that they can take root and increase their presence in the market.
- In step with our increased presence in the United States and Asia, proceed with localization, especially in Asia, and establish a structure so that we can sell our products on our own.
- While reanalyzing research findings on overseas pharmaceutical regulations and the related social environment, as well as our own data, strengthen activities to bring Rx drugs approved in Japan and the United States to market in other countries.
- Establish a system that can strengthen the manufacturing of products for the United States and create profits at Noven Pharmaceuticals, Inc. in the United States. Prepare for the marketing of developed products.
- Reinforce alliances to accelerate the speed of our overseas expansion for Rx drugs and strengthen the development of human resources who can support this growth as well as measures for Digital Transformation, aimed at making profit contributions in global market expansion.
- Contribute to SDGs such as reduction of environmental impact through provision of products.

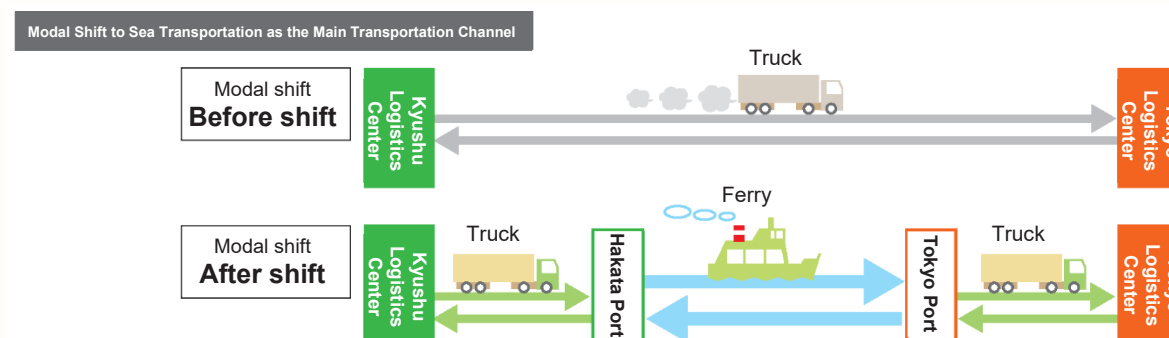
Role of Production Environment Manager in Support of Medium-term Management Policy

To realize the Seventh Medium-term Management Policy, the role of the Production Division is to "ensure a stable supply of safe, secure, high-quality products to customers" in order to spread the culture of "TE-A-TE." The market is now global, not only in Japan. We have strengthened our activities to ensure compliance with and improve the level of "Good Manufacturing Practice" (hereinafter referred to as "GMP") in cooperation with overseas factories. As raw materials and energy costs continue to rise, we must establish a system that is resistant to changes in the market. To this end, we have created a cross-sectional team to enhance various KAIZEN activities, including line automation and introduction of Digital Transformation. Based on our awareness that it is "people" who operate an appropriate management system, we strengthen GMP education across the Hisamitsu Group, produce high-quality products in compliance with GMP and strengthen various improvement measures, and work to build a stronger global production system toward the realization of the Medium-term Management Policy.

EHS Management Commitments

We have introduced ISO14001 and ISO45001 as the EHS management system and comprehensively manage the environment, health, and safety. Under this system, we ensure compliance with laws and regulations and product quality and stably supply products worldwide. In terms of environment, reducing CO₂ emissions is the main theme. We have set the reduction of CO₂ emissions by 46% or more compared to FY2013 as our target for FY2030. In FY2022, CO₂ emissions declined by 30.6% (vs FY2013) as planned thanks to our efforts including the modal shift in transportation from trucks to ferries, fuel conversion, introduction of high efficiency air conditioning facilities, and increased installation of solar panels. From now on, we will make efforts to reduce CO₂ emissions in a planned manner, including overseas production bases. Additionally, we have enhanced environmental considerations for product specifications. Based on the slogan "HELLO! eco," we are promoting the production of environmentally friendly products such as compact packaging, Poke-sip®, a new-concept packaging, and pouches using recycled PET. Moreover, in terms of occupational safety, we provide education, training, and awareness-raising opportunities in order to continue the on-site check at the monthly Occupational Safety and Health Committee meeting and to continue the zero industrial accident on the manufacturing floor. We are committed to creating a work environment where employees can work comfortably and are rewarding and engaging.

* See p. 37-38 for more information on the EHS management system.



R&D



We will deliver unconventional values to the world to put the concept of "TE-A-TE" into shape through the use of Digital Transformation in developing new Transdermal Drug Delivery System (TDDS) formulations, the development of topical and long-term formulation technologies, the promotion of environmentally friendly drug development, and the challenge to enter new fields.

Executive Officer
Head of R&D Division

Takaaki Terahara

Roles of R&D Division in the Seventh Medium-term Management Policy

The mission of R&D Division is to bring new products into the market and to develop existing products (additional indication, product improvement). During the period of the Seventh Medium-term Management Policy, we are working on technological development with the themes of controlling the amount of drug that enters the body while applying it directly to the disease site and realizing long-term formulation. In FY2022, the second year of the Policy, we filed an application for marketing approval for "APOHIDE[®] Lotion 20%," a treatment drug for primary palmar hyperhidrosis. It was approved in March 2023 and launched in June. In the area of drug development, we are not limited to adding efficacy to our formulations but are also working to improve our environmentally friendly products by considering the use of plant-derived and recycled raw materials. Additionally, for global development, it is necessary to comply with the regulations of each country in order to increase the number of countries in which the product is newly rolled out. We are working on the development of formulations and data acquisition that will ensure stability in all newly expanded countries.

Promoting "TE-A-TE" Culture Worldwide : Challenges in New Fields

Microneedles are a new technology in TDDS that realize drug delivery, which was not possible with conventional transdermal patches. This technology can also be used for cosmetics, and we are preparing for its commercialization in collaboration with other companies. In December 2021, we executed a license agreement for a novel sodium channel blocker and are developing a new transdermal formulation for chronic pain. At the same time, we are considering the development of various products and services that embody the spirit of "TE-A-TE" and have begun to take on the challenge of entering new areas such as health foods and therapeutic apps. We will share ideas with various divisions, discuss commercialization, and collaborate with them to realize the creation of products and services that are uniquely of Hisamitsu.

Consolidation of Research Bases and Promotion of Product Development in Japan and Overseas

The new research center (scheduled to be completed in February 2024 and start operations in May 2024) will consolidate research functions currently located at two bases into a single base in Tosu City, Saga Prefecture, the place where Hisamitsu was founded, to strengthen cooperation and collaboration among researchers, thereby maximizing R&D functions and accelerating the process. Accordingly, we will restructure the R&D organization and strengthen the collaboration with production divisions, and promote the strengthening of its functions in Japan and overseas as a technology base for the development of new Transdermal Drug Delivery System (TDDS) formulations, which cannot be realized with conventional transdermal patches. In March 2023, we established a base in Shonan iPark to promote open innovation such as industry-government-academia collaboration.



Completion image of the new research center



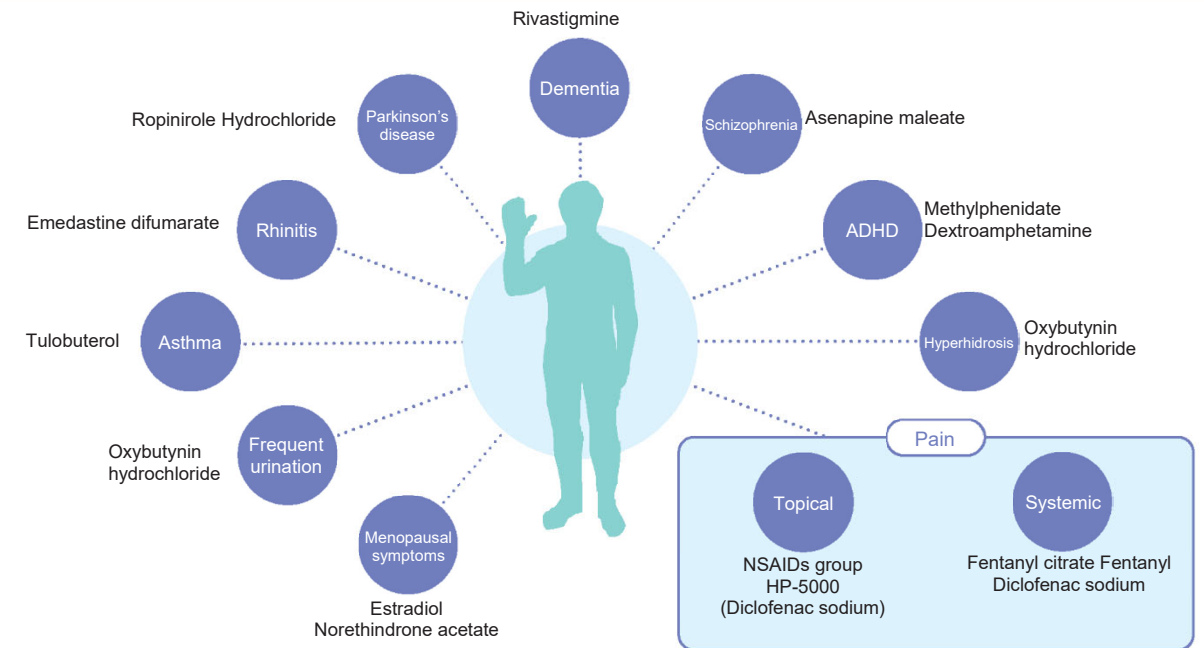
Completion image of the new research center

Research & Development Pipelines

	Stage	Theme	Target	Dosage Form	Characteristics	Next Step
1	Approved	OABLOK [®] EX PATCH (NEOXY [®] Tapes)	Asia	Patch	Overactive bladder	To be launched in FY2024
2	Approved	ALLESAGA [®] PATCH (ALLESAGA [®] Tapes)	Asia	Patch	Allergic rhinitis	To be launched in FY2024
3	Phase3	HP-5000	USA	Patch	Osteoarthritis of the knee	Under consideration
4	Phase2	HP-6050	JPN	Microneedle	Delirium, psychomotor excitement, irritability	Phase2 study results will be available in FY2024

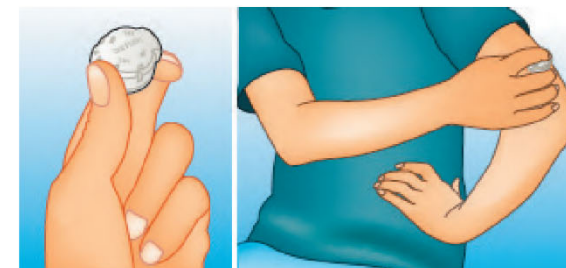
as of October, 2023

Expansion of Target Diseases for Hisamitsu TDDS



Microneedle Technology

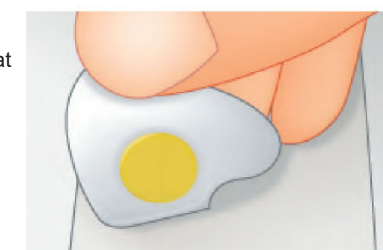
HalDisc[®] Technology (Pinhold-shaped microneedle technology)
Realization of macromolecular drugs that are treated as injectable drugs such as vaccines, offering easy self-medication by anyone



Sheetify[®] Technology (Sheet-type microneedle technology)
Hisamitsu's proprietary sheet-type device for the realization of high-dose transdermal administration



HalDisc[®] beauty[®] (Cosmetic microneedle technology)
Hybrid technology for cosmetic use that combines transdermal absorption technology and microspike substrates to create a pleasant stimulation sensation



HalDisc[®] wrapped in Gel-Patch Sustains a pleasant stimulation sensation without stinging the skin

Rich in moisture and cosmetic ingredients Providing moisture and beautifying effects

Provide Value for Society, Using High Quality Pharmaceutical Products and Services Backed by Unique Technology

At the Hisamitsu Pharmaceutical Group, we help contribute to extending customers' health spans by leveraging cooperation between the actors in our value chain, such as R&D, procurement, production, logistics, and sales/marketing/service. Our goal lies in delivering a better QOL to the world by supplying customers with high quality pharmaceutical products and services backed by our unique technology.



Value to Be Presented to Society

Since our establishment, we have been engaged in product development to satisfy customers' needs in accordance with the basic policy of "The Customer-first Principle," with our main focus on transdermal patches through which pharmaceuticals can be administered on a stable basis and which can be patched with comfort. In addition, we promptly reflect customer needs into our products and quickly respond to changes in the social environment, such as the aging population. To do so, we conduct product sampling to let customers and medical workers directly know about the excellence of our products, and also ensure cooperation between the actors in our value chain. While continuing to create value that will contribute to improving the environment and society, we will achieve global application of our technology developed in Japan so that we can present the world with new value that will contribute to citizens' healthy and rich lives.

R&D

Based on the fundamental technology platform for TDDS that we have developed over many years, the R&D Division is working to develop TDDS formulations of drugs that are difficult to absorb through the skin. We are engaged in the research, development, and improvement of drugs that are clearly differentiated from existing and competing products by maximizing the benefits of TDDS formulations, such as stable efficacy and reduced adverse drug reactions resulting from sustained drug concentrations in the blood.



Strength

- Accumulated R&D know-how of TDDS products
- Ownership of the world's No.1 brand
- Human resources with high-level expertise and experience

Opportunities

- Market growth due to "TE-A-TE" culture taking root worldwide
- Response to unmet medical needs
- Expansion through alliances with other companies

Risks

- Decrease in pharmaceutical prices due to the government's medical cost reduction policy
- Change in the business environment due to intensifying competition with generic products
- Reinforcement and revision of pharmaceutical regulations in Japan and overseas

Procurement

At our procurement departments, not only do we strive to maintain a stable procurement of quality raw materials, reduce costs, and ensure that delivery deadlines are strictly met (and cope with natural disasters), but we also improve our supply chain, collect information from suppliers, and share such information with other in-house departments. From the phases of product planning and research, our procurement departments engage in discussions on raw materials in cooperation with related departments in order to establish a stable supply structure. At the same time, we strive to promptly reflect customer needs in our product development. Based on our global strategies, we select appropriate raw materials so that people in many countries can use our products without worry, for example, in terms of human rights risks in our supply chain and conformity with Halal standards. We also procure items in light of their environmental friendliness, such as their contribution to reducing resource use, reducing waste generation, and increasing the use of recovered paper.



In December 2021, in response to the growing importance of sustainable procurement, the Company established the "Sustainability Procurement Basic Policy," and the "Sustainability Procurement Standards for Suppliers," which suppliers are required to understand and comply with, as the "Sustainability Procurement Guidelines." Furthermore, in support of the purpose of the "Conference to Establish Partnerships that Open the Future" promoted by the Cabinet Office and the Small and Medium Enterprises Agency, we announced the "Declaration of Partnership Building" on July 26, 2023. We aim to build new partnerships by promoting collaboration and co-existence and co-prosperity with supply chain partners and businesses that create value.



- Portal site for Declaration Partnership Building
- Sustainability Procurement Guidelines

<https://www.biz-partnership.jp/index.html>
https://global.hisamitsu/sustainability/pdf/supplychain_E.pdf

*See p. 36 for more information on Sustainability Procurement

Strength

- Firm relationships of trust with business partners established over our long history
- Conducting discussions on stable supply from the research stage
- Cross-sectional communication to promptly respond to customer needs

Opportunities

- Enhancement of our competitive edge by ensuring further transparency in the procurement of raw materials
- Stable supply of environmentally friendly raw materials
- Enhancement of our reputation through appropriate responses
- Reinforcement of our management foundation by ensuring greater transparency

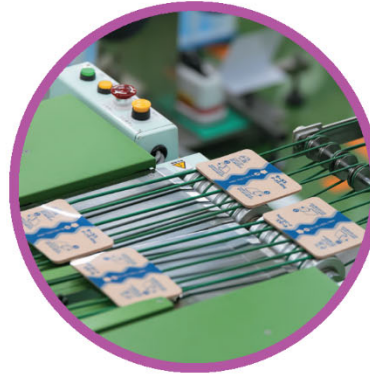
Risks

- Impact from fluctuations in the cost of raw materials, packaging materials, etc. as well as exchange rates
- Dependence on external sources for the procurement of raw materials
- Malfunction in the procurement of raw materials due to climate change
- Changes in supply chain environment and the emergence of human rights related risks

Production

While ensuring cooperation with manufacturing contractors, our domestic production is centered on the Tosu Factory (Saga Prefecture) and the Utsunomiya Factory (Tochigi Prefecture), both of which are in compliance with the GMP*, so as to maintain a stable supply of products. In addition to ensuring a stable supply, we are also working to improve productivity. We are raising the efficiency of the entire production process not only by carrying out KAIZEN (improvement) activities on continual basis, but by reviewing the production system through consolidation and elimination of production lines, improving individual processes, and increasing operating rates. Moreover, we have introduced an IoT-based production system, thereby promoting KAIZEN activities using big data accumulated in the production system and further improve productivity.

We globally sell pharmaceutical products, many of which are directly exported from Japan. To establish an even more stable supply system, however, we also have production sites in the U.S., Brazil, Vietnam, and Indonesia. While ensuring cooperation between our domestic and overseas production sites, we are localizing production and expanding our production capacity so that we can reinforce our global production system. *GMP: Good Manufacturing Practice



Strength

- Production technology developed over our long history
- Environmentally friendly product design
- Technology to realize product improvement from the perspective of customers

Opportunities

- Environmentally friendly production efforts
- Technology-based upgrade of production facilities
- Establishment of a global production system

Risks

- Soaring logistics, labor, and raw materials costs
- Impact of large-scale disasters on production facilities
- Emergence of product accidents with impact on customers
- Emergence of problems related to the environment or human rights in the supply chain

Logistics

We have logistics centers in eastern Japan (Kuki City, Saitama Prefecture) and in western Japan (Tosu City, Saga Prefecture), which underpin our logistics structure to maintain a stable supply of our products. We ensure that the pharmaceutical products manufactured by our contractors also pass through these logistics centers as part of our supply chain. Staffed by supervising pharmacists to manage the quality of our products, each center shares information on its shipment volume together with relevant factories. This enables a wide variety of pharmaceutical products to be stored and managed properly and to be supplied to customers on a stable basis. For employees involved in the management of this system, we implement manual-based training in order to reduce human error and ensure a stable logistics structure.

Although many of our products are transported by land, we are making a modal shift in the main transportation arteries for the shipping of large-volume items from road transport (trucks) to sea transport, which has less impact on the environment. While expanding this modal shift on a continual basis, we will increase our loading efficiency and leverage a joint delivery system, and thereby strive to raise our transportation efficiency.



Strength

- Logistics structure underpinned by the two bases in the east and the west to ensure a stable supply
- Increase in transportation efficiency through modal shift and joint delivery to reduce environmental impact
- Training programs for employees involved in the management system

Opportunities

- Higher efficiency and cost reduction by using technology
- Prompt and well-tuned response backed by the logistics network
- Innovation of the conventional business model through logistics reform
- Enhancement of our reputation through environmentally friendly efforts

Risks

- Appreciation in logistics costs and labor costs
- Product price fluctuations and excessive inventory
- Impact of large-scale disasters on our supply chain
- Emergence of problems due to tightening of laws and regulations
- Emergence of problems related to the environment or human rights in the supply chain

Sales/Marketing/Service

At sales/marketing/service, we provide and collect information on the effectiveness and safety of our products to enable medical workers and patients to use them with peace of mind and also to ensure appropriate use of the products. Additionally, requests from healthcare professionals collected by MRs are shared with related departments to further improve products, and the OTC business also promotes "Jissen" in which samples are distributed to directly communicate the superiority of products to consumers. We help not only patients in the medical field, but also other people around the world maintain and improve their good health.



Strength

- High level of recognition and dissemination to medical professionals through "Jissen," distribution of sample to consumers
- Prompt reflection of customer needs in product improvement
- High-quality products that take into consideration the use process and even more pleasant feel of use

Opportunities

- Increased awareness of good health worldwide
- Increase in the number of those suffering from disorders due to changes in their lifestyles
- Increase in demand for patch products in response to medication adherence

Risks

- Impact on profits due to reduction in medical expenses and pharmaceutical prices
- Change in the business environment due to intensifying competition with generic products
- Reduced medical examinations and slow penetration of new products in the with COVID-19 era

Quality Assurance

Quality is assured through GMP-compliant and scientifically established methods of production to ensure the reliability and safety of drugs. Our quality assurance operations range extensively from "preparing process charts related to production and quality," to "inspecting, testing and evaluating products," "analyzing defect trends," "auditing and instructing business partners," and "correspondence with customers after shipment." Furthermore, we carry out a wide range of internal and external quality assurance, including the creation of a smooth transition from the formulation development stage to the production stage to ensure quality assurance structure and management and auditing of the production system of contractors that manufacture OEM products.

We have established an internal compliance promotion organization to monitor compliance with strict laws and ordinances and voluntary regulations. Additionally, we are constantly striving to improve quality and safety of our drugs under the strict quality control system, including inspections of our quality system by public agencies.



*OEM: Original Equipment Manufacturer

Strength

- Integrated quality assurance framework from research and development to manufacturing and marketing
- Production of high-quality pharmaceutical products with scientifically established, GMP-compliant methods
- Quality audit framework designed for Japan and overseas suppliers
- Safety management structure enabling prompt, appropriate, cross-sectional responses

Opportunities

- Expansion of quality assurance and safety control frameworks to global bases
- Improvement of quality reflecting customer requests
- Reinforcement of our management foundation by ensuring greater transparency
- Enhancement of our reputation through appropriate responses

Risks

- Response to the tightening and revision of laws and regulations in Japan and abroad
- Emergence of product accidents with impact on customers
- Emergence of quality problems in the supply chain

Hisamitsu Pharmaceutical Group's Digital Transformation Promotion

Establishment of basic policy for Digital Transformation

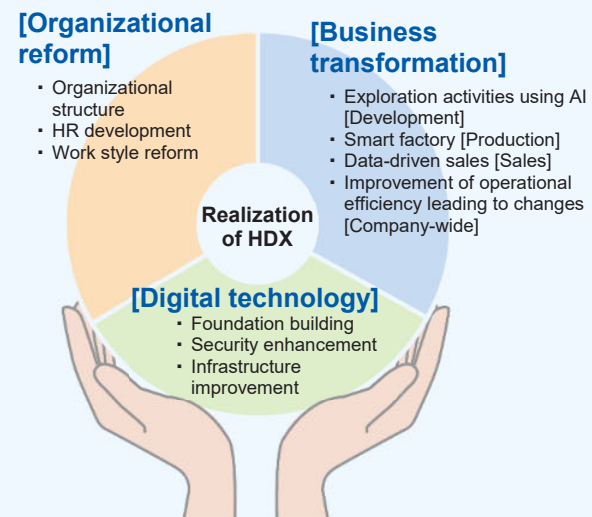
Hisamitsu Pharmaceutical formulated the basic policy for Digital Transformation in September 2022 to promote Digital Transformation of the entire group.

The concept of the basic policy is to combine our Company Mission "Promoting 'TE-A-TE' Culture Worldwide" with digital technologies and to reform Hisamitsu for our stakeholders.

Basic policy for Digital Transformation

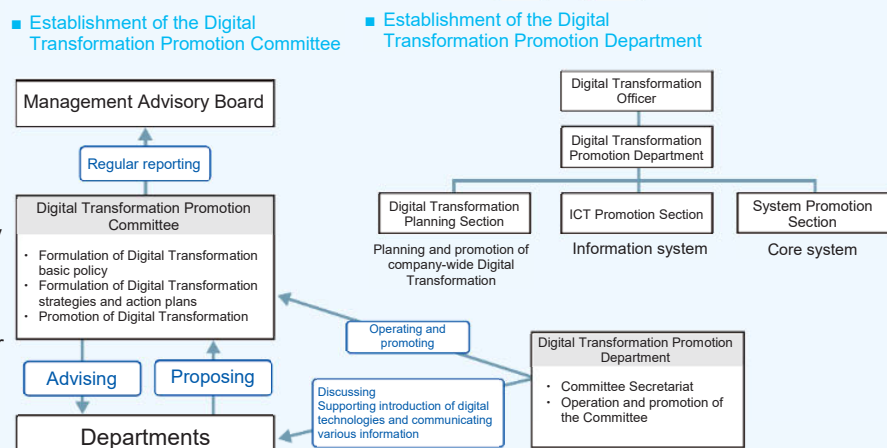
HDXforcustomer (HisamitsuDigitalTransformationforcustomer)

Deliver innovative products and services to customers around the world and contribute to the realization of a sustainable society by combining "TE-A-TE" Culture with digital technologies



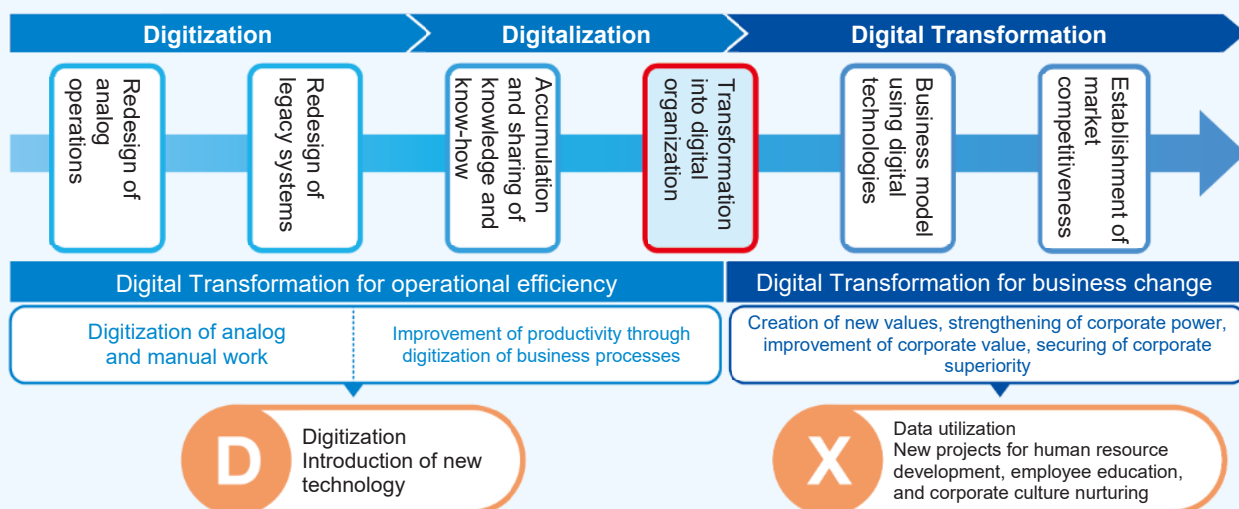
Building of Digital Transformation promotion system

We established the "Digital Transformation Promotion Department" in March 2022 to promote the improvement of operational efficiency and productivity by utilizing digital technologies and accumulated data. In addition, to formulate and promote the basic policy, strategies, and action plans for company-wide Digital Transformation, we have established the "Digital Transformation Promotion Committee," chaired by the Digital Transformation Officer, with the head of each department as members.



Next Step of Digital Transformation promotion

Transforming into a digital organization is a short-term goal. Beyond that, Digital Transformation for business change will appear. We first aim to transform Hisamitsu into a digital organization.



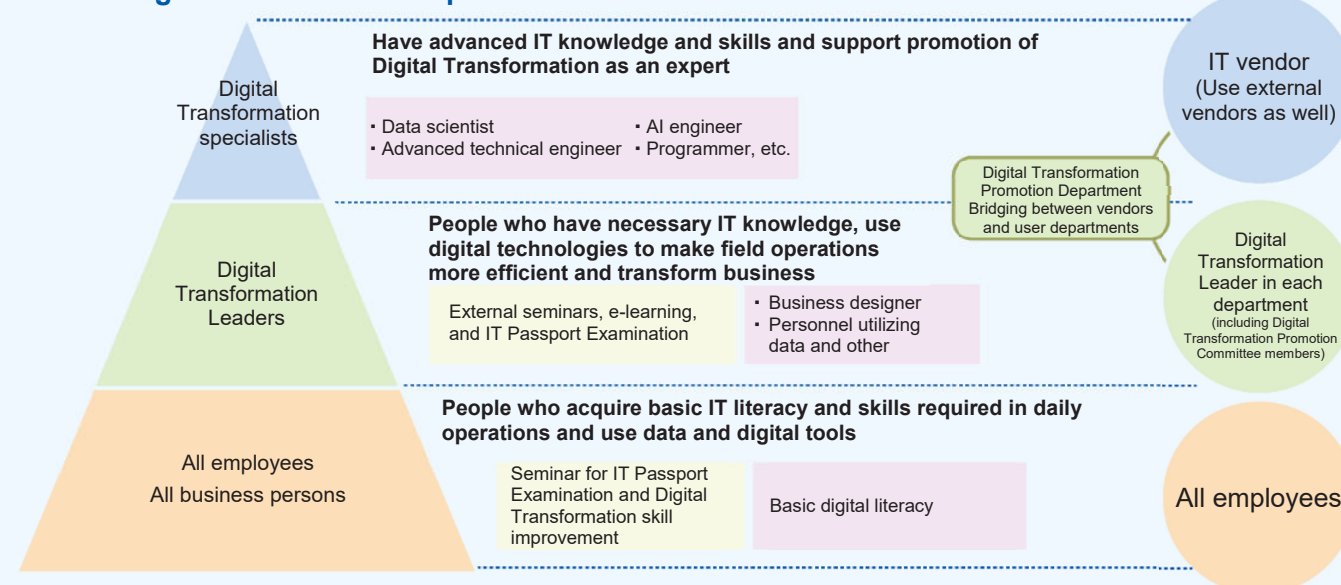
Development of Digital Transformation human resources

Initiatives to develop Digital Transformation human resources

- (1) Raising the level of digital literacy of all employees
- (2) Developing Digital Transformation Leaders in each department

We work on the development of Digital Transformation human resource with two core pillars: (1) Raising the level of digital literacy of all employees and (2) Developing Digital Transformation Leaders in each department. To raise the level of digital literacy of all employees, we have held Hisamitsu Digital Transformation Skill Improvement Seminars on the theme of simple questions and concerns related to digital on a daily basis where attendees learn how to solve problems in each theme. Digital Transformation Leaders in the Company refer to "people who have necessary IT knowledge, use digital technologies to make field operations more efficient and transform business." To this end, we have started the "HDX Human Resource Development School" with the goal of fostering 60 Digital Transformation Leaders in 2 years.

Digital Transformation personnel



Development of Digital Transformation Leaders (HDX Human Resource Development School)

People who can design the business

Clarification and scheduling of what we want to accomplish, organization of Digital Transformation projects in one's department

- Recommended acquisition of IT Passport certification
- Selected Digital Transformation Leaders from among qualified persons
- Attended lectures by special lecturers + e-learning

Submitted completion report

Certified as Digital Transformation Leaders [60 employees developed in 2 years]

- Career development
- Taking a mission to transform the Company's business

"Initiatives for Digital Transformation Promotion"

The use of data and digital technologies is essential to create new value in all business situations. As the company-wide system for Digital Transformation promotion, we have established the Digital Transformation Promotion Department and Digital Transformation Promotion Committee, and formulated the basic policy and human resource development plan. In the new research building, the R&D Department actively introduces the latest technologies, such as access control by biometric authentication (face).



Koji Takiyama, Director, Executive Officer, Management of Digital Transformation

Additionally, the Sales Department is working on data-driven sales by conducting behavior analyses using AI, and at staff departments, the foundation for building the talent management system and management base DB and making decisions in real time is being established. We will continue to strengthen the Digital Transformation initiatives throughout the Company.

Hisamitsu Pharmaceutical Group's Commitment to Sustainability

Hisamitsu Pharmaceutical aims to realize a virtuous cycle of "solving social issues" and "sustainable growth of our Company Group" through our business activities. To this end, we have identified Materiality, which is a set of priority issues that our Company Group must address. Through our efforts to address the Materiality, we will contribute to the realization of Sustainable Development Goals (SDGs).

Hisamitsu Pharmaceutical Group's Sustainability Policy

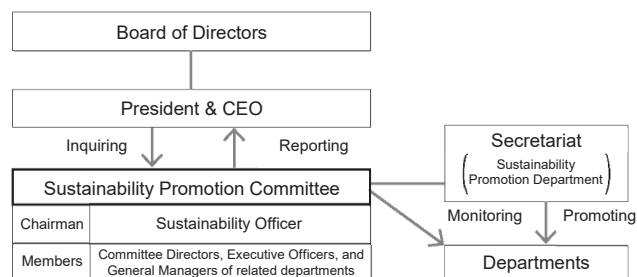
"TE-A-TE" Creates Smiles

Hisamitsu cherishes the "TE-A-TE" culture. What lies beneath "TE-A-TE" is your compassion for your loved ones. "TE-A-TE" is about caring for others. Such compassion is the starting point of our "patch treatment culture," which we have emphasized since our establishment. One way to spread "TE-A-TE" culture throughout the world is to promote "patch treatment culture," but our corporate responsibilities are not limited to that. It is our mission and responsibility as long as it is filled with enthusiasm for "TE-A-TE" and concerned with customer satisfaction, even if it is in the realm of non-profit operations or disease/injury prevention. By contributing to creating happy smiles through a compassionate "TE-A-TE" culture, we will strive to achieve a favorable cycle of solving social problems and realizing our corporate group's growth.

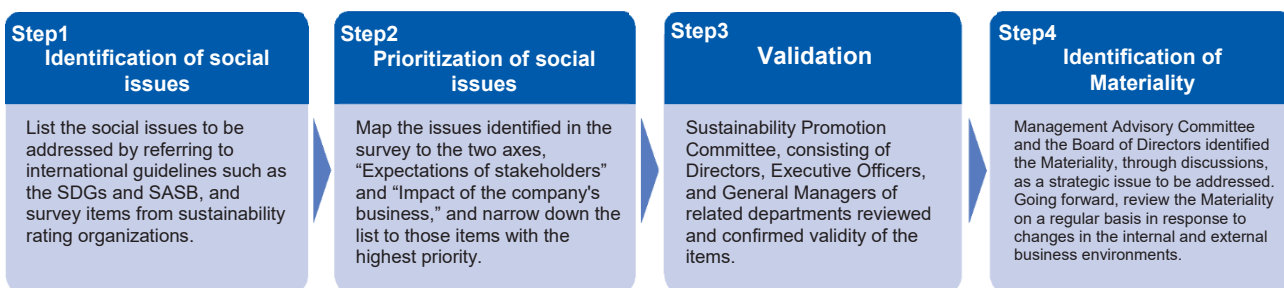


Sustainability Promotion Structure

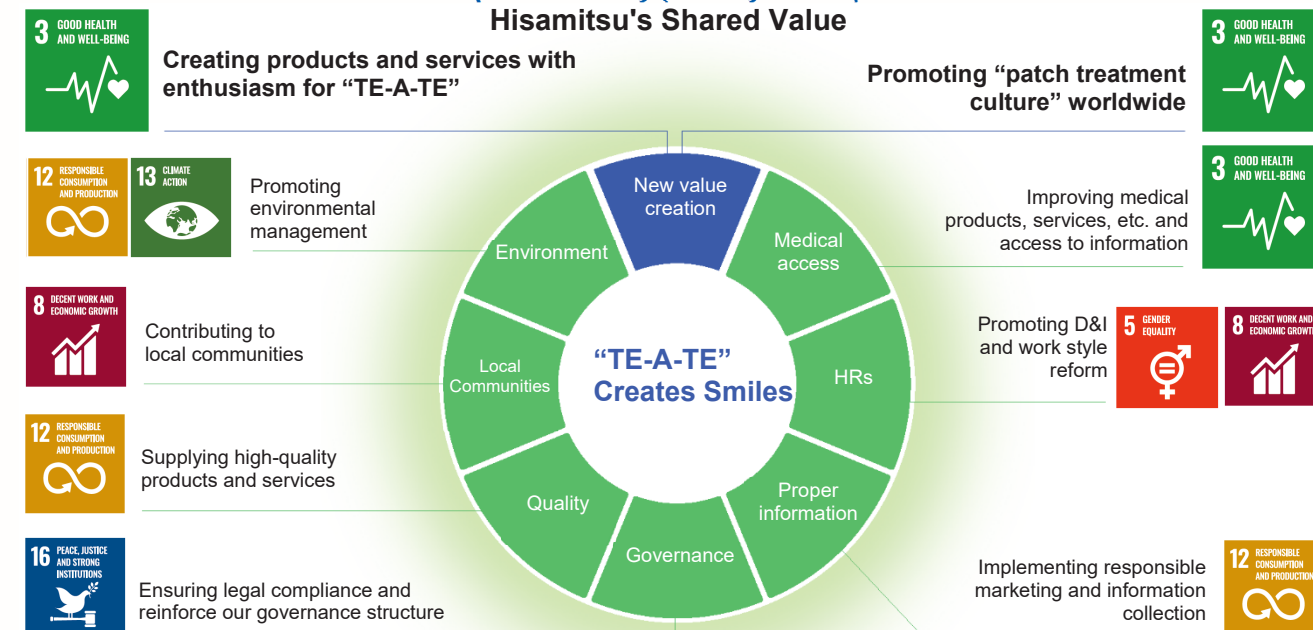
In January 2021, we upgraded the CSR Promotion Committee and renamed it the Sustainability Promotion Committee. Chaired by our officer in charge of promoting sustainability, the new committee consists of each department's sustainability promotion members. In light of the social challenges surrounding Hisamitsu, environmental problems, and requests from a wide variety of stakeholders, the committee endeavors to promote sustainability at the Hisamitsu Pharmaceutical Group.



Identification Process of Materiality



Hisamitsu Pharmaceutical Group's Materiality (Priority Issues) Hisamitsu's Shared Value



SDGs related to our materiality

Classification of Materiality and specific contents are posted on our website. <https://global.hisamitsu/sustainability/group-policy.html>

KPI Setting and FY2022 Progress

For Materiality, which is particularly important for solving social issues and for the sustainable growth of our Company Group, we have established Key Performance Indicators (KPIs) to evaluate our progress over the medium to long term. Progress in FY2022 was as follows: Since FY2023, we have expanded the scope of "CO₂ Emission Reduction (Scopes 1 and 2)" to the Hisamitsu Pharmaceutical Group, and the scope of "Sustainability Procurement Survey Response Rate" to Hisamitsu Non-Consolidated and its overseas subsidiaries with production bases. Additionally, we will set "Reduction in the Use of Plastics" and "Waste Plastic Recycling Rate" as new KPIs and work on solving social issues.

Materiality (Priority Issues)	KPI	FY2021 Results	FY2022 Results	Scope
3 GOOD HEALTH AND WELL-BEING Creating products and services with enthusiasm for "TE-A-TE" Promoting "patch treatment culture" worldwide	Creating products and services that embody the spirit of "TE-A-TE" (Transdermal patches and products and services that embody the spirit of "TE-A-TE")	Rx: ZICHTORU [®] Tapes (Japan), ORAVI [®] Mucoadhesive Tablets (Japan)OTC: 1 item (Japan), 4 items (overseas)Others: 5 items (Japan) Launched Hisamitsu [®] IKIKI Online drugs	Rx: MOHRUS [®] Patch 40mg (Hong Kong), OABLOK [®] Ex Patch (Taiwan) OTC: 9 items (Japan), 10 items (overseas) Others: 8 items (Japan), 11 items (overseas)	Hisamitsu Non-consolidated, overseas subsidiaries
	Expand the number of countries and regions where our products are sold	OTC pharmaceuticals/Others: 33 countries and regions including JapanRx drugs: Nine countries and regions including Japan	OTC pharmaceuticals/Others: 33 countries and regions including JapanRx drugs: Nine countries and regions including Japan	Hisamitsu Non-consolidated, overseas subsidiaries
3 GOOD HEALTH AND WELL-BEING Environment- and user-friendly drug development (Drug development: product improvement, additional indications, etc.)	Environment- and user-friendly drug development (Drug development: product improvement, additional indications, etc.)	<Additional indication> FENTOS [®] Tapes <Product improvements and others> Rx: 34 products (Japan), 1 product (overseas) OTC and others: 50 items (Japan), 5 items (overseas)	<Indication added> ZICHTORU [®] Tapes 75mg, ESTRANA [®] Tapes 0.72mg/0.36mg <Product improvements and others> Rx: 34 products (Japan), 3 products (overseas) Accumulated total: 60 products (Japan), 4 products (overseas) OTC and others: 9 items (Japan), 11 items (overseas) Accumulated total: 51 items (Japan), 16 items (overseas)	Hisamitsu Non-consolidated, overseas subsidiaries
	Promoting environmental management	Reduction of CO ₂ emissions (Scopes 1 and 2) Reduce by 46% compared to FY2013 by FY2030. Scope: All bases in Japan Reduction of waste 1) Reduction of industrial waste generated from factories Reduce industrial waste rate by 1.5% by FY2025 compared to FY2020. *Waste rate = Industrial waste volume/Total production volume 2) Reduction of "household waste" related to the Containers/Packaging Recycling Act 10% reduction compared to FY2020 by FY2030 *Not including impact of increase/decrease in sales volume.	Reduce CO ₂ emissions by 28.5% (compared to FY2013) 1.0% increase in industrial waste disposal rate (compared to FY2020)	Reduce CO ₂ emissions by 30.6% (compared to FY2013) 3.0% increase in industrial waste disposal rate (compared to FY2020)
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION Supplying high-quality products and services	Sustainability Procurement Survey Response Rate To achieve 100% response rate to the Sustainability Procurement Survey by FY2025. Scope: Primary and secondary suppliers	Response rate: 90% Primary suppliers: 100% Secondary suppliers: 79%	Response rate: 100% Primary suppliers: 100% Secondary suppliers: 100%	Hisamitsu Non-consolidated
	Zero product recalls Zero product recalls each year. Product complaint incidence Reduce product complaint incidence to 0.001% or less by FY2025.	Product recalled: 0 Product complaint incidence: 0.0012%	Product recalled: 0 Product complaint incidence: 0.0010%	Hisamitsu Non-consolidated Hisamitsu Non-consolidated
5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH Promoting D&I and work style reform	Morale Survey Score (8 items: Rewarding + Good workplace) Raise the average value of 8 items to 5.0 points or more by FY2025.	Average of 8 items: 4.66 points	Average of 8 items: 4.59 points	Hisamitsu Non-consolidated
	Female managers By March 31, 2024, increase to 1.5 times the ratio as of March 31, 2021. Continuous employment ratio of women employees in their 9th to 11th years of employment Increase the continuous employment ratio to 45% or more by March 31, 2024.	Ratio of women in management positions: 7.1% (as of March 31, 2022) = 1.13 times the ratio at the end of March of 2021 Continuous employment ratio: 40.7% (as of March 31, 2022)	Ratio of women in management positions: 7.9% (as of March 31, 2023) = 1.25 times the ratio at the end of March of 2021 Continuous employment ratio: 48.7% (as of March 31, 2023)	Hisamitsu Non-consolidated Hisamitsu Non-consolidated

Environment

At the Hisamitsu Pharmaceutical Group, all workers recognize the importance of environmental conservation and address social issues related to the environment. Assessing the environmental impact of the processes of R&D, production, and sales, we strive to reduce such impact in our value chain (e.g. modal shift in product transportation) and help realize a rich global environment. We would like to continue to proceed with our active efforts to prevent global warming by leveraging our products and business operations.

Hisamitsu Pharmaceutical Group's Environmental Policy

We formulated the "Hisamitsu Pharmaceutical Group's Environmental Policy" in August 2023. As a member of the global society, we, the Hisamitsu Pharmaceutical Group, will promote environmental management by positioning the preservation of the global environment, which is the foundation for realizing our Management Philosophy "Delivering a Better QOL to the World," as an important management issue.

Hisamitsu Pharmaceutical Group's Environmental Policy <https://global.hisamitsu/sustainability/environment/environment-03.html>

Action to climate change

Contribution to Decarbonized Society

By participating in the "Federation of Pharmaceutical Manufacturers' Associations of Japan: Low Carbon Society Action Plan" for the realization of a decarbonized society, the Hisamitsu Pharmaceutical Group reviewed its CO₂ emission reduction target in December 2021 and aims to reduce it by 46% compared to FY2013 by FY2030 (Scopes 1 and 2; target: all bases in Japan) and to achieve Carbon Neutrality by FY2050. In order to ensure consistency with the position of industry associations in our Climate Change Strategy, we participate in government-sponsored seminars on climate change, including those organized by the Ministry of Economy, Trade and Industry, the Ministry of the Environment, and the Ministry of Health, Labor and Welfare, as well as those organized by industry associations, to gather information and share it with our employees. Furthermore, the contents are checked to ensure that they are in line with the Company's position and approach, and for any discrepancies, the environmental management division of the Company discusses them and then coordinate them through Sustainability Promotion Committee, which is chaired by the Sustainability Promotion officer. Through this process, the Company aligns its Climate Change Strategy with activities carried out by industry associations.

Our FY2022 performance was a 30.6% reduction compared to FY2013, and we will continue activities to steadily reduce our environmental impact toward the FY2030 target through further measures and efficient operations.

Disclosed Information Based on TCFD: Scenario Analysis

In May 2022, the Company endorsed the Task Force on Climate-related Financial Disclosure (TCFD), and based on its Recommendations, the Company conducted a scenario analysis of the items that climate change could bring to the business, identified risks (5 items) and opportunities (3 items), conducted a business impact assessment and disclosed the result thereof, and set goals and measures to assess the identified items in March 2023. Sustainability Promotion Committee took the lead in conducting scenario analysis, as well as in discussing short-, medium-, and long-term business impact (transition risk, physical risk, and financial impact of the opportunities), and policies and strategies for addressing these business impacts. As a result, although there are risks associated with the carbon tax and natural disasters, opportunities were identified in terms of increased demand for environmentally friendly products. So, we will give priority to taking measure for these risks and opportunities.

Information Disclosure Based on TCFD <https://global.hisamitsu/sustainability/environment/environment-01.html>

Risk item	Evaluation	Importance Evaluation		Targets	Measures
		Business Impact	Time Axis		
Impact of the introduction of a carbon tax	Large	To reduce CO ₂ emissions in Scope 1 and 2 by 46% by FY2030 compared to FY2013 and achieve net zero CO ₂ emissions by FY2050, it is necessary to switch to renewable energy sources and renew air conditioning equipment, resulting in an increase in costs.	Long term	Improved resilience through stable energy procurement	To reduce CO ₂ emissions in Scopes 1 and 2 by 46% by FY2030 compared to FY2013 and achieve net zero CO ₂ emissions by FY2050, we will improve resilience through stable energy procurement in collaboration with several suppliers in different industries.
	Large	A carbon tax is imposed on the main raw materials (derived from petroleum), resulting in an increase in procurement costs.	Long term	Control of procurement costs	We will strengthen supply chain management to control procurement costs.
Impact on raw materials in association with a rise in temperature	Large	Raw material prices rise due to shortage of raw materials and poor plant growth.	Long term	Establishment of supply chain not affected by raw materials prices	From the research and development stage, we will promote stable procurement through cross-sectional communication in anticipation of raw materials procurement.
Natural disasters (Impact on the supply chain)	Large	An increase in the number and severity of natural disasters causes damage to suppliers of raw materials for our main products and disrupts the transportation network. Consequently, we are unable to manufacture our main products, leading to a decrease in sales.	Medium term	Promotion of stable procurement of raw materials	We will promote stable procurement of raw materials by securing stock of raw materials and good engagement with suppliers.
Response to decarbonization technology	Large	The lack of progress in environmentally friendly product development makes us unable to respond to changes in consumer needs. As a result, our market share declines with a decrease in sales.	Medium term	Promotion of development of environmentally friendly products	We will promote the development and introduction of environmentally friendly products.
Expansion of demand for environmentally friendly products	Large	The development of new environmentally friendly products increases demand for our products, leading to an increase in sales.	Long term	Promotion of development of environmentally friendly products	We will promote the development and introduction of environmentally friendly products.
	Large	By switching from fossil fuels to renewable energy sources, we can avoid the impact of rising fossil fuel prices on costs.	Long term	Cost reduction in the face of rising fossil fuels prices	We will introduce renewable energy.
Resilience	Large	We can increase our resilience by working to develop energy-saving equipment in cooperation with production equipment manufacturers, thereby reducing energy costs.	Long term	Improvement of efficiency of existing manufacturing equipment	We will introduce energy-saving type equipment.

*Definition of time axis: Short term: - 2025, medium term: - 2030, long term: - 2050

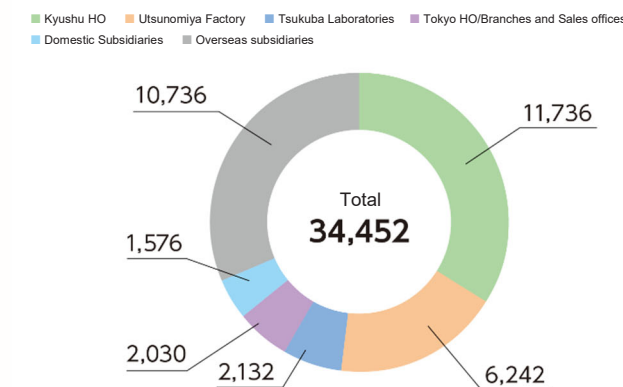
Changes in CO₂ Emissions

1 Hisamitsu Pharmaceutical Group*

The total CO₂ emissions in FY2022 were 34,452 t. For breakdown, 22,140 t for Hisamitsu Pharmaceutical on a non-consolidated basis in Japan, 1,576 t for domestic subsidiaries, and 10,736 t for overseas subsidiaries. Particularly, since the CO₂ emissions of overseas subsidiaries tend to increase as the production volume increases, accounting for 31.2% of the entire Group, we will share and promote CO₂ reduction measures with subsidiaries abroad and in Japan and verify and disclose the results, including reduction outcome.

* The Hisamitsu Pharmaceutical Group consists of Hisamitsu Pharmaceutical on a non-consolidated basis, two domestic subsidiaries, and four overseas subsidiaries with manufacturing plants, excluding domestic subsidiaries and overseas sales bases with minimal impact on the calculation of CO₂ emissions.

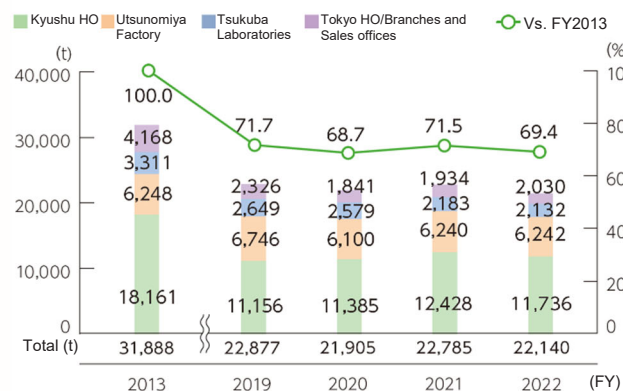
CO₂ emissions from Hisamitsu Pharmaceutical Group (t)



2 Hisamitsu Non-consolidated (in Japan)

In FY2022, the Kyushu Head Office, including the Tosu Factory, took energy-saving measures (including capital investment), and non-consolidated emissions decreased by 5.6% from the previous fiscal year while new products have been launched and production of existing products have increased. Additionally, by renewing company vehicles from a gasoline car to a HV car, the amount of gasoline used has decreased, leading to a reduction in CO₂ emissions. We will continue our efforts to reduce CO₂ emissions by installing solar panels, shifting to energy-saving equipment for manufacturing and air-conditioning facilities, and introducing renewable energy actively.

CO₂ emissions (t-CO₂) of Hisamitsu Pharmaceutical (Non-consolidated) by business site in Japan



CO₂ Emissions in Supply Chain (Scopes 1, 2, and 3)

Generated throughout the entire process from manufacturing to consumption, including raw material procurement, manufacturing, logistics, sales, and disposal, greenhouse gases are affecting the global environment. To realize a decarbonized society, we believe that it is critical to reduce CO₂ emissions not only at our company but also throughout our entire supply chain. We began to calculate the CO₂ emissions generated throughout our supply chain, in accordance with the guidelines released by the Ministry of the Environment.

CO₂ Emissions throughout Supply Chain

Category	FY2022 Emissions		Notes	
	CO ₂ (t)	Percentage		
Scope 1	Direct emissions	7,862	6.52%	Scope of calculation: Hisamitsu Pharmaceutical on a non-consolidated basis
Scope 2	Indirect emissions	14,278	11.84%	Scope of calculation: Hisamitsu Pharmaceutical on a non-consolidated basis
Scope 3	Purchased goods and services	49,823	41.30%	Obtained by multiplying the volume of raw materials, etc. purchased in Japan by emission intensity*
	Capital goods	11,651	9.66%	Obtained by multiplying the capital investment amount in pharmaceutical business by emission intensity*
	Fuel- and energy-related activities not included in Scope 1 or 2	4,885	4.05%	Obtained by multiplying purchased electricity and other energy by emission intensity*
	Transportation, delivery (upstream)	2,234	1.85%	Obtained by multiplying the ton-km from a primary raw material manufacturing site to our factory and from our factory to logistics centers, wholesalers, etc. multiplied by emission intensity*
	Waste from business	2,433	2.02%	Obtained by multiplying the volume of each category of general/industrial waste from our factories and laboratories in Japan by emission intensity*
	Business travel	340	0.28%	Obtained by multiplying the number of business travel days by emission intensity*
	Employee commuting	271	0.22%	Obtained by multiplying the amount of paid commuting fees in each transportation category by emission intensity*
	Leased assets (upstream)	-	-	-
	Transportation and delivery (downstream)	33	0.03%	Obtained by calculating the ton-km based on the average delivery distance from a wholesaler and the volume and multiplying this by emission intensity*
	Processing of sold products	-	-	-
	Use of sold products	-	-	-
	End-of-life treatment of sold products	26,818	22.23%	Obtained by multiplying the volume of used raw materials by emission intensity*
	Leased assets (downstream)	-	-	-
	Franchises	-	-	-
Investments	-	-	-	
Total	120,628	100.00%		

*The values listed in the Database of emission intensity for Calculating Each Organization's Greenhouse Gas Emissions throughout Its Supply Chain (Ver 3.2), Ministry of the Environment

Environment

Reduction in Energy Consumption

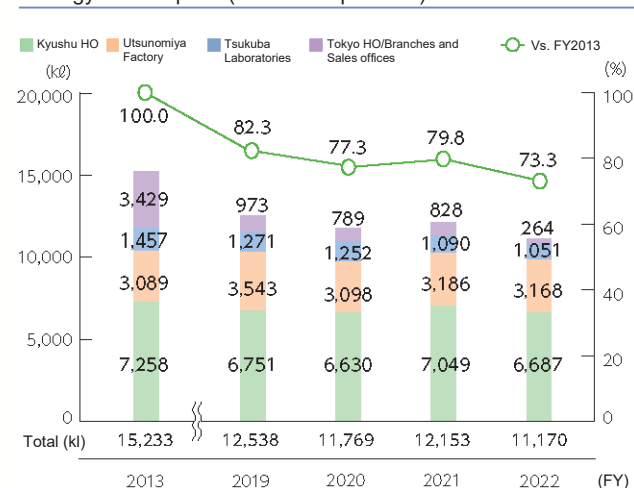
The amount of energy used was calculated in accordance with the Energy Saving Act (Act on Rational Uses of Energy, etc.) In FY2022, the overall amount (Hisamitsu Non-consolidated) decreased by 8.1% from the previous fiscal year. We believe this is due to the Kyushu HO's efforts of setting air conditioning temperatures, managing lighting to save energy, and ensuring efficient operation of manufacturing equipment, and to the shift of the energy source at Tokyo Head Office to renewable energy. We will continue to reduce energy consumption by various measures including the continued promotion of renewable energy use.

CFC Management

Based on the "Act on Rational Use and Appropriate Management of Fluorocarbons" (abbreviated as "CFC Discharge Control Act"), we implement measures such as management of target equipment based on a ledger, simple inspection/periodic inspection, preparation of records, and calculation of leakage amount.

At the time of equipment renewal, we are promoting the use of equipment using non-CFC and low global warming potential refrigerants. We will continue to implement measures to prevent leakage and global warming.

Energy consumption (crude oil equivalent) at each business site



Reduction in Environmental Impact

Environmental Accounting

Hisamitsu Pharmaceutical complies environmental accounting in reference to the Ministry of the Environment's "Environmental Accounting Guidelines" in order to quantitatively understand the investments and expenses related to environmental measures and their impact. In FY2022, as with the previous year, for the purpose of preventing global warming and saving energy by reducing CO₂ emissions, capital investments were made in "new installation of solar panels," "replacement of absorption refrigerators," and "use of boiler fuel for city gas," and promoted "power saving by improving production operation ratio." Furthermore, we are increasing items with the smaller size of medicine bags, cases, and cardboard boxes for our products (Eco & Compact) and actively promoting the efficient use of resources. In addition, costs have been separated by "Facilities" and "Expenses" from FY2021 to clarify the amount of investments for the fiscal year.

Environmental Conservation Costs

(Thousands of yen)

Category	FY2020	FY2021			FY2022		
		Facilities	Expenses	Total	Facilities	Expenses	Total
Pollution prevention	36,342	1,330	26,992	28,322	0	33,164	33,164
Global environmental protection	65,899	102,929	68,127	171,056	307,300	98,274	405,574
Resource recycling	430,151	190,800	150,744	341,544	273,708	155,529	429,237
Upstream/Downstream	11,409	0	15,185	15,185	0	16,359	16,359
Management activities	63,573	0	67,912	67,912	0	68,214	68,214
Social activities	7,446	0	7,914	7,914	0	5,914	5,914
Environmental damage response	547	0	523	523	0	488	488
Other	0	0	0	0	0	0	0
Total	615,367	295,059	337,397	632,456	581,008	377,942	958,950

Scope: Hisamitsu Pharmaceutical on a non-consolidated basis

Conservation of Water Resources

Water resources are essential to business operations. We believe that it is integral to use finite water resources more effectively and reduce environmental impact. We conserve water resources by properly managing both water use volume and water discharge volume.

In FY2022, we continuously improved the use of circulating cooling water for production facilities and the cooling method of air conditioning equipment according to the season. As a result, our water consumption decreased by 1.5% year on year, and water discharge volume declined as well. Further reduction measures (capital investment and operation) will be promoted in the future. In addition, when discharging wastewater, we have established voluntary standards that are stricter than the water quality standards set by the national and local governments, and the water quality is checked before discharging wastewater. We always monitor COD*¹ and pH*² values to prevent harmful substances from resulting in negative effects.

- *1 COD (chemical oxygen demand): Amount of necessary oxygen when organics in water are oxidized by an oxidizing agent
- *2 pH (hydrogen ion concentration): Representing water acidity, neutrality, and alkalinity
- *3 BOD (biological oxygen demand): Value representing the amount of oxygen consumed when organics are decomposed by microorganisms in water
- *4 SS (suspended solids): Volume of solid particles whose diameter is 2 mm or under that remain in suspension in water

Management of Air Pollutants

SO_x (sulfur oxide) and NO_x (nitrogen oxide), which are emitted when boilers and private power generators are turned on, cause air pollution. The Company has made capital investments for the purpose of reducing these pollutants and has successively changed its fuel from heavy oil to city gas. We comply with our self-regulations, which are stricter than the standards stipulated under the Air Pollution Control Act, and confirm that our emissions of SO_x and NO_x are below the levels set in the regulations.

- * SO_x and NO_x values are totals for the Kyushu Head Office, Utsunomiya Factory, and Tsukuba Laboratories, which have large environmental impacts.

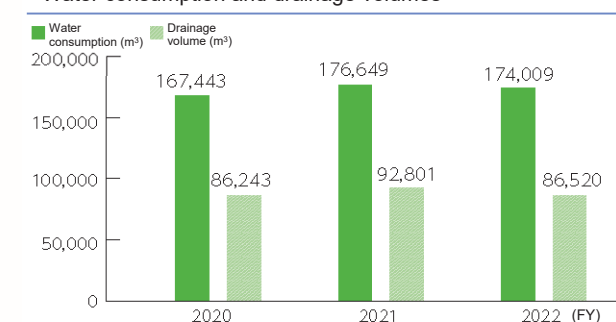
Management of Specified Chemical Substances

Hisamitsu Pharmaceutical manages chemical substances properly in compliance with the PRTR Act*⁵. There are two chemical substances that we must report to the authorities: toluene and acetonitrile. In FY2022, we handled 3.7 t of toluene and 3.3 t of acetonitrile. We will continue to strive for appropriate use and management (storage and disposal*⁶) to reduce environmental impact.

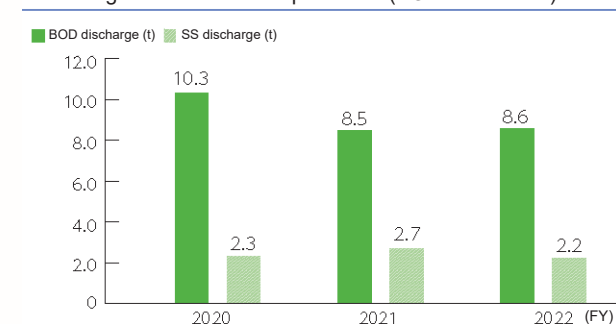
Acetonitrile is used in the analysis of raw materials and products. In FY2022, we partially switched to a new analytical method that does not use acetonitrile, and successfully reduced the amount used. We will continue discussions for further reduction.

- *5 PRTR Act: A law that requires the release amounts of certain chemical substances into the environment to be monitored and reported to the government
- *6 Waste disposal:
 - Waste liquid treatment: After use, the waste liquid is entrusted to a waste disposal contractor for proper disposal.
 - Combustion treatment: Some manufacturing processes generate gases containing toluene. The gas is cooled and not collected as liquid waste but combusted using a gas combustion system (oxidative decomposition method).

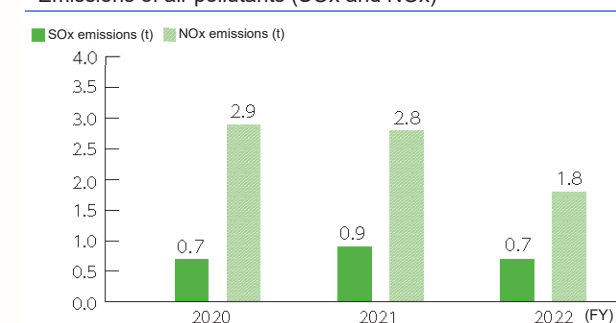
Water consumption and drainage volumes



Discharge volume of water pollutants (BOD*³ and SS*⁴)



Emissions of air pollutants (SO_x and NO_x)



Handling Volume of PRTR Substances (t)

Substance	Handling volume	FY2020	FY2021	FY2022
		Emission into the air	0.2	0.2
Toluene	Waste disposal	Waste liquid treatment	0.1	0.1
		Combustion treatment	3.1	3.0
Acetonitrile	Waste disposal	Waste liquid treatment	3.8	4.3
		Combustion treatment	0	0

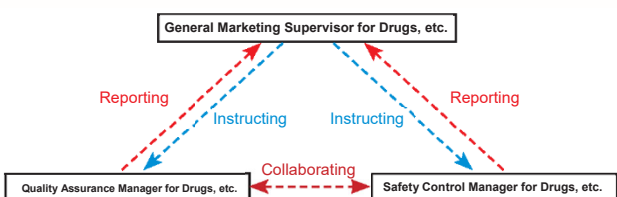
Society

Bonds with Customers

Since the development of Salonpas®, the Hisamitsu Pharmaceutical Group has continued to develop and improve our products by promptly responding to customer needs. At the same time, Hisamitsu has refined the TDDS technology, including the transdermal patch technology, to create a variety of products, such as Rx drugs, OTC drugs, and skincare products. Going forward, we will not only spread the “patch treatment culture” of our transdermal patches but will also promote the “TE-A-TE” culture worldwide and conduct research and development on a global platform to deliver products that meet the needs of our customers in a timely manner. Constantly thinking about “Delivering a Better QOL to the World” with products that embody the spirit of “TE-A-TE,” we shall provide more effective and safer products and services to the world.

Commitment to Product Reliability Assurance

Since pharmaceuticals are life-related products, strict management standards are established to ensure their reliability, including GLP*1 and GCP*2 at the research and development stage, GMP*3 at the manufacturing stage, and GPSP*4 and GVP*5 at the post-marketing stage. Our Quality Assurance & Pharmacovigilance Division conducts rigorous audits focusing on control standards at each stage of product development, ultimately ensuring product reliability through a system of reliability assurance covering the entire product lifecycle. Furthermore, in line with the globalization of the Company, we are working to strengthen our auditing system by expanding the scope of risk assessment as well as complying with the latest regulations and guidelines in each country.



- *1 GLP: Good Laboratory Practice Standards for practice of nonclinical studies for the safety of drugs.
- *2 GCP: Good Clinical Practice Standards for practice of clinical studies of drugs.
- *3 GMP: Good Manufacturing Practice Standards for production management and quality control of drugs and quasi-drugs.
- *4 GPSP: Good Post-marketing Study Practice Standards for post-marketing research and practice of study on drugs.
- *5 GVP: Good Vigilance Practice Standards for post-marketing safety management of drugs, quasi-drugs, cosmetics, medical devices and regenerative medicine.

Drug Development and Improvement Development

Hisamitsu Pharmaceutical Group is engaged in research and development of TDDS formulations (transdermal patches, gel, spray, and other topical formulations) to meet the fundamental needs of people around the world for “health, safety, and comfort” in their lives. By using TDDS formulations of drugs, we can respond to a wide range of medical needs regardless of the medical department, such as “maintaining appropriate drug blood levels for extended period,” “enabling drug administration to patients who have difficulty swallowing, such as children and the elderly,” and “allowing easy interruption of administration by removing or washing away the drug if adverse reactions develop.” In research and development, we are striving to develop highly useful TDDS formulations through exhaustive search for candidate drugs and active promotion of alliances. Furthermore, drugs are developed to meet the needs of healthcare community through the development of TDDS formulations that make full use of new fundamental technologies, such as microneedles for TDDS of a wider range of drugs, including polymeric drugs and vaccines.

Improvement

In the improvement of drugs, we have continuously worked to choose the size and shape fit for the purpose and reduce the frequency of use of drug products in order to improve quality of life of our customers, mainly based on customer opinions (needs), the latest manufacturing technologies, and our research and development outcomes. Until now, the focus has been on the perspectives of manufacturers and users, but it is important to proactively consider new perspectives as the Hisamitsu Pharmaceutical Group works to promote ESG and the SDGs. We will continue to consider the environmental impact of our products and actively work to improve them into ECO products with the purpose of reducing CO₂ emissions. In addition, the “standardization of product specifications” is being promoted as one of our measures to reduce environmental impact through a joint project among R&D, Production, and Sales divisions. Furthermore, from the perspective of open innovation, collaboration is promoted with suppliers, utilizing a broad range of technology information.

Ethical Drug Development Ethical and Scientific Clinical Studies

To ensure human rights and safety of patients participating in clinical studies, clinical trial protocols are prepared in compliance with the Pharmaceutical Affairs Law and the GCP while obtaining informed consent from the patients. Additionally, the Internal Institutional Review Board is established to assess the ethical and scientific validity of studies with outside medical experts as members. When conducting clinical studies outside Japan, we observe the ICH-GCP* and comply with the regulatory requirements and guidelines of each country.

*ICH-GCP: International GCP Guidelines on the practice of clinical trials and clinical studies agreed at the Japan, the U.S. and EU ICH (International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use).

Ethical Accommodation for Animal Welfare

Hisamitsu Pharmaceutical has formulated the Animal Testing Guiding Principle in line with the Act on Welfare and Management of Animals to ensure that respect for animal welfare is completely shared and that animal testing is performed properly with accommodation for animal welfare. For animal testing to inspect drug efficacy and safety, we have a system requiring all such testing to be reviewed by the Animal Testing Committee, and research is conducted under the 3R Principles: Replacement, Reduction, and Refinement. In addition to conducting regular self-inspection, our animal testing operations underwent third-party review and are accredited as an animal testing facility. We intend to ensure further appropriateness of animal testing and maintain and improve animal welfare.

Drugs developed with TDDS technology: Ointment

APOHIDE® Lotion 20%

The first treatment drug for primary palmar hyperhidrosis in Japan that works by applying it once daily before bedtime. The active ingredient of this product, oxybutynin hydrochloride, exerts an anticholinergic effect by binding oxybutynin to muscarinic receptors expressed in eccrine sweat glands, thereby inhibiting sweating.



Dermatology Dosage: 4.5 mL

Drugs developed with TDDS technology: Patch

MOHRUS® Tapes

A topical transdermal analgesic anti-inflammatory drug (patch formulation) with ketoprofen as the active ingredient. It is effective for pain such as low back pain, osteoarthritis, swelling and pain after trauma, muscle pain, and local joint pain in rheumatoid arthritis. It is applied once a day.



Pain Size: 140 cm² (10 cm × 14 cm)

ZICTHORU® Tapes

A systemic transdermal analgesic for persistent pain (patch formulation) with Diclofenac Sodium (NSAIDs) as the active ingredient.

It is effective for pain caused by cancers, low back pain, periarthritis of the shoulder joints, cervicobrachial syndrome, and tendonitis. It is a systemic formulation which does not need to be continuously applied on the site of pain, so patients can apply it by themselves, not only on the site of pain but also on other sites. It is expected to reduce the damage on the skin.



Pain Size: 70 cm² (7 cm × 10 cm)

HARUROPI® Tapes

A systemic transdermal dopaminergic Parkinson's disease treatment (patch formulation) with ropinirole hydrochloride as the active ingredient. It is expected to maintain stable drug blood levels and continuously stimulate dopamine receptors in the brain, resulting in excellent and long-lasting effects. It is applied once a day.



Neurology Size: 5.33 cm² (23.2 mm × 23.2 mm)

(Marketed by Kyowa Kirin Co., Ltd.)

ESTRANA® Tapes

A systemic patch formulation with the active ingredient estradiol, a female hormone. It enhances vasomotor symptoms such as hot flashes, rush, and abnormal sweating and bone density by inhibiting bone resorption caused by low female hormone levels. Furthermore, it is used to treat infertility. The product is applied to the lower abdomen or buttocks once every 2 days.



Obstetrics and Gynecology Size: 9 cm² (long diameter 37.0 mm, short diameter 31.0 mm)

HELLO! eco!

The starting point of our environmental efforts is the desire of each and every one of us to “start doing something good for the environment (eco)!” To keep this spirit alive, we have adopted the slogan “HELLO! eco!” for our environmental activities. Products that have met the ecology standards Hisamitsu Pharmaceutical has established will display the “HELLO! eco!” mark sequentially with an explanation in accordance with the Environmental Labeling Guidelines laid down by the Ministry of the Environment.



With the box at the back symbolizing a patch and the “e” of “eco” showing a smile in a simple and positive manner.



1. MOHRUS® Tapes 20mg
2. MOHRUS® Tapes L 40mg Used recycle PET 80% for the first time in primary packaging for Rx drugs (according to Hisamitsu research)
3. Nobinobi® Salonsip® Fit® Reduced the amount of packaging materials by approximately 80% by adopting a new package (Poke-Sip®)

Society

Bonds with Employees

To realize our Company Mission "Promoting 'TE-A-TE' Culture Worldwide," we believe it necessary for all employees to think about what they can do through work and what they want to achieve through work and take actions (= making the work their own affairs).

For this purpose, based on the recognition that it is important for each employee to balance work and private life and to build a rich life, we will increase job satisfaction through the creation of employee growth opportunities and a comfortable work environment, realizing a virtuous cycle of self-reliant career development by employees and resolution of social issues, and growth of the Hisamitsu Group.

Ideal Character and Expected Actions

Ideal Character	Expected Actions
<ul style="list-style-type: none"> Love to take on new challenges 	<ul style="list-style-type: none"> Think for yourself and challenge with a vision
<ul style="list-style-type: none"> Empathize with the thoughts of the Company and accomplish them 	<ul style="list-style-type: none"> Execute the Customer-first Principle Communicate the benefits of "TE-A-TE"
<ul style="list-style-type: none"> Want to play an active role globally 	<ul style="list-style-type: none"> Promote "TE-A-TE" culture to those who are not familiar with it

Policy for HR Development and Desired State

Policy for HR Development	Desired State
<ul style="list-style-type: none"> Development of human resources who are committed to the realization of management philosophy and company mission by forming a self-reliant career by making the work as their own affairs 	<ul style="list-style-type: none"> The Company provides employees with growth opportunities, and employees take initiative, thereby creating a virtuous cycle of growth together

Creating Growth Opportunities

Based on the approach that "human resources are refined by stimulating each other and working together as a team," Hisamitsu Pharmaceutical takes a long-term perspective and spares no expense in investing in the human capital (diverse human resources with specialized skills) that supports the Company's value chain and works on systematic and organizational HR development aiming at improving the capabilities of employees, who are the driving force behind the realization of our Corporate Philosophy and Company Mission.

In addition, to respond to changes in various values in recent years, we are working to create an organization where each employee is autonomous and an environment where they learn by themselves, leading to growth opportunities.

Initiatives to Nurture Independence

Self-reporting System

To achieve both our growth and the realization of career design envisioned by employees, every year, employees report their intentions such as future career plans, relocation, and things they want us to understand, and we try to place the right people in the right jobs by examining such intentions from various aspects such as individual circumstances and expectations for growth.

Internal Job Posting System

To create opportunities for employees to realize self-reliant careers by digging into their motivation and enthusiasm and lead them to solving issues we should address, we implement internal job posting on a regular basis.

Internal Venture System

In the internal venture system where employees themselves plan and try to realize a new business, regardless of age, gender, and years of experience, we respect free ideas that are not constrained by existing businesses and work to build a culture to promote new proposals and create growth opportunities for both employees and the Company.

New Employee Development

After joining the Company, we conduct training for new employees that focuses on helping them understand the Company's Corporate Philosophy, Company Mission, and Basic Policy and learn how to take proactive action. Additionally, senior employees act as "Mentor" to help new employees grow as members of society and as corporate citizens.

Development of Next-generation Managers

In the step-up training, we let attendees experience team building and raise their awareness as next-generation leaders by demonstrating leadership.

The Hisamitsu Women's Leadership (HWL) training program has been conducted as a women manager development training. Employees either recommended by their divisions or applying by themselves will acquire knowledge and skills in communication, leadership, and self-management.

These trainings lead to cross-sectional networking and behavior change in the workplace.

Development of Global Human Resources

To promote global business development, strengthen competitiveness, and secure superiority, we consider the development of human resources that can play an active role globally as an issue. Besides training opportunities to acquire and improve English proficiency, cross-cultural communication, and management skills, we provide motivated employees selected from domestic and overseas Group companies with opportunities to learn how to solve various problems to develop their abilities. We support self-study through, for example, the "Global Challenge" program, which supports all employees to take the TOEIC exam and conducts activities to uncover candidates for future global human resources.

Development of Digital Human Resources

Developing people who have necessary IT knowledge, use digital technologies to make field operations more efficient and transform business is one of the important issues in the future. Therefore, in FY2023, besides selecting and developing candidates for Digital Transformation Leaders who will lead the changes in each department, we have also started to encourage all employees to acquire IT Passport certification.

Personnel Evaluation

Individual employees' performance is evaluated from the two perspectives, their growth (management by behavior) and contribution to the Company (management by objectives), in order to motivate them for their daily work and foster their voluntary growth.

For behavior management, supervisors annually interview to confirm whether employees "consistently demonstrate behaviors that produce high results." Regarding goal management, goals are set based on interviews with supervisors at the beginning of evaluation period. A self-evaluation will be conducted at the end of the period, and employees will meet with their supervisors to discuss the degree to which they have achieved goals and future initiatives, with the aim of further improving their performance.

We ensure that the evaluation obtained through this process is reflected in the employee's treatment and eventually fed back to the employee, thereby enabling them to feel a sense of achievement in their work.

Gender Wage Gap (FY2022)

	Wage gap
Full-time employees	76.1%
Part-time/Fixed-term employees	92.6%
All employees	75.7%

Development of Comfortable Work Environment

We promote a healthy and vibrant workplace where each employee can balance work and private life while maintaining good mental and physical health. We are working to develop a work environment that enables employees to continue to demonstrate their abilities as they face various life events such as childbirth, childcare, and nursing care.

For Diverse Workforce (Promotion of D&I)

Based on our understanding that the core of a company lies in "people," in order for employees to demonstrate their abilities through business activities and achieve self-realization, we believe that respecting the individuality of employees with different career and cultural backgrounds and life stages and promoting the utilization of diverse human resources will lead to building an organization that can quickly adapt to changes in the business environment. The importance of supporting the work-life balance and utilizing diverse human resources is emphasized in management training, level-specific training, and other internal training programs to deepen understanding of Diversity.

Telework System

We introduced telework in March 2021 as one of the work style options, and employees think and practice the best mix of effective work styles by themselves to fulfill their roles.

Staggered Work Hours System

Employees are allowed to work within a range of one hour before to two hours after their starting time, depending on their work schedule.

Facilitating the Use of Annual Paid Leave

It is our aim to create a culture where employees can easily take annual paid leave through measures such as "Family/Self-Education Day" (every Wednesday) to encourage employees to leave the office on time, "Family Bonding Day" (twice a year including the month of birthday) to encourage employees to take annual paid leave, and "WAKUWAKU consecutive leave" (at least 3 consecutive business days).

Hourly Paid Leave System

Based on employee feedback, the hourly paid leave system has been introduced as part of our efforts to further enhance both work and life. Flexible use of annual paid leave will lead to an increase in the annual paid leave utilization rate, more efficient operations, support for employees with childcare or long-term care needs, and retention of excellent human resources.

Employee Data

(As of February 28 each fiscal year)

		FY2020	FY2021	FY2022
Employees	Male	1,130	1,119	1,070
	Female	453	468	451
	Total of men and women	1,583	1,587	1,521
Ratio of women in management positions <small>*As of March 31 each fiscal year</small>		6.3%	7.1%	7.9%
Employees taking parental leave		39	39	66
% of male employees taking parental leave		0%	24%	50%
% of the elderly employed		3.00%	3.18%	3.29%
Disabled employment		1.94%	1.99%	1.95%

Society

Other

Recreation Facilities

Yufukogen Villa in Yufu City, Oita Prefecture, is available as a recreation facility for our employees. Located on a hill overlooking the Kuju Mountains, the facility is equipped with lodging, hot springs, and training facilities. In addition to recreation for employees and their families, it is used for employee training.

Hisamitsu Club

As part of our welfare activities, "Hisamitsu Club" offers facilities and financial support. The Club has more than 100 sports and cultural clubs throughout Japan, where employees deepen exchanges regardless of age or division through common hobbies.

The Club also conducts annual sports event and company retreats to promote employee health and communication.

Moral Survey (Employee Satisfaction Survey)

The purpose of this annual survey is to identify the strengths and challenges of the organization. By linking employee feedback to management, training, and workplace improvements, we promote the creation of a comfortable work environment in which employees can continue to work.

Training Programs

Position	By Job Position	Business Skill	By Topic	Self-Development	By Job Type	Other	
Managerial Level	Head of Division/ HQ or higher	Human communication training	Business administration training	Correspondence courses, external seminars, e-learning, English conversation training, and support for acquisition of a qualification	Theme-based training for each Division/HQ, e.g., marketing	Life plan training	
	General Manager		General Manager training				Executive development training
	Section Manager		Section Manager training New manager training				Send out to business schools (MBA)
Mid-level	Fifth-year training	Logical thinking training Management game training	Women management development training	On-the-job training			
Junior	Third-year training					Step-up training	
Newcomers	New employee follow-up training						
	New employee training						

Life Event Programs

Program	Contents
Marriage	Work place application system accompanying marriage A system that allows employees to apply for a place of work that will enable them to live with their spouse when they get married
Childbirth and childcare	Childcare leave After maternity leave, employees can take leave until the child reaches the age of 1 year and 6 months or until the end of April after the child reaches the age of 1, whichever is longer, provided, however, that circumstances allow a maximum of 2 years of age
	Maternity leave system A system that allows employees to take leave to care for their health before entering the maternity leave
	Childcare fee support system A system that subsidizes a portion of daycare fees for children enrolled in non-registered daycare facilities until they reach the age of 3
	Shorter working hour system for childcare A system that allows employees to shorten their working hours by up to 2 h per day until the child finishes the third grade of elementary school
Long-term care	Child nursing care leave A system that allows employees to nurse a preschool child when they become ill
	Long-term care leave A system that allows employees to take leave for a total of 93 days with no limit on the number of times the leave is taken
	Shorter working hour system for long-term care A system that allows employees to shorten their working hours by up to 2 h per day for a period of 3 years from the start of use
Employment	Short-term care leave A system that allows employees who are caring for a family member in need of care to care for or accompany the family member to visit medical institutions
	Post-retirement reemployment system A system to rehire employees who have reached the mandatory retirement age up to 65 years old
Livelihood	Reemployment registration system A system that allows employees who are retiring due to childcare or long-term care to register their desire for reinstatement if they wish to do so
	Disaster Recovery Funds and Medical Treatment Loan Program If an employee's house or household goods are damaged or if a member of the employee's family, including the employee, is injured or becomes ill, a program the company loans funds for restoration or medical treatment
Asset formation	Volunteer leave Leave program for volunteer activities
	Homeownership Assistance Program A program for financial assistance to employees who are acquiring a new home
Social contribution	Employee shareholding association A system to purchase the company's shares from monthly payroll to support employees' asset building (with incentive support for the purchase funds)
	Hisamitsu-Hot-Heart Club The Club supports social contribution organizations with funds contributed by member employees and the company

Human Rights

At Hisamitsu Pharmaceutical, not only do we comply with the laws and regulations of various countries and regions, but we also respect human rights and recognize our responsibilities to conduct business operations that will contribute to society. We perform human rights due diligence on a continual basis and respect the human rights of people all over the world, thereby contributing to the development of a sustainable society and the sustainability of the entire globe.

Basic Concept on Human Rights

Hisamitsu Pharmaceutical established the Hisamitsu Pharmaceutical Human Rights Policy in March 2018 based on the United Nations Guiding Principles on Business and Human Rights. We respect human rights as proclaimed in the United Nations International Bill of Human Rights (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social and Cultural Rights), which stipulate fundamental human rights for all people, the core labor standards in the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work, which stipulates fundamental rights at work, and the World Medical Association's Declaration of Helsinki (hereinafter collectively referred to as "international human rights principles"). These human rights are to be protected and respected by all officers and employees of the Company and its business partners, as well as by all people associated with the Company's products and services. To ensure that the human rights of these people are respected, the Company shall avoid causing or encouraging negative impacts on human rights, and take action if such negative impacts are evident. It is also our aim to prevent or mitigate negative impacts on human rights that are directly linked to the Company's business, products, and services through our business transactions.

This Policy is intended to incorporate the contents of the Hisamitsu Corporate Charter, which defines the Company's basic approach to respect for human rights, into our business activities in a more concrete manner. To ensure that the Policy is understood and effectively carried out, the Company will continue to provide appropriate education and training to all officers and employees.

Halal Certified

Hisamitsu Pharmaceutical operates businesses in Indonesia, Malaysia, and other countries and regions where many Muslims live. To ensure that Muslims can use our products with peace of mind, we have established a Halal team within the Company and are promoting the creation of products that consider religion and the lifestyle of each country and region.

*Halal: What is legal under Islamic law

Launched on January 14, 2022, Indonesia



Compliance with UK Modern Slavery Act

Statement on the UK Modern Slavery Act is available on our website. Hisamitsu Pharmaceutical is committed to respecting internationally recognized human rights, including the prevention of slavery and human trafficking in our business and supply chain.

Statement on the UK Modern Slavery Act

https://global.hisamitsu/sustainability/pdf/Statement_E.pdf

Sustainability Procurement

From FY2021, we conduct the Self-Assessment Questionnaire (SAQ) every year with our primary and secondary suppliers of our products manufactured at factories in Japan to confirm the current status and assess risks with regard to human rights and labor, safety and health, environment, and compliance. In FY2022, we also started SAQ for primary and secondary suppliers of products manufactured at the factory in Hisamitsu Indonesia. In the future, we plan to assess the human rights risks of suppliers at other overseas subsidiaries as well.

Hisamitsu Pharmaceutical's Human Rights Policy

https://global.hisamitsu/company/pdf/Human_rights_Policy_E.pdf

Executing our obligations for human rights

Conduct of human rights due diligence	In order to fulfill our obligations to respect human rights, Hisamitsu Pharmaceutical will conduct ongoing human rights due diligence targeting negative human rights impacts related to our business activities.
Dialog and consultation with stakeholders	Hisamitsu Pharmaceutical will engage in meaningful dialog and consultation with its stakeholders, drawing on the knowledge of outside experts and others in the field of human rights.
Structure and responsible persons	Hisamitsu Pharmaceutical will establish a system necessary to execute this Policy and clarify who is responsible and take appropriate measures considering the results of the assessment of negative impacts on human rights.
Correction	Hisamitsu shall, if it becomes clear that we have caused or encouraged negative impacts on human rights, work to correct such impacts through appropriate means.
Information Disclosure	Hisamitsu Pharmaceutical shall monitor the conduct of corrective actions and disclose the status of promotion of these efforts, etc. on a regular basis.
Applicable laws and ordinances	Hisamitsu Pharmaceutical complies with applicable laws and ordinances in each country and region where it operates, provided, however, that if there is any conflict between the laws and regulations of each country/region and the principles of international human rights, we shall pursue methods that fully respect the principles of international human rights.

Society

EHS Management

EHS Policy

To achieve the EHS Policy, the Kyushu Head Office and Utsunomiya Factory has set the purpose and goals of EHS, and employees in all divisions shall work together to promote EHS management. Additionally, the purpose and goals of EHS will be reviewed regularly and revised as necessary to ensure continuous improvement.

Kyushu Head Office and Utsunomiya Factory Environmental, Health, and Safety (EHS) Policy

[Environmental Policy]

1. Reduce resource use, energy use, and waste generation actively and aggressively;
2. Purchase raw materials, equipment, and facilities in full consideration of their impact on the environment;
3. Strive to achieve environmental friendliness when developing and improving products;
4. Comply with all environment-related laws, regulations, agreements, etc., and strive to prevent environmental pollution;
5. Actively participate in local communities' environmental conservation efforts, and contribute to conserving the global environment; and
6. Provide training to raise employees' understanding and awareness that ensures outcomes of environmental conservation initiatives

[Safety and Health Policy]

1. Prioritize creation of environment where employees can work safely and securely, and aim for rewarding workplaces where employees are highly motivated;
2. Actively proceed with safety and health risk reduction efforts in all business operations, including R&D, Production, and Sales, and strive to prevent occupational and other types of accidents, prevent employee illness, and maintain and improve their good health;
3. Consider safety and health when developing and improving products and technologies;
4. Comply with laws, regulations, agreements, etc. related to occupational safety and health, and strive to improve the occupational safety and health management level;
5. Promote internal communication with employee participation, as well as external communication such as information disclosure;
6. Conduct emergency drills on a regular basis to prepare for natural disasters and other forms of emergencies;
7. Contribute to the improvement of health and safety in the community;
8. Continue to provide training to improve the knowledge and understanding of our employees to ensure the results of our safety and health activities.

EHS Management Structure

Hisamitsu Pharmaceutical has established the EHS Management Committee and the Safety and Health Committee to manage environmental matters/occupational safety and health and set up the Supervisor position to oversee and manage these committees. The committee meets regularly to set mid-term targets, report on performance, identify risks and opportunities, and discuss management system operations, among other issues, in order to ensure the efficient operation of the EHS.

Occupational Safety and Health Commitments

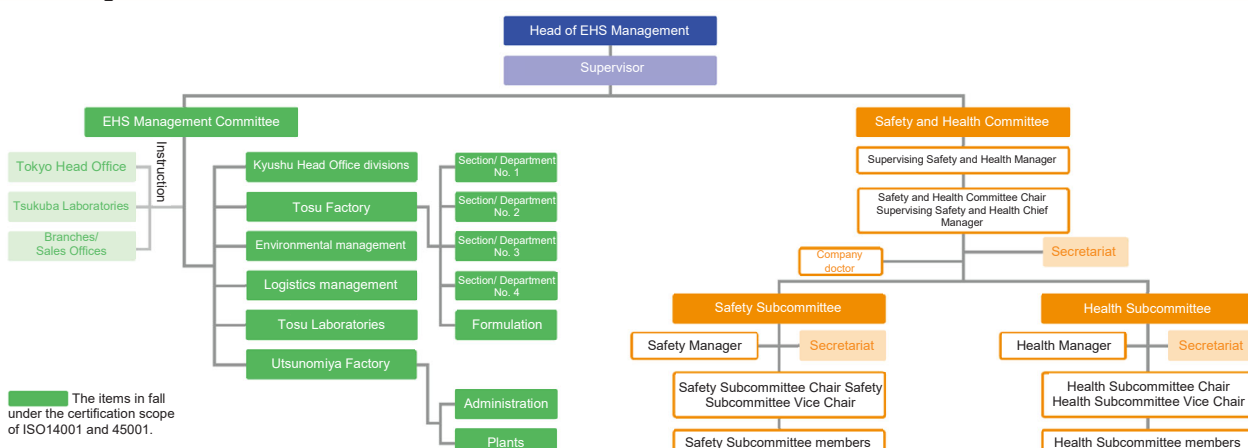
- To prevent occupational accidents, risk management is promoted through identification of hazardous sources and risk assessment in the workplace. In addition, education is continuously provided to employees to enhance awareness and understanding.
- Similar to the environment, single-year and mid-term goals have been set to improve the work environment through workplace patrols and to encourage employees to take paid leave, to create a healthy and comfortable working environment for our employees.

EHS Commitments

Environmental Commitments

In response to societal environmental challenges such as climate change mitigation and the promotion of a circular economy, the Company has set single-year and mid-term goals for resource conservation, energy conservation, and waste reduction to conserving environment.

EHS Management Structure



The items in fall under the certification scope of ISO14001 and 45001.

EHS Targets and FY2022 Results

EHS Policy	FY2022 Annual Target	FY2022 Major Results	FY2023 Annual Target
Reduce resource use	(1) Proceed with at least one theme that will lead to reduction in resource use. (with at least 80% of the theme[s] achieving the targets) (2) Promote efficient use of water resources.	(1) Activities were carried out in accordance with 21 themes that lead to resource conservation, such as reduction of product loss. (2) Changed how to operate heat sources and achieved a reduction of approximately 38% from before (FY2016).	(1) Proceed with at least one theme that will lead to reduction in resource use. (with at least 80% of the theme[s] achieving the targets) (2) Promote efficient use of water resources.
Reduce energy use	(1) Reduce specific energy consumption at the Kyushu Head Office and the Utsunomiya Factory by at least 1% from the FY2021 results. (2) Reduce CO ₂ emissions by 28% from the FY2013 result. (3) Promote enhancement of energy efficiency.	(1) Reduced specific energy consumption at the Kyushu Head Office and the Utsunomiya Factory by 3.2% from the FY2021 results. (2) Reduced 33.4% from the FY2013 result. (3) Completed steam-less construction work for the air conditioning system in Building A-5. The use of heavy oil A can be reduced.	(1) Reduce specific energy consumption at the Kyushu Head Office and the Utsunomiya Factory by at least 1% from the FY2022 results. (2) Reduce CO ₂ emissions by 515.4[-CO ₂] from the FY2013 result. (3) Promote enhancement of energy efficiency.
Reduce waste generation	Carry out activities in accordance with this fiscal year's loss reduction theme of KAIZEN activities.	Activities were carried out in accordance with 16 themes that lead to waste reduction, including loss reduction in plants.	Carry out activities in accordance with this fiscal year's loss reduction theme of KAIZEN activities.
Green procurement	(1) Use raw materials, building materials and equipment with less environmental impact. (2) Use transportation services with less CO ₂ emissions. (3) Select environmentally friendly raw material suppliers.	(1) Achieved at least 90% of the green procurement rate for office supplies. (2) Increased the modal shift rate by 12% at Tosu Factory from the previous fiscal year. (3) Inspected whether our manufacturing contractors operated in consideration of the environment, safety, and health and thereby confirmed their circumstances.	(1) Use raw materials, building materials and equipment with less environmental impact. (2) Use transportation services with less CO ₂ emissions. (3) Select environmentally friendly raw material suppliers.
Compliance with laws and regulations related to the environment/occupational safety and health and prevention of environmental pollution	Comply with laws and regulations related to the environment/occupational safety and health, and maintain zero violation of voluntary criteria in environmental assessment data.	There were no violations of voluntary criteria in environmental assessment data.	Comply with laws and regulations related to the environment/occupational safety and health, and maintain zero violation of voluntary criteria in environmental assessment data.
Development of environmentally friendly products	(1) Assess environmental impact in the process of product R&D (reduction of resource use, sorting waste, use of no hazardous materials, etc.), and promote development of environmentally friendly products. (2) Promote environmentally friendly product specifications (HELLO! eco!).	(1) Conducted six assessments during the R&D process of products that led to reduce environmental impact. (2) Designed and commercialized eco-friendly & compact specifications and reduced the amount of raw materials used.	(1) Assess environmental impact in the process of product R&D (reduction of resource use, sorting waste, use of no hazardous materials, etc.), and promote development of environmentally friendly products. (2) Promote environmentally friendly product specifications (HELLO! eco!).
Conserve environment in local communities	(1) Carry out environmental conservation activities in local communities. (2) Continue to conserve biodiversity. (3) Donate to environmental organizations through the Hisamitsu-Hot-Heart Club (for at least five cases).	(1) Organized clean-up campaigns in the areas around our business sites and participated in clean-up campaigns by local governments. (2) Participated in activities to conserve biodiversity twice. (3) Donated to eight environmental organizations through the Hisamitsu-Hot-Heart Club.	(1) Carry out environmental conservation activities in local communities. (2) Continue to conserve biodiversity. (3) Donate to environmental organizations through the Hisamitsu-Hot-Heart Club (for at least five cases).
Continuously improve environment safety and health management systems	(1) Continue to improve the EHS management system and increase its efficiency. (2) Conduct EHS periodic review to improve the operations.	(1) Implemented the cycle of Goal planning -> Implementation -> Management review -> Corrective actions, and promoted continual improvement and efficiency improvement. (2) Conducted EHS audit twice a year (in May and September).	(1) Continue to improve the EHS management system and increase its efficiency. (2) Conduct EHS periodic review to improve the operations.
Prevent occupational accidents	(1) Conduct regular patrols and interviews with workers based on unified safety rules, and promote activities to reduce occupational accidents. (2) Continue to identify risk factors and conduct risk assessments, thereby reducing risks (Zero Level IV accidents under the risk assessment).	(1) Conducted risk assessment once a year and identified new risk factors. Safety and Health Committee and Safety Subcommittee carried out safety patrols. Promoted risk mitigation activities. (2) Conducted weekly workplace patrols in rotation to reduce occupational accidents.	(1) Conduct regular patrols and interviews with workers based on unified safety rules, and promote activities to reduce occupational accidents. (2) Continue to identify risk factors and conduct risk assessments, thereby reducing risks (IV to Zero Level of accidents under the risk assessment).
Ensure employees' good health and establish a safe workplace environment	(1) Improve workplace and work environment. (2) Reduce overtime work and promote the use of paid holidays.	(1) Broadcasted "No Overtime Day" every Wednesday. (2) Ensured holidays in three consecutive days and encouraged those who had not taken them.	(1) Improve workplace and work environment. (2) Reduce overtime work and promote the use of paid holidays.
Promote education and training on environment and health and safety	(1) Conduct training on safety and health management in a systematic manner. (2) Conduct environmental education in a systematic manner.	(1) Conducted training on 10 themes related to safety and health management. Disaster drills were conducted twice a year for evacuation and emergency response in the event of a disaster, and emergency response drills on operations were also conducted at each workplace.	(1) Conduct training on safety and health management in a systematic manner. (2) Conduct environmental education in a systematic manner.

Auditing

Audits focus on confirmation that the EHS management system is properly prepared and operates in conformity with the ISO requirements, related laws and regulations are observed, and the management system performs effectively for operations.

External audit

To ensure proper operation of the management system in conformity with ISO14001 and 45001, we receive a review by an external certifying organization annually.

Internal audit

Self-inspections are conducted to see if our performance is in accordance with the internal regulations set based on ISO14001 and 45001 to confirm the system's conformity and compliance with the regulations (twice a year).

Society

Bonds with Society

Hisamitsu Pharmaceutical believes that it is essential not only to perform our business operations but also to address various social issues. By supporting and cooperating with community-based NPOs and civic organizations in terms of human and tangible resources, we hope to contribute to solving social issues. Additionally, promotion and education about medicine and pharmacy are made through the support of the Foundation.

Support for Sports Events

Hisamitsu Pharmaceutical supports the development of sound society and people's fitness by co-sponsoring various sporting events. In FY2022, we co-sponsored various sports events, including 2022 Women's World Championship (Volleyball), civil marathons, and sport climbing.

TEAM JAPAN Official Partner

Hisamitsu Pharmaceutical was selected as TEAM JAPAN Official Partner (topical anti-inflammatory analgesic, muscle fatigue care products, medical sleeves) in March 2023. Through the products of the categories covered by the contract, we will provide support from the outside of the body with the power of "TE-A-TE" so that not only athletes and many people who enjoy sports but also everyone can demonstrate their "best" in their daily lives.

Initiatives for Safe Driving

At Hisamitsu Pharmaceutical, as an initiative to raise awareness of safe driving and prevent traffic accidents, we have installed telematics dashboard cameras in company vehicles. Furthermore, we are focusing on education to prevent being involved in accidents and causing them, such as conducting driving training in cooperation with driving schools.

Free Medical Examination in Vietnam

In Hisamitsu Vietnam, we conducted free medical examination as one of our initiatives on the Day of Salonpas®. "Salonpas Car" equipped with health check medical devices visited nine locations in Vietnam, and a total of 3,540 people had a medical examination.



Hisamitsu-Hot-Heart Club

In 2007, as part of a project commemorating the 160th anniversary of our founding, we established the matching gift organization Hisamitsu-Hot-Heart Club. The Club operates funds based on contributions from our employees who agree to the purpose of the Club and supports NPOs and civic organizations both in Japan and abroad with matching contributions from the Company. In FY2022, we made donations to 39 organizations nationwide which are engaged in various activities such as conservation of the natural environment, childcare support, and international cooperation. We have donated to a total of 563 organizations since the establishment.



FY2022 Donation Recipients (example)

Recipient	Main Activity
NPO Edogawa EcoCenter	Protection of natural environment
Help Nepal Association Japan	International cooperation
NPO Ishikawa Food Bank Net	Food bank and food drive projects
NPO Notetaking for the Hearing Impaired Shimonoseki	Support for the hearing impaired
NPO Kawagoe Kosodate Network	Child care support
NPO Associated for Aids and Relief (AAR JAPAN)	Refugee support, international cooperation
NPO BOND & JUSTICE	Reconstruction assistance for disaster areas

Disaster Relief Activities

On January 31, 2020, Hisamitsu Pharmaceutical and the Japanese Red Cross Society executed the Agreement on Support and Cooperation in Disaster. By executing this agreement, we are able to provide supplies and monetary donations in the event of a disaster more quickly. In response to the earthquake that occurred in the southern Turkey in February 2023, the Company donated 5 million yen (4 million yen from Hisamitsu Pharmaceutical and 1 million yen from the "Hisamitsu-Hot-Heart Club") together with the donations collected within the Company to the Japanese Red Cross Society to support victims.

Support Efforts	Overview
On-the-street international charity drive	Since 1996, we have been a supporter of the on-the-street international charity drive organized every December by the Japanese Red Cross Society. From December 1 to December 25, 2022, a total of 286 in-house volunteers participated in the charity drive from 16 locations throughout Japan and donated the money collected to the Japanese Red Cross Society.
Blood donation	Twice a year, the Kyushu Head Office and Utsunomiya Factory invite a blood donation bus from a blood center to conduct blood drives. Many employees participate actively every year.
Disaster relief activities in Japan and overseas	In FY2022, the Company donated 1 million yen from the "Hisamitsu-Hot-Heart Club" to support victims of the August 3, 2022 torrential rain disaster.

Support by Foundations

The Nakatomi Foundation

The Foundation was established with private funds of the late former Chairman Masayoshi Nakatomi of Hisamitsu Pharmaceutical and funds from Hisamitsu Pharmaceutical Co., Inc. commemorating the 140th anniversary of the company. By providing financial support for scientific research aiming to improve citizens' good health, the foundation aims to help citizens maintain and improve their good health and contribute to achieving a vibrant, affluent economy and society. In FY2022, 88 researchers were supported with financial support of 119.5 million yen.

Nakatomi Memorial Foundation

Since 2010, this foundation has been operating the Nakatomi Memorial Museum of Pharmaceutical Science and Industry (Tosu City, Saga Prefecture), established in 1995 to commemorate the 145th anniversary of Hisamitsu Pharmaceutical. The museum is popular as a facility to hand down to the next generation the industrial culture of drugs underpinning the evolution of pharmaceutical industry of Saga Prefecture, as well as a place to know more about pharmaceuticals and learn about their history and culture.

Nakatomi Sports Promotion Foundation

This foundation provides financial support for various efforts by sports organizations, sports tournaments, and the development of athletes and coaches. The foundation aims to contribute to the sound growth of athletes' mental and physical health and rich personalities by promoting sports and also improving athletic performance. The foundation was established in July 2019 as a general incorporated association and then certified in March 2020 as a public interest incorporated association. In FY2022, the foundation provided financial support of 10,398,000 yen to 17 organizations for 17 projects.

Humanitarian Support to Ukraine

In response to the Russia's invasion into Ukraine, the Company provided humanitarian support to Ukraine in April 2022. We made a donation of 10 million yen through the Japanese Red Cross Society to support people who were victimized in Ukraine and people who were forced to evacuate to the surrounding areas. We also donated drugs based on the list of drugs requested by the Ukraine government. We are deeply concerned about the situation in Ukraine and hope that peace and safety of Ukraine and surrounding regions will recover as soon as possible.

Fixpace®, a product that solves problems in space/ground life, boarded the International Space Station

In the "Space Life Story Book" published by JAXA, "reduction of loss/scattering of objects" in zero gravity space is one of the challenges of living in space. To solve this problem, the Company developed "Fixpace®," which can easily fix a ballpoint pen and utensils such as knives and forks by simply affixing them onto a wall or table using the adhesive technology developed over time by the Company. "Fixpace®" was installed in the Crew Dragon Spaceship (Crew-5) boarded by astronaut Koichi Wakata launched into space on October 6, 2022.



Running of the Establishment, "Medical Research Laboratory," at KidZania Fukuoka

Hisamitsu Pharmaceutical opened the "Medical Research Laboratory" Establishment, where the Company is the official sponsor, on September 21, 2022 in "KidZania Fukuoka" planned and operated by KCJ GROUP INC. (hereinafter referred to as KCJ GROUP). Through experiences at the "Medical Research Laboratory" Establishment, the Company and KCJ GROUP hope that children will learn the joy of "manufacturing" that launches products developed through research and that these experiences will help them learn to nurture their ability to live in real society.



Corporate Governance

Hisamitsu Pharmaceutical considers the enhancement of corporate governance to be a material issue as a mechanism for transparent, fair, prompt, and bold decision-making, considering the perspectives of shareholders, customers, employees, and local communities. Positioning the establishment of an agile organizational structure capable of adapting to changes in the management environment as an important measure, the Company carries out the structural reform.

Based on this belief, we have optimized the number of Directors for the purpose of strengthening the functions of the Board of Directors and expediting decision-making, and introduced the executive officer system for the purpose of clarifying roles and responsibilities in the execution of business operations.

We shall continue to enhance the relationship of trust with our stakeholders as a good corporate citizen by improving transparency, observing compliance, and upholding corporate ethics in our activities.

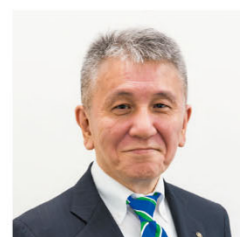
Board Members (as of October 1, 2023)

Directors



President and CEO

Kazuhide Nakatomi



Senior Managing Director, Executive Officer
Management of Human Resources and R&D and Management of Corporate Development

Kosuke Sugiyama



Managing Director, Executive Officer
Global Business Strategy

Kyu Saito



Director, Executive Officer
Head of Legal Department,
And Management of Production, And Management of Quality Assurance & Pharmacovigilance, And Management of Compliance

Nobuo Tsutsumi



Director, Executive Officer
Management of Internal Audit Division,
And Management of Domestic Subsidiary Division

Shinichi Murayama



Director, Executive Officer
Executive Secretary President's Office, And Management of Digital Transformation, And Management of Sustainability Promotion

Koji Takiyama

Outside Director



Outside Director
(part-time)

Yuichiro Anzai



Outside Director
(part-time)

Tetsugo Matsuo



Outside Director
(part-time)

Tamako Watanabe

Corporate Auditor



Corporate Auditor

Nobuyuki Nakatomi



Corporate Auditor

Munehiko Hirano



Outside Corporate Auditor (part-time)

Keinosuke Ono



Outside Corporate Auditor (part-time)

Kentaro Watanabe

Name	Date of birth	Brief history				
Kazuhide Nakatomi	Born on June 30, 1972	April 1999 February 2007 May 2007 May 2009 May 2011 May 2014 May 2015	Joined Hisamitsu Head of Corporate Planning Division Appointed Director, Executive Officer Appointed Managing Director, Executive Officer Appointed Senior Managing Director, Executive Officer Appointed Vice President, Executive Officer Appointed President and CEO (current position)			
		Born on April 28, 1952	April 1977 May 1999 February 2010 July 2012 May 2014 May 2022	Joined Hisamitsu Appointed Director Appointed Director, Executive Officer Appointed Managing Director, Executive Officer Appointed Senior Managing Director, Executive Officer Senior Managing Director, Executive Officer, Management of Human Resources and R&D and Management of Corporate Development (current position)		
			Born on June 10, 1963	April 1987 April 2009 May 2013 May 2023	Joined Hisamitsu Appointed Executive Officer Appointed Director, Executive Officer Appointed Managing Director, Executive Officer, Global Business Strategy, And Chairman of the Board of Directors of Hisamitsu America Inc. And President and CEO of Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd., And President and CEO of Hisamitsu Pharmaceutical (China) Co., Ltd. And President and CEO of Hisamitsu U.S., Inc., And Director of P.T. Hisamitsu Pharma Indonesia (current position)	
				Born on March 11, 1964	Apr 1988 March 2010 May 2014 May 2023	Joined Hisamitsu Appointed Executive Officer Appointed Director, Executive Officer Director, Executive Officer, Head of Legal Department, And Management of Production, And Management of Quality Assurance & Pharmacovigilance, And Management of Compliance And Director of Yutoku Pharmaceutical Ind. Co., Ltd. (part-time) (current position)
					Born on October 16, 1967	March 1991 March 2012 May 2014 May 2023
Born on October 31, 1971	April 1994 May 2017 May 2022					Joined Hisamitsu Appointed Executive Officer Appointed Director, Executive Officer, Chief of the President Office, And Management of Digital Transformation, And Management of Sustainability Promotion (current position)
	Born on August 29, 1946	Apr 1988 Oct 1993 May 2001 May 2009 Apr 2010 June 2011 Oct 2011 Apr 2012 Feb 2018 Apr 2018 Apr 2018 May 2020 July 2020 Dec 2020				Professor, Faculty of Science and Technology, Keio University and Graduate School of Science and Technology Chair, Faculty of Science and Technology, Keio University and Graduate School of Science and Technology President of Keio Gijuku (Chancellor and President of Keio Gijuku Educational Corporation) Academic Adviser to Keio Gijuku (current position) Director of Nakatomi Foundation (current position) President of Japanese Association of University Physical Education and Sports President of Japan Society for the Promotion of Science Professor Emeritus, Keio University (current position) President of Kojunsha (current position) Advisor to Japan Society for the Promotion of Science (current position) Director of Academic Information Analysis Center, Japan Society for the Promotion of Science Appointed Outside Director (current position) Managing Director of The Tokyo Foundation for Policy Research Managing Director and Head of The Tokyo Foundation for Policy Research (current position)
		Born on January 1, 1972	April 2001 June 2005 June 2006 June 2012 June 2013 May 2016 May 2020 June 2023			Joined Matsuo Construction Co., Ltd. Managing Director of Matsuo Construction Co., Ltd. President of Matsuo Construction Co., Ltd. (current position) Outside Director of FM Saga Co., Ltd. (current position) Outside Director of Saga Ube Concrete Industry (current position) President of Saga General Constructors Association (current position) Appointed Outside Director (current position) Outside Director of New Otani Kyushu Co., Ltd. (current position)
			Born on January 26, 1982	April 2004 May 2006 April 2008 August 2010 July 2011		Joined KPMG AZSA LLC Registered as certified public accountant Joined ASG Tax Accountant Corporation Registered as tax accountant Joined Odaki Accounting, Tax & Consulting Director of Tateyama Office Registered as social insurance labor consultant
				Born on September 7, 1940	September 2011 July 2019 May 2023	Opened Itsuki Accounting Firm, Representative (current position) Appointed Outside Director (current position) Joined Cable Television Kurume (former company name of CRCC Media Co., Ltd.)
Born on September 20, 1947					September 1988 April 1990 May 1999 May 2008	President and CEO of CRCC Media Co., Ltd. Appointed Director Appointed Corporate Auditor (current position)
	Born on October 30, 1940				April 1974 April 1997 February 2005 May 2006 April 1984 June 1997 October 1997 May 2001 March 2005 April 2005 April 2007 June 2007 Apr 2010 June 2011 April 2014 April 2015	Joined Hisamitsu Director of Formulation Research Center, R&D Division Full-time Manager of Formulation Technology, R&D Division Appointed Corporate Auditor (current position) Professor, Keio Business School Dean, Keio Business School Principal, Keio Business School Appointed Outside Corporate Auditor (current position) Professor Emeritus, Keio University (current position) Chair, College of Business Administration and Information Science, Chubu University Dean, Chubu University Outside Director of YKK Corporation (current position) Vice President, Chubu University Executive Director, Chubu University Specially Appointed Professor, Chubu University Professor Emeritus, Chubu University (current position)
		Born on July 26, 1969			April 1993 September 2007 December 2008 April 2016 July 2020 May 2023	Joined Hitachi, Ltd. Passed the bar exam Joined Sato Sogo Law Office, registered as attorney Joined Hokuetsu Corporation, Head of Legal and Compliance Office Opened Kentaro Watanabe Law Firm, Representative (current position) Appointed Outside Corporate Auditor (current position)

Corporate Governance

Message from Outside Director



Working to Ensure Appropriate Governance

Outside Director
Tetsugo Matsuo

Born on January 1, 1972	
April 2001	Joined Matsuo Construction Co., Ltd.
June 2005	Managing Director of Matsuo Construction Co., Ltd.
June 2006	President of Matsuo Construction Co., Ltd. (current position)
June 2012	Outside Director of FM Saga Co., Ltd. (current position)
June 2013	Outside Director of Saga Ube Concrete Industry (current position)
May 2016	President of Saga General Constructors Association (current position)
May 2020	Appointed Outside Director (current position)
June 2023	Outside Director of New Otani Kyushu Co., Ltd. (current position)

I took office in May 2020 and have been involved in the management of Hisamitsu Pharmaceutical as an outside director and independent director for about three years. As the President of Matsuo Construction, I hope to make use of the knowledge I have gained from running the company for approximately 18 years as much as possible. Although the scale is different from that of Hisamitsu Pharmaceutical, we also have the same perspective as a company having the head office in Saga Prefecture. Even for global companies, it is important to notice things they cannot see from big cities like Tokyo, such as the relationship with communities at each base. Recently, there has been a lot of discussions on human capital, and the need to take care of people in terms of local employment is increasing. It goes without saying that teamwork is important in construction, but I feel the history of caring for people at Hisamitsu. That part is the same even if we are in different industries. So, I participate in discussions based on my knowledge at the board meetings. Some people say I'm young, but this is because of the difference in social background I have grown up and the difference in the times I have experienced. So, I do not care much about my age at the board meetings.

Whenever I get to know the experiences of other Directors in an open-minded debate at the board meetings, I learn a lot and feel I want to work harder. I think that responsibility for global issues such as climate change is also important. Also in Japan, disasters due to extreme weather occur every year, and we cannot help but feel the necessity of measures such as mitigation and adaptation. Saga Prefecture has also been affected by natural disasters, and I think it is necessary for all companies to take various measures in consideration of the damages at home as well as the necessity of global measures. The Management Philosophy of Hisamitsu Pharmaceutical, "Delivering a Better QOL to the World," is to put the perspective of our customers first, in the same way as the "contribution to customers who are always there" made by Matsuo Construction. I will do my best to contribute to the implementation of appropriate governance with this viewpoint in mind.

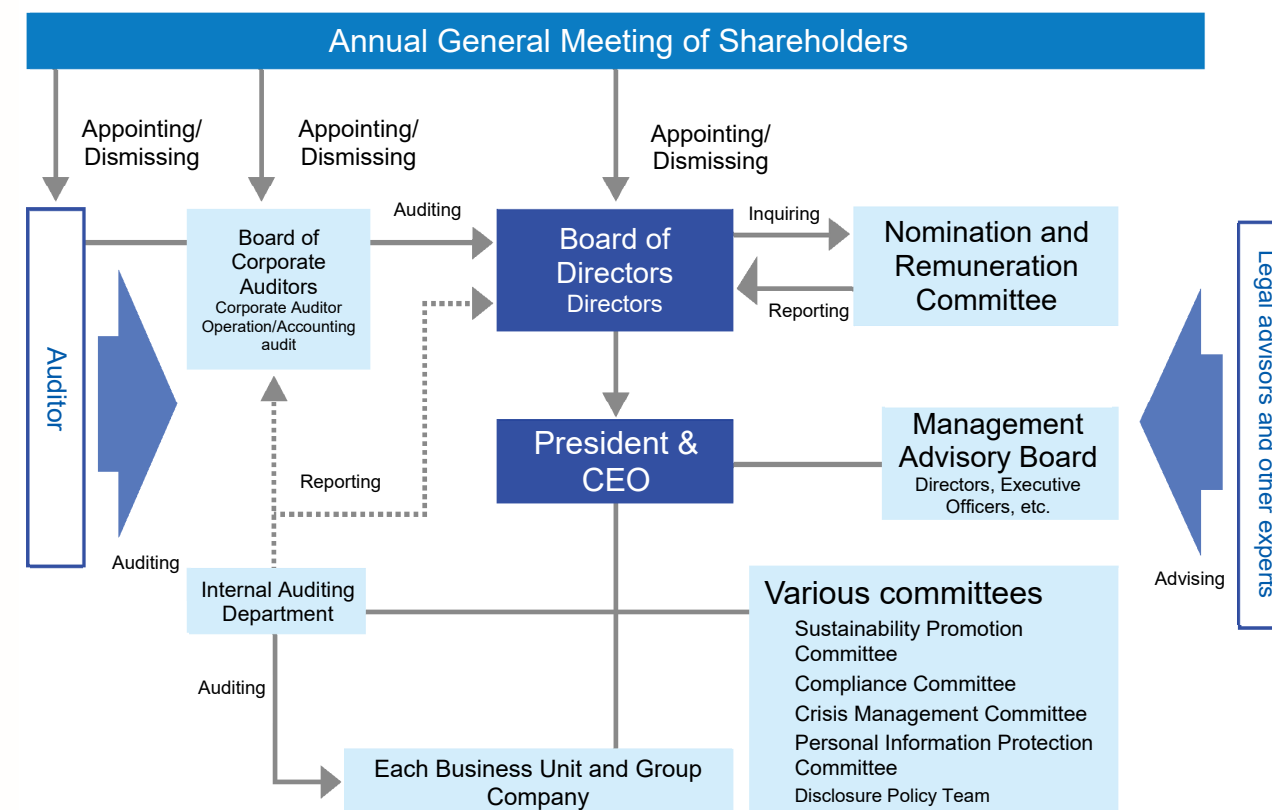
Governance Structure

Corporate Governance Structure

At Hisamitsu Pharmaceutical, we are striving to further improve our corporate governance structure as a mechanism for making transparent, fair, prompt, and decisive decisions. As a company with Board of Corporate Auditors, we have nine Directors (including three Outside Directors) and four Corporate Auditors (including two Outside Corporate Auditors), constituting the Board of Directors and the Board of Corporate Auditors, respectively. The Board of Directors is composed in consideration of diversity and each member's ability, experience, and insight. Each term is set as one year for the purpose of further clarifying directorial management responsibility and creating a management structure that enables appropriate responses to changes in the business environment. Management decisions are made based on discussions by the Management Advisory Board, comprising the main Directors, Executive Officers, etc. as needed, whereas particularly important agendas are deliberated and decided by the Board of Directors.

Additionally, the Executive Officer system is introduced in order to enhance the speed, transparency, and strategic quality of management decisions. Moreover, the Nomination and Remuneration Committee has been established as an advisory body for the Board of Directors. With Outside Directors accounting for half of the membership, the committee has been designed to make management even more transparent and objective. To perform even fairer audits, our Corporate Auditors attend board meetings, hold meetings of the Board of Corporate Auditors on a regular basis, and conduct audits in cooperation with the Internal Auditing Department and an accounting auditor, thereby striving to reinforce the entire corporate group's audit structure.

Corporate Governance Structure System



Management Advisory Board

Management decisions are made based on discussions by the Management Advisory Board, comprising the main Directors, Executive Officers, etc. as needed, whereas particularly important agendas are deliberated and decided by the Board of Directors.

Corporate Governance

Skill matrix

	Name	Corporate management	Sales/ Marketing	Global Business	Manufacture/ R&D	IT, DX	HR/ HR development	Sustainability Management/ ESG	Law/ Compliance/ Risk Management	Finance/ Accounting
Directors	Kazuhide Nakatomi	•	•	•	•					
	Kosuke Sugiyama	•		•	•		•			
	Kyu Saito	•	•	•						
	Nobuo Tsutsumi				•			•	•	
	Shinichi Murayama	•		•					•	
	Koji Takiyama	•				•		•	•	
	Yuichiro Anzai	•			•	•	•			
	Tetsugo Matsuo	•	•							
Corporate Auditor	Tamako Watanabe	•					•			•
	Nobuyuki Nakatomi	•								
	Munehiko Hirano				•					
	Keinosuke Ono	•			•		•			
	Kentaro Watanabe	•						•		

Decision Policy on Remuneration, etc. of Individual Directors

Hisamitsu Pharmaceutical's Board of Directors established the following policy for determining the content of remuneration, etc. of individual directors at its meeting held on February 18, 2021.

The Company's Basic Policy for the remuneration of Directors shall be that the remuneration system is linked to shareholder returns in order to function as a sufficient incentive to continuously increase corporate value, and when determining the remuneration of individual Directors, the level of remuneration is appropriate considering the responsibilities of each position. Specifically, the remuneration for the Executive Director consists of a basic remuneration as a fixed remuneration, a performance-linked remuneration, and stock remuneration; the Outside Director, who is responsible for the supervisory function, is paid only the basic remuneration in consideration of their duties.

The Nomination and Remuneration Committee shall consider the proportion of remuneration for each type of executive Director based on the remuneration levels of companies of similar business and employee sizes to the Company and enterprises in relevant industries. The standard ratio for each type of remuneration, etc. shall be 50%:30%:20% for Basic Remuneration: Performance-linked Remuneration, etc.: Non-monetary remuneration, etc. (when 100% is achieved for the performance indicators).

FY2022 Total amount of remuneration, etc. for Directors and Corporate Auditors

Category	Total Remunerations, etc. (Unit: 1 million yen)	Total Remuneration, etc. by Type (Unit: 1 million yen)			No. of Officers Applicable (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (Outside Directors)	209 (27)	120 (27)	50 (-)	38 (-)	11 (4)
Corporate Auditor (Outside Corporate Auditors)	58 (15)	58 (15)	- (-)	- (-)	4 (2)
Total (Outside Officers)	267 (42)	178 (42)	50 (-)	38 (-)	15 (6)

- Note 1. As of the end of the current fiscal year, there were nine (9) Directors and four (4) Corporate Auditors.
2. Performance-linked remuneration, etc. is cash remuneration reflecting performance indicators to raise awareness of the need to improve performance for each fiscal year, and is paid as a bonus at a certain time each year in an amount calculated based on the degree of annual achievement, etc. of performance targets. Target performance indicators and their values are set at the time of formulating the plan to be consistent with the Medium-term Management Plan, and shall be reviewed as appropriate in consideration of the Nomination and Remuneration Committee's report in response to changes in the business environment.
3. Non-monetary remuneration, etc. is allocated in the form of stock acquisition rights as stock option for the purpose of sharing the benefits and risks of stock price fluctuations with shareholders and further motivating them to contribute to the increase in stock price and corporate value. The details of the stock options and the status of issuance thereof are as described in the "Matters Concerning Stock Acquisition Rights, etc. of the Company," the item provided electronically.

Effectiveness Assessment of the Board of Directors

Hisamitsu Pharmaceutical regularly verifies whether the Board of Directors as a whole is functioning properly, and based on the assessment results, it is aimed that the entire Board of Directors functions better through an ongoing process of taking appropriate action to correct problems and build on its strengths.

Purpose and Method of Effectiveness Assessment	Items to be Considered	Assessment Results
For the purpose of conducting a substantive assessment of the Board of Directors' structure and operations in order to enhance effectiveness of the Board, the Board Secretariat conducts a questionnaire, the results of which are reported and discussed at the Board meetings.	<ul style="list-style-type: none"> Structure and operation of the Board of Directors Management and Business Strategy Corporate Ethics and Risk Management Performance monitoring and Remunerations of the management team Dialog with shareholders and other stakeholders Appropriate collaboration with stakeholders 	As a result of discussions held by the Board of Directors regarding the questionnaire survey results, we believe that the effectiveness of the Board of Directors is sufficiently ensured. We will continue to enhance discussions on ESG initiatives, risk management, and other issues to ensure and improve functions and effectiveness of the Company's Board of Directors.

Promotion of Compliance

Corporate Charter

Hisamitsu Pharmaceutical sells Salopas and other drugs to the world and promotes "TE-A-TE" culture to customers worldwide. In order to ensure compliance with national and international laws and regulations and corporate ethics in the international community, we have established the "Hisamitsu Corporate Charter," which sets forth our basic stance as a company. Furthermore, to put the "Hisamitsu Corporate Charter" into practice, we have established the "Compliance Program" as a code of conduct to be observed by the company and its employees.

Hisamitsu Corporate Behavior Charter

To continue to deliver a better QOL to the world, we shall respect human rights in and outside Japan in accordance with the following provisions, comply with all applicable laws, regulations and standards, and act in accordance with high ethical standards.

1 Items considered for corporate behavior as a pharmaceutical company

- (1) We will actively conduct research and development of medical products that will help promote human health and provide a stable supply of effective, safe, and high-quality medical products. We will also endeavor to improve the efficiency of medical costs by developing medical products with high medical-economic efficiency.
- (2) In the performance of our clinical studies, we will gain the cooperation of the medical institutions, respect the study subjects' human rights, give consideration to safety, and ensure scientific accuracy. In the performance of our animal experiments necessary as nonclinical studies, we will give full consideration to animal welfare.
- (3) To ensure the proper use of medical products, we will provide scientifically based accurate information, from domestic and overseas sources, on quality, efficacy, and safety of medical products and will promptly collect, analyze, evaluate, and convey post-marketing information.
- (4) We will engage in fair, transparent and free competition that is appropriate for a pharmaceutical company and strive to improve the ethical standards of our employees in order to maintain sound, normal relationships with political and administrative officials, healthcare professionals, and other parties concerned.

2 Corporate behavior as a corporate citizen

- (5) In light of the development of advanced IT technologies, we will give full consideration to and take every possible measure for the proper protection of personal and customer information.
- (6) We will control internal corporate information in an appropriate manner, communicate generally with stakeholders surrounding us, and disclose our corporate information in a timely and appropriate manner through PR and other activities.
- (7) We will respect and acknowledge the value of intellectual property rights, including patents and copyrights. We will not obtain or use any intellectual property in an unauthorized manner.
- (8) We will respect the diversity, personality and individuality of our employees, provide them with comfort and welfare, and secure a safe, positive working environment for them. We will also strive to improve the sense of ethics and the qualities of our employees.
- (9) We will stand firm against antisocial forces and organizations, such as corporate racketeers and crime syndicates, which pose a threat to the order and safety of civil society.
- (10) Based on the understanding that coping with environmental issues is a common challenge to the human race, we will spontaneously and actively work on environmental protection by making efficient use of natural resources and energy.
- (11) Whether in or outside of Japan, we will manage our business in a manner that will contribute to the development of the local community not only by complying with local laws and codes of conduct but also by respecting local culture and custom.
- (12) As a good corporate citizen, we will actively work on activities that contribute to the community.

3 Behavior of Top Management

- (13) Our top management shall take the lead by setting a good example in realizing the spirit of this Charter and shall ensure that this Charter is known to all persons concerned. The top management shall also monitor opinions in and outside the company, shall develop effective internal systems, and shall ensure compliance with corporate ethics.
- (14) In the event of a violation of the spirit of this Charter, the top management shall be responsible for solving the problem and shall strive to determine the cause and prevent the same problem from recurring.
- (15) In the event of a violation of the spirit of this Charter, the top management shall disclose relevant information and provide an explanation to the community in a prompt, appropriate manner.

Corporate Governance

Internal Control System

Hisamitsu Pharmaceutical is working to build an organizational structure that enables prompt response to changes in the management environment while enhancing corporate governance based on the Internal Control Regulations (Basic Policy for Internal Control) resolved by the Board of Directors. We are working on the compliance with laws with regard to our activities, spread of corporate ethics, thorough observation of compliance, and improvement of management transparency.

Internal Control Regulations

According to the Companies Act and the Ordinance for Enforcement of the Companies Act, Hisamitsu Pharmaceutical Co., Inc. shall establish a system to ensure the appropriateness of our operations as follows.

1. System for retention and management of information on the execution of duties of Directors
2. Regulations and other systems for management of risk of loss
3. System to ensure that duties of Directors are executed efficiently
4. System to ensure that the execution of duties of Directors and employees conforms to laws and regulations and the Articles of Incorporation
5. System to ensure the appropriateness of operations in the corporate group composed of the Company, its parent company, and subsidiaries
6. Matters related to the employee in the case where a Corporate Auditor has requested that an employee be appointed to assist with the duties of the Auditor
7. Matters related to independence from Directors of the employee as stipulated in Paragraph 6 above
8. Matters related to ensuring the effectiveness of instructions given by a Corporate Auditor to the employee as stipulated in Paragraph 6 above
9. System for reporting to Corporate Auditors
10. System to ensure that the person who made the report described in Paragraph 9 above does not receive any disadvantageous treatment on the grounds that the person made the report
11. Matters related to prepayment or reimbursement procedures for expenses incurred for the execution of duties of Corporate Auditors and other matters related to the policy for handling of expenses or debts incurred for the execution of such duties
12. Other systems to ensure that audits by Corporate Auditors are carried out effectively

Compliance Committee and Compliance Office

To ensure thorough compliance and ethics, in June 2002, we established the "Hisamitsu Corporate Charter," which defines our basic stance as a company, and the "Compliance Program" as a code of conduct to be observed. To promote the initiative, the Compliance Committee and the Compliance Office as the secretariat were established, chaired by Director in charge of compliance. The "Compliance Program" clearly states that the Company shall comply with laws and ordinances, act with high ethical standards, and prohibit any and all improper and corrupt acts such as bribery, illegal payoff, and conflicts of interest. To practice compliance, the "Hisamitsu Corporate Charter" and "Compliance Program" are distributed as a handbook to all officers and employees and are read at each workplace, and education and training for all managers is conducted on an annual basis. In addition, the Internal Audit Office inspects the practice of compliance from an objective standpoint.



Hisamitsu Corporate Charter

Business Operations with Transparency

In line with the tenor of the JPMA Code of Practice established by the Japan Pharmaceutical Manufacturers Association (JPMA) in 2013, we have formulated the Hisamitsu Pharmaceutical Code of Practice (Hisamitsu Code) in order not only to ensure legal compliance but also to maintain even higher ethical standards in all our conduct. Applying not only to our promotional activities, but also to Hisamitsu Pharmaceutical's interactions with researchers, medical workers, medical institutions, patient organizations, wholesalers, etc., this set of self-regulations requires us to secure high ethical standards and transparency in our corporate activities. In addition, we also have our own Rx Drug Promotion Code to be observed when promoting Rx drugs. We ensure that all our officers and employees abide by the code to carry out promotional efforts appropriately. The Hisamitsu Code is applicable even to operations that we perform outside Japan. At the same time, when operating in a foreign country, we comply not only with the code but also with that country's related laws and regulations. In addition, Hisamitsu Pharmaceutical is committed to high ethical standards and transparency in its relationships with medical institutions and patient groups. To extensively publicize that our operations contribute to developing life science based on high ethical standards, we have established the Guiding Principle for Transparency of Relationships between Corporate Activities and Medical Institutions, etc. and the Guiding Principle for Transparency of Relationships between Corporate Activities and Patient Organizations in line with the guidelines set by the Japan Pharmaceutical Manufacturers Association. Information on any funding that Hisamitsu Pharmaceutical provides and other topics is annually released through the website of Hisamitsu Pharmaceutical.

Whistle-Blowing System and Whistleblower Protection

Hisamitsu Pharmaceutical has established the "Hisamitsu Hotline" in the Compliance Office as a contact point for whistle-blowing, which ensures confidentiality and anonymity, and accepts information (including consultation, suggestions, and questions) regarding acts that are or may be in violation of laws and ordinances and corporate ethics. Information reported is strictly investigated and handled accordingly. Whistleblowers are protected under the Whistleblower Protection Act.

Regulations on Prevention of Bribery and Corruption

Sound corporate activities based on corporate ethics, including the prevention of bribery and corruption, are the foundation for the realization of Corporate Philosophy of Hisamitsu Pharmaceutical. For the purpose of strengthening our commitment to the prevention of bribery and corruption, Hisamitsu Pharmaceutical has established provisions for the prevention of bribery and corrupt acts in our Compliance Program. We believe that these efforts cannot be completed by our Company Group alone but require the cooperation of all partners involved in our Group business.

Cross-shareholdings Policy

The manufacturing of drugs requires a long period of time from research and development to sales, and we consider it essential to have long-term partners who understand our business in order to utilize our management resources and meet the needs of our customers beyond the pharmaceutical business. Our basic policy is to hold shares in companies that will enhance our corporate value.

Risk Management and Information Disclosure

Business Risk Management

Hisamitsu Pharmaceutical addresses various business risks in a proper and effective manner, and formulates Business Risk Management Policy to minimize the impact if any business risk arises. We have established a company-wide risk management structure requiring each department head to report on the department's response to business risks, strategic planning, decision making, etc. at the Management Advisory Board every quarter. Meanwhile, we have designated the COVID-19 pandemic as an "emergency risk that might threaten our continuation" and launched a COVID-19 task force early in the crisis. Although infection control measures are executed throughout the company, we are also proceeding with work reform and other measures.

Information Security

We have formulated the Information Security Management Regulations to properly manage our information assets, such as personal information and trade secrets, and established an appropriate information system management structure, thereby striving to prevent information leakage and reinforcing information security. In addition, we take measures to keep pace with changes in the social environment and technological advances, such as countermeasures against cyberattacks, which have become a threat in recent years. In addition, information security awareness is raised by continuously alerting and educating relevant employees.

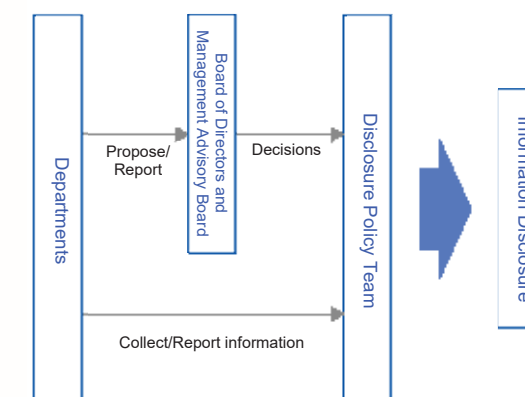
Business Continuity Plan (BCP)

Leveraging our experience of the Great East Japan Earthquake, Hisamitsu Pharmaceutical will restore business operations promptly in the event of a disaster and sustain the medical care structure by maintaining quality of pharmaceutical products and ensuring their stable supply. To secure a stable supply of pharmaceutical products, we have decentralized our production and logistics bases and concluded purchase contracts with different suppliers. We have also installed in-house power generators, established an emergency contact system, and taken various measures to minimize disaster risks in accordance with the Disaster Preparedness Manual.

Information Disclosure

Hisamitsu Pharmaceutical has established the Disclosure Policy Regulations to ensure timely and appropriate disclosure of corporate information. In addition to corporate information required to be disclosed in a timely manner by the Financial Instruments and Exchange Act and the Timely Disclosure Rules stipulated by the Tokyo Stock Exchange, the Company deems information that does not fall under the scope of the Timely Disclosure Rules, but may have an impact on investment decisions as Material Disclosure Information, and strives to disclose such information in a timely manner in accordance with these rules.

As an internal structure, the Disclosure Policy Team, chaired by the President and CEO, has been established to determine, manage, review and supervise the content of Disclosure Policy Regulations, determine Material Disclosure Information, confirm the announcement of such information, and control risks. The Disclosure Policy Regulations are applicable to all officers and employees, who are required to report necessary information to the Disclosure Policy Team as needed according to the scope of their duties based on the segregation of duties. Members of the Disclosure Policy Team are designated as information disclosure staff, and material disclosure information shall, in principle, be made through the information disclosure staff.



Examples of Disaster and Information Security Measures

Disaster simulation drill	Each business site has established own response team, and conducts drills in preparation for disasters by establishing an action plan in cooperation with the Disaster Response Task Force, which oversees these teams.
Regular drills for an emergency contact system for safety confirmation	In order to promptly confirm the safety of employees and provide accurate information to their families in the event of a disaster, regular drills are conducted for all employees to report the situation simultaneously using a cell phone e-mail service.
Wireless and satellite phone communication testing	Wireless and satellite telephones are installed at our main bases in Japan (Kyushu Head Office, Tokyo Head Office, Utsunomiya Factory, and Tsukuba Laboratory), and drills are conducted to prepare for disasters.
Voluntary fire brigade	Each business site has organized a voluntary fire brigade and regularly conducts evacuation and fire drills. For plants in Japan, the fire brigades regularly engage in fire drills and a water-discharge drills using outdoor hydrants in line with our fire defense plan and receive instructions and feedbacks from their local fire station.
Emergency kits and food stockpiles	We have distributed emergency kits to all employees to prepare for an emergency. Each business site keeps a stockpile of water and food in case employees are stranded due to disruption of the transportation system in the event of an emergency.
Securing logistics routes	Land transportation using trucks is shifted to sea transportation, thereby aiming to ensure a logistics channel in the event of an emergency.
Information Security	As cyber-attacks are spreading around the world, exercise drills are conducted for all employees on how to respond when they receive suspicious e-mails (including distribution of pseudo-targeted attack e-mails that are actually disguised as normal e-mails).

Talk with Sustainability Officer

- Going Beyond Medium-term Management Policy + Sustainability -



Professor Emeritus,
Keio University
Guest Consultant,
Keio Marunouchi City Campus

Kiichiro Kobayashi (Ph.D.)

Hisamitsu Pharmaceutical Co., Inc.
Director, Executive Officer
Management of Sustainability
Promotion

Koji Takiyama

About half of the term have passed of the HX2025 (Hisamitsu Transformation 2025), the Seventh Medium-term Management Policy, formulated in 2021, and likewise, the Sustainability Promotion Committee, established in 2021, has been active for two years.

As a result of various efforts, new issues have been identified. In discussing the future direction, we invited Kiichiro Kobayashi, Professor Emeritus, Keio University, who had offered his opinions so far, to frankly exchange opinions with Koji Takiyama, Sustainability Officer.

Takiyama: Thank you for coming today. Some time has passed since ESG, sustainability, and “integration” started to be raised as issues of concern. How do you view this situation?

Kobayashi: First of all, when we think about ESG, sustainability, etc. in a broader concept, I think it is definitely one of the issues that has been mentioned in the conventional “management strategy.” They were to be seen as a strategy more clearly in the “CSV: Creating Shared Value” proposed by Michael Porter in 2011.

As seen in the issue of climate change, recent trends show the shift from a vague “sense of obligation” to “strategy,” which is closely related to corporate performance and competitiveness. The past 10 years were a kind of a grace period, but from here on, specific execution and achievements will be required. First, it is important for all employees to change their awareness as a corporate culture.



Takiyama: In fact, as I am executing daily duties as a corporate executive, I feel it is difficult to change our awareness. At Hisamitsu Pharmaceutical, President Nakatomi said, “After our products have fulfilled their functions, they are unfortunately destined to be discarded as garbage. As a member of society, we have a responsibility to reduce them as much as possible.” This message gave each employee an opportunity to reconsider their work. In pharmaceutical companies, we tend to feel that “we provide good things to people,” but I think this President’s words were very easy to understand in recognizing the various issues behind them.

Kobayashi: Considering that “strategy” is to be created based on the product/service characteristics of each company, it seems to have become a very good turning point. Based on a similar sense of challenges, global companies both in Japan and overseas have reconsidered their own operations as well as their entire supply chain, and implemented various initiatives, which led to better business performance.

Takiyama: The Medium-term Management Policy is progressing steadily to some extent, and the activities of the Sustainability Promotion Committee are getting on track. What do we need to align with our performance and take a step further as you said?

Kobayashi: Since the top management has already showed their commitment, it is now important to clarify the mechanism for implementing the PDCA as a concrete plan. The key is that by creating a business model, the efforts will move forward by themselves. In addition, we must not forget there is an aspect that it is difficult to materialize only by planning. To avoid this, it is also necessary to clearly show from the management the delegation of authority and clarification of responsibility.

Takiyama: That aspect is certainly important. HX2025 is now in the latter half, and we have set KPIs on important issues. Do you feel we, as Hisamitsu Pharmaceutical, are lacking anything in particular?



Kobayashi: As I observe at other companies, it is first to thoroughly verify the validity as to whether KPIs are established as a numerical indicator to achieve the objective. It is also necessary for all employees to think of them as their own affairs. It is often seen that the KPI values have been cleared but the ultimate goal has not been achieved.

I also think the review of the organizational structure should be promoted as a foundation for solving issues. This involves the HR strategy and the business operating structure such as Digital Transformation. Becoming an organization that can quickly respond to changes in the situation should improve the speed of resolution. Another important thing is “transparency of information.” This is particularly necessary not only outside the company but also inside the company. Without information, we cannot make decisions in the first place, and we cannot become an agile organization.

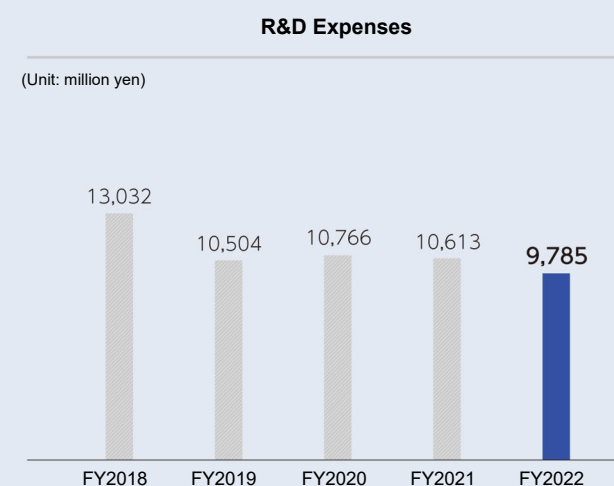
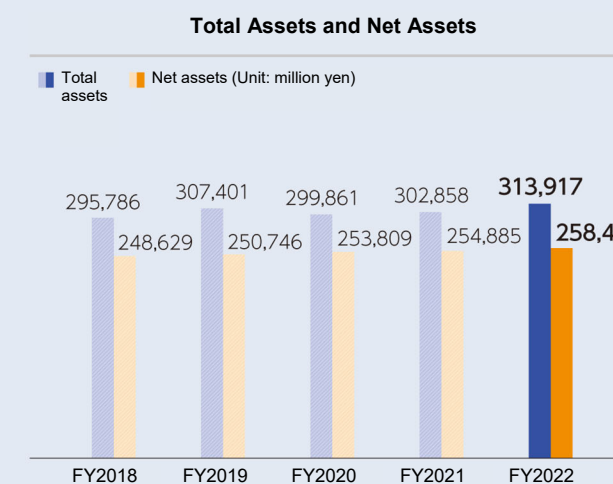
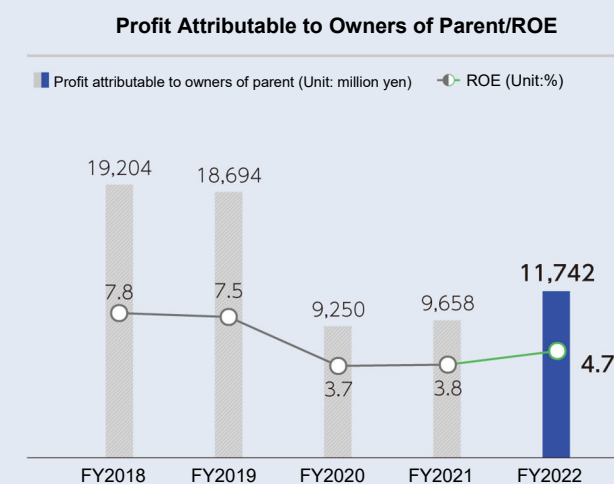
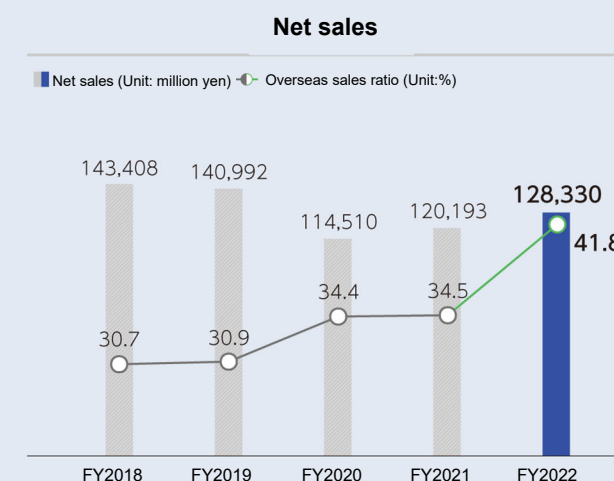
Takiyama: I realized once again that there is certainly room for improvement in the part you pointed out. Based on the opinions provided today, we would like to make improvements so that we can become a better Hisamitsu Pharmaceutical Group.

Kobayashi: I think “solving social issues” can now be rephrased as “new demands” in the context of business. To meet these new demands, it is increasingly necessary to build partnerships with various stakeholders. By focusing on your Corporate Philosophy and promoting various collaborations, you can expect further progress.

Takiyama: Thank you for your suggestions. We look forward to your continued guidance and support.

Financial Highlights

		FY2018	FY2019	FY2020	FY2021	FY2022
Financial Results						
Net sales	(Unit: 1 million yen)	143,408	140,992	114,510	120,193	128,330
Sales growth rate	(%)	96.6	98.3	81.2	105.0	106.8
Overseas net sales	(Unit: 1 million yen)	44,047	43,589	39,340	41,463	53,692
Overseas sales ratio	(%)	30.7	30.9	34.4	34.5	41.8
Cost of sales	(Unit: 1 million yen)	54,727	53,388	45,337	50,126	55,630
Gross profit	(Unit: 1 million yen)	88,680	87,603	69,173	70,067	72,699
Selling, general and administrative expenses	(Unit: 1 million yen)	66,401	64,875	58,501	60,730	61,099
SG&A to sales ratio	(%)	46.3	46.0	51.1	50.5	47.6
Operating profit	(Unit: 1 million yen)	22,278	22,727	10,671	9,337	11,599
Operating profit ratio	(%)	15.5	16.1	9.3	7.8	9.0
Ordinary profit	(Unit: 1 million yen)	24,647	25,628	11,829	12,638	16,051
Profit attributable to owners of parent	(Unit: 1 million yen)	19,204	18,694	9,250	9,658	11,742
R&D Expenses	(Unit: 1 million yen)	13,032	10,504	10,766	10,613	9,785
Depreciation	(Unit: 1 million yen)	5,742	4,251	4,079	4,321	4,952
Capital investment amount	(Unit: 1 million yen)	4,034	3,716	3,573	4,729	7,875
Financial Position						
Total assets	(Unit: 1 million yen)	295,786	307,401	299,861	302,858	313,917
Net assets	(Unit: 1 million yen)	248,629	250,746	253,809	254,885	258,408
Statements of Cash Flows						
Net cash provided by (used in) operating activities	(Unit: 1 million yen)	15,772	27,395	5,289	19,199	12,727
Net cash provided by (used in) investing activities	(Unit: 1 million yen)	△39,302	△17,229	7,815	△13,060	△23,868
Net cash provided by (used in) financing activities	(Unit: 1 million yen)	△13,347	△11,726	△7,187	△15,189	△14,687
Net increase (decrease) in cash and cash equivalents	(Unit: 1 million yen)	△37,786	△1,786	4,357	△5,106	△20,822
Free cash flow	(Unit: 1 million yen)	△23,530	10,165	13,105	6,139	△11,141
Index, etc. per share						
Earning per share (EPS)	(Yen)	230.08	227.58	113.22	118.92	148.01
Book value per share (BPS)	(Yen)	2,987.29	3,046.45	3,083.98	3,171.83	3,294.20
Dividend per share	(Yen)	82.50	83.00	83.50	84.00	84.50
Major Financial Indexes						
Return on equity (ROE)	(%)	7.8	7.5	3.7	3.8	4.7
Shareholders' equity ratio	(%)	83.5	80.9	84.1	83.5	81.6
Payout ratio	(%)	35.9	36.5	73.8	70.6	57.1



Non-Financial Data Highlights

Environmental Data

CO₂ Emissions (t-CO₂) at each Business Site

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Kyushu HO	14,964	13,604	11,156	11,385	12,428	11,736
Utsunomiya Factory	7,296	7,525	6,746	6,100	6,240	6,242
Tsukuba Laboratories	3,050	2,792	2,649	2,579	2,183	2,132
Tokyo HO/Branches and Sales offices	2,806	2,553	2,326	1,841	1,934	2,030
Total	28,116	26,474	22,877	21,905	22,785	22,140
Vs. FY2013 (%)	88.2	83.0	71.7	68.7	71.5	69.4
Emissions intensity (CO ₂ emission/Non-consolidated net sales (Unit: million yen))	0.25	0.24	0.21	0.25	0.25	0.24

CO₂ Emissions in Supply Chain (Scopes 1, 2, and 3)

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Scope 1						
Direct emissions	11,137	9,880	8,762	6,986	6,923	7,862
Scope 2						
Indirect emissions	16,979	16,594	14,115	14,919	15,862	14,278
Scope 3						
Purchased goods and services	68,543	64,960	65,046	51,179	48,284	49,823
Capital goods	4,330	6,730	4,729	5,340	9,605	11,651
Fuel- and energy-related activities not included in Scope 1 or 2	1,825	2,750	2,494	2,167	4,723	4,885
Transportation, delivery (upstream)	3,518	2,466	2,312	2,161	2,039	2,234
Waste from business	2,579	2,447	2,308	2,095	2,317	2,433
Business travel	1,331	1,088	1,009	473	281	340
Employee commuting	259	251	254	255	315	271
Leased assets (upstream)	-	-	-	-	-	-
Transportation and delivery (downstream)	101	36	34	32	30	33
Processing of sold products	-	-	-	-	-	-
Use of sold products	-	-	-	-	-	-
End-of-life treatment of sold products	35,204	30,736	30,398	25,651	26,222	26,818
Leased assets (downstream)	-	-	-	-	-	-
Franchises	-	-	-	-	-	-
Investments	-	-	-	-	-	-

Energy consumption (crude oil equivalent) at each business site

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Kyushu HO	7,166	6,788	6,751	6,630	7,049	6,687
Utsunomiya Factory	3,780	3,957	3,543	3,098	3,186	3,168
Tsukuba Laboratories	1,411	1,329	1,271	1,252	1,090	1,051
Tokyo HO/Branches and Sales offices	1,140	1,043	973	789	828	264
Total	13,497	13,117	12,538	11,769	12,153	11,170
Vs. FY2013 (%)	88.6	86.1	82.3	77.3	79.8	73.3
Energy consumption intensity (Energy consumption/Non-consolidated net sales (Unit: million yen))	0.12	0.12	0.11	0.14	0.13	0.12

Total amount of waste generated

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Total amount of waste generated	3,927	3,650	3,511	3,204	3,606	3,722
Generation intensity (Total amount of waste generated/Non-consolidated net sales (Unit: million yen))	0.03	0.03	0.03	0.04	0.04	0.04

Changes in water consumption and drainage volumes, management of water pollutants

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Water consumption	176,678	176,242	181,092	167,443	176,649	174,009
Water consumption intensity Water consumption (t)/Non-consolidated net sales (Unit: million yen)	1.57	1.61	1.65	1.93	1.95	1.87
Drainage volume	92,496	89,782	96,363	86,243	92,801	86,520
BOD*1 discharge volume	11.7	11.6	12.5	10.3	8.5	8.6
SS*2 discharge volume	4.0	2.7	4.2	2.3	2.7	2.2

*1 BOD (biological oxygen demand): Value representing the amount of oxygen consumed when organics are decomposed by microorganisms in water

*2 SS (suspended solids): Volume of solid particles whose diameter is 2 mm or under that remain in suspension in water

Management of Air Pollutants

SO_x and NO_x Emission Volumes

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
SO _x	2.2	1.8	1.4	0.7	0.9	0.7
NO _x	4.5	4.3	3.5	2.9	2.8	1.8

Management of Specified Chemical Substances

Handling Volume of PRTR Substances

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Toluene						
Handling volume	3.5	3.8	3.8	3.4	3.3	3.7
Emission into the air	0.2	0.2	0.2	0.2	0.2	0.2
Waste disposal	3.3	3.6	3.6	3.2	3.1	3.5
Acetonitrile						
Handling volume	3.4	3.0	3.3	3.8	4.3	3.3
Emission into the air	0.0	0.0	0.0	0.0	0.0	0.0
Waste disposal	3.4	3.0	3.3	3.8	4.3	3.3

Social Data

Employee Data

		FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Domestic employees	<small>*On a consolidated basis (Persons)</small>	1,732	1,653	1,617	1,645	1,644	1,579
Overseas employees	<small>*On a consolidated basis (Persons)</small>	1,091	1,139	1,128	1,125	1,140	1,190
Male	<small>*On a non-consolidated basis (Persons)</small>	1,170	1,168	1,134	1,130	1,119	1,070
Female	<small>*On a non-consolidated basis (Persons)</small>	425	428	435	453	468	451
Total of men and women	<small>*On a non-consolidated basis (Persons)</small>	1,595	1,596	1,569	1,583	1,587	1,521
Average age	(Years old)	36.7	37.1	37.6	37.8	38.0	38.9
Average service years	(Year)	12.9	13.3	13.8	14.1	14.4	15.3
% of women in management positions	(%)	4.5	4.3	5.2	6.3	7.1	7.9
Employees taking parental leave	(Persons)	25	34	25	39	39	66
% of the elderly employed	(%)	2.52	2.50	2.96	3.00	3.18	3.29
Disabled employment	(%)	2.16	1.86	1.99	1.94	1.99	1.95
% of mid-career hires	(%)	8	11	29	11	5	55
Male	(Persons)	47	41	35	50	45	4
Female	(Persons)	32	26	18	32	27	6
Total of men and women	(Persons)	79	67	53	82	72	10

Health and Safety Data

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	
Paid leave uptake	(%)	49.6	61.7	69.0	60.2	60.6	72.1
No. of occupational accidents	(Cases)	12	8	11	9	7	8
No. of lost time accidents	(Cases)	3	3	2	3	2	3
Frequency of occupational accidents	(%)	0.81	0.81	0.55	0.82	0.55	0.85

Consolidated Financial Statements

Consolidated Balance Sheets

	Prior Fiscal Year (As of Feb. 28, 2022)	Current Fiscal Year (As of Feb. 28, 2023)		Prior Fiscal Year (As of Feb. 28, 2022)	Current Fiscal Year (As of Feb. 28, 2023)
(Unit: million yen)					
Assets			Liabilities		
Current assets			Current liabilities		
Cash and deposits	129,290	122,154	Notes and accounts payable	7,533	8,351
Notes and accounts receivable - trade	38,505	-	Electronically recorded obligations - operating	5,692	6,567
Notes and accounts receivable - trade and contract assets	-	40,014	Short-term loans payable	1,071	1,071
Securities	13,141	14,714	Lease obligations	301	327
Merchandise and finished goods	8,919	10,330	Accounts payable - other	6,685	6,249
Work in process	438	562	Income taxes payable	2,938	2,338
Raw materials and supplies	7,055	8,030	Provision for sales returns	135	-
Other	3,219	3,629	Provision for bonuses	1,363	1,340
Allowance for doubtful accounts	△393	△261	Contract liabilities	-	5,920
Total current assets	200,176	199,174	Other	6,437	10,411
Non-current assets			Total current liabilities	32,160	42,578
Property, plant and equipment			Non-current liabilities		
Buildings and structures	47,182	48,508	Long-term loans payable	219	147
Accumulated depreciation	△33,276	△34,528	Lease obligations	869	750
Buildings and structures, net	13,905	13,980	Deferred tax liabilities for land revaluation	1,801	1,697
Machinery, equipment and vehicles	43,177	45,778	Deferred tax liabilities	2,369	116
Accumulated depreciation	△36,905	△38,312	Net defined benefit liability	8,216	8,408
Machinery, equipment and vehicles, net	6,272	7,466	Other	2,335	1,811
Tools, furniture and fixtures	11,822	12,901	Total non-current liabilities	15,812	12,931
Accumulated depreciation	△9,681	△10,014	Total liabilities	47,972	55,509
Tools, furniture and fixtures, net	2,140	2,886	Net assets		
Land	11,956	11,587	Shareholders' equity		
Leased assets	1,645	1,677	Capital	8,473	8,473
Accumulated depreciation	△497	△605	Capital surplus	2,356	2,361
Leased assets, net	1,147	1,071	Retained earnings	236,192	235,569
Construction in progress	3,646	6,217	Treasury shares	△19,527	△27,196
Total property, plant and equipment	39,069	43,209	Total shareholders' equity	227,495	219,208
Intangible assets			Accumulated other comprehensive income		
Sales rights	442	394	Valuation difference on available-for-sale securities	15,070	17,042
Software	156	75	Revaluation reserve for land	3,641	3,403
Other	726	476	Foreign currency translation adjustment	5,633	15,819
Total intangible assets	1,326	946	Remeasurements of defined benefit plans	1,073	631
Investments and other assets			Total accumulated other comprehensive income	25,419	36,896
Investment securities	52,519	60,845	Share acquisition rights	254	260
Net defined benefit assets	5,112	5,060	Non-controlling interests	1,717	2,042
Deferred tax assets	1,153	1,342	Total net assets	254,885	258,408
Other	3,714	3,546	Total liabilities and net assets	302,858	313,917
Allowance for doubtful accounts	△214	△207			
Total investments and other assets	62,286	70,586			
Total non-current assets	102,681	114,742			
Total assets	302,858	313,917			

Consolidated Statements of Income

	Prior Fiscal Year (March 1, 2021 to February 28, 2022)	Current Fiscal Year (March 1, 2022 to February 28, 2023)
(Unit: million yen)		
Net sales	120,193	128,330
Cost of sales	50,126	55,630
Gross profit	70,067	72,699
Selling, general and administrative expenses	60,730	61,099
Operating profit	9,337	11,599
Non-operating income		
Interest income	153	894
Dividend income	905	978
Foreign exchange gains	1,276	1,973
Share of profit of entities accounted for using equity method	569	424
Other	548	520
Total non-operating income	3,453	4,791
Non-operating expenses		
Interest expenses	20	15
Expenses related to operational shutdown	77	248
Other	54	75
Total non-operating expenses	152	340
Ordinary profit	12,638	16,051
Extraordinary income		
Gain on disposal of non-current assets	7	453
Gain on sales of investment securities	653	-
Total extraordinary income	660	453
Extraordinary losses		
Loss on disposal of non-current assets	62	133
Loss on sales of investment securities	-	47
Loss on valuation of investment securities	-	210
Loss on discontinuation of sales	279	-
Total extraordinary losses	342	391
Profit before income taxes	12,956	16,113
Income taxes - current	3,727	4,419
Income taxes - deferred	△633	△432
Total income taxes	3,093	3,987
Profit	9,862	12,126
Profit attributable to non-controlling interests	204	383
Profit attributable to owners of parent	9,658	11,742

Consolidated Statement of Comprehensive Income

	Prior Fiscal Year (March 1, 2021 to February 28, 2022)	Current Fiscal Year (March 1, 2022 to February 28, 2023)
(Unit: million yen)		
Profit	9,862	12,126
Other comprehensive income		
Valuation difference on available-for-sale securities	△1,065	1,991
Revaluation reserve for land	△143	-
Foreign currency translation adjustment	6,761	10,188
Remeasurements of defined benefit plans, net of tax	475	△456
Share of other comprehensive income of entities accounted for using equity method	△7	△5
Total other comprehensive income	6,020	11,718
Comprehensive income	15,883	23,844
(Breakdown)		
Comprehensive income attributable to owners of parent	15,724	23,458
Comprehensive income attributable to non-controlling interests	158	386

Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

Prior Fiscal Year

(March 1, 2021, to February 28, 2022)

(Unit: million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 1, 2021	8,473	2,352	233,376	△11,495	232,707
Changes in items during period					
Dividends of surplus			△6,847		△6,847
Profit attributable to owners of parent			9,658		9,658
Reversal of revaluation reserve for land			6		6
Purchase of treasury shares				△8,044	△8,044
Disposal of treasury shares		3		13	16
Net changes in items other than shareholders' equity					-
Total changes of items during period	-	3	2,816	△8,031	△5,212
Balance at February 28, 2022	8,473	2,356	236,192	△19,527	227,495

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
	Balance at March 1, 2021	16,165	3,790	△1,173	575	19,359	232	1,510
Changes in items during period								
Dividends of surplus								△6,847
Profit attributable to owners of parent								9,658
Reversal of revaluation reserve for land								6
Purchase of treasury shares								△8,044
Disposal of treasury shares								16
Net changes in items other than shareholders' equity	△1,095	△149	6,807	498	6,060	21	206	6,288
Total changes of items during period	△1,095	△149	6,807	498	6,060	21	206	1,076
Balance at February 28, 2022	15,070	3,641	5,633	1,073	25,419	254	1,717	254,885

Prior Fiscal Year

(March 1, 2022, to February 28, 2023)

(Unit: million yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 1, 2022	8,473	2,356	236,192	△19,527	227,495
Cumulative effect of changes in accounting policies			△5,883		△5,883
Balance at March 1, 2022 reflecting changes in accounting policies	8,473	2,356	230,309	△19,527	221,612
Changes in items during period					
Dividends of surplus			△6,720		△6,720
Profit attributable to owners of parent			11,742		11,742
Reversal of revaluation reserve for land			237		237
Purchase of treasury shares				△7,695	△7,695
Disposal of treasury shares		5		27	32
Net changes in items other than shareholders' equity					-
Total changes of items during period	-	5	5,259	△7,668	△2,403
Balance at February 28, 2023	8,473	2,361	235,569	△27,196	219,208

Accumulated other comprehensive income

	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
	Balance at March 1, 2022	15,070	3,641	5,633	1,073	25,419	254	1,717
Cumulative effect of changes in accounting policies								△5,883
Balance at March 1, 2022 reflecting changes in accounting policies	15,070	3,641	5,633	1,073	25,419	254	1,717	249,002
Changes in items during period								
Dividends of surplus								△6,720
Profit attributable to owners of parent								11,742
Reversal of revaluation reserve for land								237
Purchase of treasury shares								△7,695
Disposal of treasury shares								32
Net changes in items other than shareholders' equity	1,971	△237	10,185	△442	11,477	6	325	11,809
Total changes of items during period	1,971	△237	10,185	△442	11,477	6	325	9,405
Balance at February 28, 2023	17,042	3,403	15,819	631	36,896	260	2,042	258,408

Consolidated Statements of Cash Flows

(Unit: million yen)

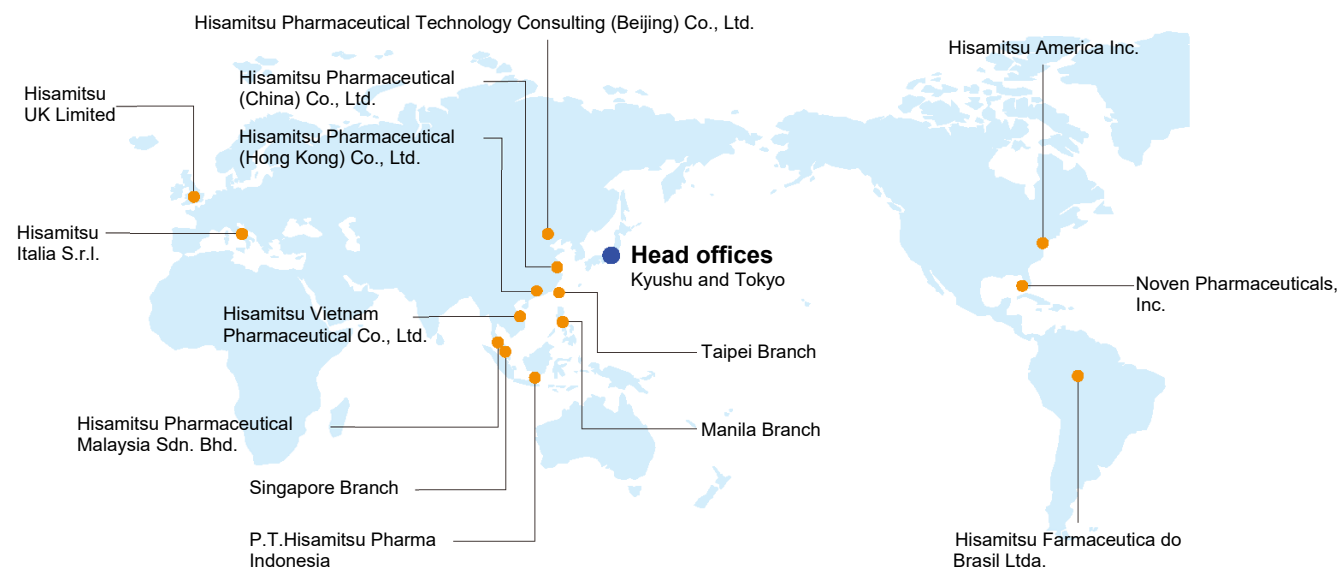
	Prior Fiscal Year (March 1, 2021 to February 28, 2022)	Current Fiscal Year (March 1, 2022 to February 28, 2023)
Net cash provided by (used in) operating activities		
Profit before income taxes	12,956	16,113
Depreciation	4,321	4,952
Increase (decrease) in net defined benefit liability	231	206
Increase (decrease) in provision for bonuses	△22	△71
Increase (decrease) in allowance for doubtful accounts	34	△169
Increase (decrease) in provision for sales returns	32	-
Interest and dividend income	△1,058	△1,873
Interest expenses	20	15
Foreign exchange losses (gains)	△932	△1,219
Share of loss (profit) of entities accounted for using equity method	△569	△424
Loss (gain) on sales of investment securities	△653	47
Loss (gain) on valuation of investment securities	-	210
Loss (gain) on disposal of non-current assets	55	△319
Loss on discontinuation of sales	279	-
Decrease (increase) in notes and accounts receivable - trade	2,191	780
Decrease (increase) in inventories	3,073	△1,581
Decrease (increase) in other current assets	295	△65
Increase (decrease) in notes and accounts payable - trade	△2,196	653
Increase (decrease) in contract liabilities	-	△1,030
Increase (decrease) in other current liabilities	653	1,015
Other	△430	△1,060
Subtotal	18,282	16,179
Interest and dividend income received	1,446	1,897
Interest expenses paid	△20	△15
Income taxes paid	△505	△5,333
Payments of retirement benefits for directors (and other officers)	△3	△0
Net cash provided by (used in) operating activities	19,199	12,727
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	△11,007	△13,068
Purchase of property, plant and equipment	△3,610	△7,859
Proceeds from sales of property, plant and equipment	37	1,004
Purchase of intangible assets	△583	△49
Decrease (increase) in short-term investment securities	1,498	1,848
Purchase of investment securities	△340	△5,897
Proceeds from sales and redemption of investment securities	931	151
Collection of loans receivable	2	2
Proceeds from cancellation of insurance funds	11	-
Net cash provided by (used in) investing activities	△13,060	△23,868
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	△40	-
Repayments of long-term loans payable	△77	△71
Dividends paid to non-controlling interests	△44	△61
Purchase of treasury shares	△8,043	△7,694
Cash dividends paid	△6,839	△6,719
Other	△144	△140
Net cash provided by (used in) financing activities	△15,189	△14,687
Effect of exchange rate change on cash and cash equivalents	3,944	5,005
Net increase (decrease) in cash and cash equivalents	△5,106	△20,822
Cash and cash equivalents at beginning of period	91,354	86,247
Cash and cash equivalents at end of period	86,247	65,424

Corporate Profile (as of February 28, 2023)

Corporate Information

Company name	HISAMITSU PHARMACEUTICAL CO., INC.	
Founded	1847	
Incorporated	May 22, 1944	
Capital	8,473 million yen	
Employees	2,769 (consolidated); 1,521 (non-consolidated)	
Representative	NAKATOMI, Kazuhide, President & CEO	
Head offices	Kyushu Head Office (main), Tokyo Head Office	
Branches	Sapporo Branch, Sendai Branch, Tokyo Branch, Nagoya Branch, Osaka Branch, Hiroshima Branch, Fukuoka Branch, Taipei Branch, Singapore Branch, Manila Branch	
Sales offices	Kanazawa Sales Office, Takamatsu Sales Office	
Factories	Utsunomiya Factory, Tosu Factory	
Laboratories	Tosu Laboratories, Tsukuba Laboratories	
Domestic Subsidiaries	CRCC Media Co., Ltd. (Fukuoka) Saga City-Vision Co., Ltd. (Saga) SAGA Hisamitsu Springs Co., Ltd. (Saga)	Taiyo Co., Ltd (Saga) Hisamitsu Agency Co., Ltd. (Fukuoka)
Overseas subsidiaries	Hisamitsu U.S., Inc. (USA) Hisamitsu America Inc. (USA) Noven Pharmaceuticals, Inc. (USA) Hisamitsu Farmaceutica do Brasil Ltda. (Brazil) Hisamitsu UK Limited (UK) Hisamitsu Italia S.r.l. (Italy) Hisamitsu Vietnam Pharmaceutical Co., Ltd. (Vietnam)	Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd. (China) Hisamitsu Pharmaceutical (China) Co., Ltd. (China) Hisamitsu Pharmaceutical (Hong Kong) Co., Ltd. (China) P.T.Hisamitsu Pharma Indonesia (Indonesia) Hisamitsu Pharmaceutical Malaysia Sdn. Bhd. (Malaysia) And one other company

Hisamitsu Pharmaceutical Group's Operating Bases

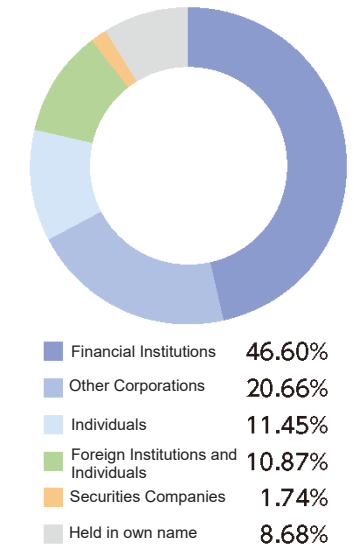


Shares (as of February 28, 2023)

Stock Profile

Total number of authorized shares	380,000,000 shares
Total number of shares outstanding	85,164,895 shares
Total number of shareholders	9,229 shareholders
Business year	March 1 – end of February of the following year
Regular shareholders' meeting	Called every May
Record dates	Year-end dividend: Last day of February Mid-year dividend: Last day of August
Shareholder registry administrator Account administration authority for special accounts	Mitsubishi UFJ Trust and Banking Corporation
Stock exchange	Tokyo Stock Exchange Prime Market Nagoya Stock Exchanges Premier Market, and Fukuoka Stock Exchange
Security code	4530

Distribution by Owner



Principal Shareholders

Shareholders	Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,633	11.10
Custody Bank of Japan, Ltd. (trust account)	4,689	6.03
Custody Bank of Japan, Ltd. (as trustee for retirement benefit trust of The Nishi-Nippon City Bank, Ltd. re-entrusted by Resona Bank, Limited)	4,370	5.62
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust account for MUFG Bank, Ltd.)	4,227	5.44
Nippon Life Insurance Company	3,910	5.03
The Bank of Fukuoka, Ltd.	3,371	4.34
Hisamitsu Pharmaceutical Partner Companies' Shareholding Association	2,524	3.25
THE BANK OF SAGA Ltd.	2,356	3.03
SMBC Trust Bank Ltd. (Retirement Benefit Trust Account of Sumitomo Mitsui Banking Corporation)	2,064	2.65
TKY Co., Ltd.	1,839	2.37

Note: The shareholding ratios have been calculated after the treasury shares (7,391,283 shares) are excluded.

Website

Our latest information is available on our website. We will continue to demonstrate ingenuity and provide a wider range of information so that the website will be even more useful for stakeholders.

About Us

<https://global.hisamitsu/company/index.html>

Investor Relations

<https://global.hisamitsu/ir/>

Sustainability

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



 **Hisamitsu Pharmaceutical Co., Inc.**

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