



Promoting “TE-A-TE” Culture Worldwide

Hisamitsu Pharmaceutical Group

Integrated Report 2024



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 Corporate 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.



Hisamitsu Pharmaceutical Management Guidelines



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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 FY2022, 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 International Integrated Reporting Council (IIRC) 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

FY2023 (March 1, 2023, to February 29, 2024)

*Some information is covered even for outside the period.

Report Release: December 2024 Issued once a year 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 the 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 which we have valued since our foundation, throughout the world. To accomplish this mission, we intend not only to operate in the field of business development, including offering a wide variety of services and engaging in preventive care.

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Management Milestones
















<p>1847 Komatsuya founded (Nihei Hisamitsu)</p> <p>1871 The company name, Komatsuya, changed to Hisamitsu Joiedo (Yoichi Hisamitsu)</p> <p>1903 Hisamitsu & Co. established (Saburo Nakatomi; former name: Saburo Hisamitsu)</p> 	<p>1944 Hisamitsu & Co. plays a leading role in the incorporation of Miyaki Seiyaku Co.</p> <p>1951 Hisamitsu & Co. Incorporated established (Masayoshi Nakatomi)</p> <p>1965 The company is renamed Hisamitsu Pharmaceutical Co., Inc.</p>	<p>1971 Tosu Laboratories completed</p> <p>1987 Utsunomiya Factory completed</p> <p>1990 Tsukuba Laboratories completed</p>	<p>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)</p>	<p>2007 Hisamitsu absorbs Hisamitsu Medical Co., Ltd. (consolidated company)</p> <p>2009 Hisamitsu acquires all issued shares of the U.S. pharmaceutical company Noven Pharmaceuticals, Inc., through TOB and makes it a 100% owned subsidiary</p> 	<p>2020 SAGA HISAMITSU SPRINGS Co., Ltd. (consolidated company) established</p> 	<p>2023 Hisamitsu Wellness Co. Ltd. (consolidated company) established Assets, etc. related to both "S-CUP" and "LACALUT" brands partially transferred from SSP Co., Ltd.</p>	<p>2024 SAGA Global Research Center completed</p> 
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1847 Established as a pharmaceutical company | **1980-** Overseas expansion accelerated | **2000-** Business foundation consolidated | **2010-** Toward sustainable growth

Overseas Expansion

<p>1960 Taiwan Hisamitsu Pharmaceutical Co., Ltd. established</p> <p>1975 P.T. Salompas Indonesia established</p>	<p>1986 Hisamitsu Farmaceutica do Brasil Ltda. established</p> <p>1987 Hisamitsu America, Inc. established</p> <p>1994 Hisamitsu Vietnam Pharmaceutical Co., Ltd. established</p>	<p>2002 Hisamitsu UK Limited established</p> <p>2009 Hisamitsu US Inc. established Noven Pharmaceuticals, Inc. acquired (U.S.)</p>	<p>2011 Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd. established</p> <p>2017 Hisamitsu Pharmaceutical (China) Co., Ltd. established</p>	<p>2018 Hisamitsu Pharmaceutical (Hong Kong) Co., Ltd. established</p> <p>2019 Hisamitsu Italy S.r.l. established</p>	<p>2020 Hisamitsu Pharmaceutical Malaysia Sdn. Bhd. established</p>
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Major Products

<p>1907 Asahi Mankinko® launched</p> 	<p>1934 Salonpas® launched</p> 	<p>1963 Air® Salonpas® launched</p> 	<p>1971 Salonip® launched</p> 	<p>1988 MOHRUS® launched</p> 	<p>1995 MOHRUS® Tapes launched</p> 	<p>1997 Lifecella® launched</p>	<p>2000 ESTRANA® Tapes launched</p> 	<p>2003 BUTENALOCK® launched FEITAS® launched</p> 	<p>2005 KEPLAT® launched (Italy)</p>	<p>2008 Salonpas® Pain Relief Patch, FDA Approval (USA)</p> 	<p>2010 FENTOS® Tapes launched</p>	<p>2012 Allegra® FX launched</p>	<p>2013 MINIVELLE® launched (USA) NEOXY® Tapes launched</p> 	<p>2015 MOHRUS® Paps XR launched</p> 	<p>2018 ALLESAGA® Tapes launched</p>	<p>2019 HARUROPI® Tapes launched</p>	<p>2020 SECUADO® launched (USA)</p> 	<p>2021 ZICTHORU® Tapes launched Nobinobie® Salonip® Fit® (Poke-Sip®) launched</p> 	<p>2023 APOHIDE® Lotion launched</p> 	<p>2024 S-CUP® launched LACALUT® launched</p> 
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CSR Activities

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

<p>1990s Donation/relief money Jan. 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 Jan. 1995 Donated 5 million yen to the Japanese Red Cross Society as relief funds for the Great Hanshin-Awaji Earthquake Dec. 1997 Started "Overseas Relief Volunteer Activities" sponsored by the Japanese Red Cross Society</p> <p>Contribution to Local Communities 1999 Started co-sponsorship of Hisamitsu Culture Special</p>	<p>2000s Donation/relief money Nov. 2005 Donation of 610,000 yen to the Japanese Red Cross Society for the earthquake relief in Pakistan Aug. 2006 Rented first and second floors of Ryuseikan (training facility) as a dormitory for Sagan Tosu players Dec. 2007 Hisamitsu Vietnam donated 50 wheelchairs to the Vietnam Red Cross Society</p> <p>Contribution to Local Communities May 2005 Start of co-sponsorship to the SALONPAS World Ladies' Golf Tournament Aug. 2006 The First Tosu Public Lecture was held (conducted 27 lectures by 2022) Feb. 2007 The First Hisamitsu Spring Tea Party (held 26 times by 2022)</p>	<p>2010s Donation/relief money Sept. 2017 Donation of relief money to the Japanese Red Cross Society for the major U.S. hurricane Irma Oct. 2019 Donation of relief money to the Japanese Red Cross Society for the August 2019 Torrential Rain Disaster Aug. 2021 Donation of relief money to the Japanese Red Cross Society for the August 2021 Heavy Rain Disaster Aug. 2022 Donation to the Saga International Heavy Ion Cancer Therapy Foundation (SAGA HIMAT, Tosu City, Saga Prefecture), which operates the Kyushu International Heavy Ion Cancer Therapy Center</p> <p>Contribution to Local Communities Nov. 2014 Start of co-sponsorship for the Fukuoka Marathon Feb. 2016 Start of co-sponsorship for the Saga International Balloon Festa Aug. 2018 Start of co-sponsorship for the Saga Sakura Marathon</p>	<p>Since 2020s Donation/relief money Apr. 2022 Aid to Ukraine Feb. 2023 Post-earthquake aid to Turkey and Syria Jul. 2023 Aid after disaster caused by heavy rainfall in July 2023 Jan. 2024 Post-earthquake aid to Noto Peninsula in 2024</p> <p>Contribution to Local Communities Oct. 2023 Start of co-hosting for JLPGA Step Up Tour Salonpas Ladies Open</p>
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Message from President and CEO



We will aim for sustainable development by setting the business recovery trend on a stable track

President and CEO

Kazuhide Nakatomi

Milestone for Salonpas® Commemorating the 90th Anniversary of Launch

Salonpas®, which was launched in 1934, has marked the 90th Anniversary this year. We believe that our continued effort for “Delivering a Better QOL to the World” to respond to our stakeholders’ trust and expectation resulted in overcoming various social changes and commemorating this milestone. We would like to express our gratitude to our stakeholders.

In the 21st Century, society is changing at a dizzying pace. Most recently, as we have experienced COVID-19 pandemic and natural disasters and others triggered by climate change, we recognize them as significant issues that affect our customers’ QOL. In this context, we pushed ahead with the completion of the new research lab, the SAGA Global Research Center, the expansion of domestic logistics structure, and the enhancement of over-the-counter (OTC) business, including the launch of Salonpas® in Nigeria of Africa, the designated quasi-pharmaceutical product S-CUP® and the quasi-pharmaceutical product Lacalut®, to work on ensuring stabler growth. As a result, we could achieve business results exceeding initial forecasts.

Progress of the Medium-term Management Policy

As for the new mission to be fulfilled, which was defined in the HX2025 (Hisamitsu Transformation 2025), its Seventh Medium-term Management Policy, sales growth rate (CAGR) achieved 7.4% compared to the target 5.0% or higher. The overseas sales ratio was 42.8% compared to the target of 50.0% or higher because overseas sales did well. We will make further efforts to achieve the target, including the development of new markets such as Africa in the future. As for the ROE target of 8.0% or higher, the actual ROE in fiscal 2023 was 5.4%, increasing successfully from the planning stage. We will work further to achieve the target by

operational improvement, including the promotion of DX, and full-scale operation of the new R&D organization. In addition, we think it is also important to promote management with a stock price in mind. In consideration of not only ROE but also PBR and others, we will make efforts for management with the same perspective as our stakeholders through the proper management of dividends, acquisition of treasury shares and cross-shareholdings.

● Expand - “Pillars of Growth”

As for overseas expansion of Salonpas® (Concentration of resources on priority regions, expansion of new Salonpas®), sales steadily increased by 35.9% domestically and 15.5% overseas from the previous terms though there were some variations depending on the country/region. Furthermore, sales of OTC pharmaceuticals, including S-CUP®, also increased both domestically and overseas, which demonstrates the effects of inbound demand in Japan and sales activities.

For Rx drugs, we are advancing the development of new growth areas, such as the expansion of the sales volume of ZICHTORU® Tapes, which is a transdermal patch for persistent pain treatment, and the launch of APOHIDE® Lotion, which is a treatment drug for primary palmar hyperhidrosis, in addition to the area of pain treatment.

● Exceed - “Overcome Challenges”

With regard to overseas expansion, as the overseas sales ratio has been rising by taking more careful measures in consideration of difference in the laws, regulations, culture, lifestyles, etc. of each country or region, we are expecting further growth, including expansion in Africa and the introduction of new products.

Including the expansion of XELSTRYM® for Rx drugs in the United States and the development of HP-6050 using microneedles in Japan, as well as S-CUP®, we will also work on the enhancement of our product portfolio further aiming for a better QOL.

● Enhance - “Strengthen Functions”

With the construction of the new research lab, the SAGA Global Research Center, completed in February 2024, the restructuring of the R&D organization is also steadily progressing. As the fundamental structure for driving business along with the promotion of digital transformation has been

established, we believe that we will be able to push ahead with the Medium-term Management Policy steadily.

Regarding the pipelines, we are steadily working on advancing them further as we did in the past through the restructuring of the R&D organization, including open innovation.

Progress of the Medium-term Management Policy, HX2025

	(Year 1)	(Year 2)	(Year 3)		
	FYE 2021/2	FYE 2022/2	FYE 2023/2	FYE 2024/2	Targets
Net Sales	JPY 114.5 billion	JPY 120.1 billion	JPY 128.3 billion (CAGR 5.9%)	JPY 141.7 billion (CAGR 7.4%)	≥5.0% (CAGR)
Overseas Sales Ratio (Overseas Net Sales)	34.4% (JPY 39.3 billion)	34.5% (JPY 41.4 billion)	41.8% (JPY 53.6 billion)	42.8% (JPY 60.6 billion)	≥50.0%
ROE	3.7%	3.8% ✓Acquisition of 2 million treasury shares	4.7% ✓Dividend increase for 10 consecutive years ✓Acquisition of 2 million treasury shares	5.4% ✓Dividend increase for 11 consecutive years ✓Acquisition of 2 million treasury shares	≥8.0%
Growth Investment		✓Investment in GAIA Biomedicine Corporation, a bio-venture originating from Kyushu University ✓Signing of licensing agreement with RaQualia Pharma Inc.	✓Acquisition of shares of AYM HD Corporation ✓Construction of a new research institute and restructuring of research bases	✓Partial transfer of assets related to both the S-CUP® and LACALUT® brands to our company	Growth investment 150 billion yen

Measures for Sustainability

The importance of effort for improvement in sustainability-related fields, such as environmental issues, including climate change, and issues that may affect the fundamentals of our business, including human rights and human capital, is rising more and more. Regarding the functions of the Sustainability

Promotion Committee that was established in 2021, we are always promoting the improvement and enhancement with an eye to the future for integration with management.

For environmental issues, we are promoting energy management on a global basis to reduce greenhouse gases (GHG) emissions. For challenges that cannot be solved by our company alone, we are pushing ahead with more socially

effective measures, such as participation in the Smart Energy Project at Kiyohara Industry Park where our Utsunomiya Factory is located, to join projects actively in collaboration with communities or multiple companies.

In addition, we are also working on issues concerning risks on water resources and the conservation of biodiversity and ecosystems, which may also affect our business so that we can implement more specific measures. For issues related to products and services, we believe that it is important to take more advanced measures, such as “HELLO! eco!”*, based on detailed perspectives, including packages, containers and wrappers, logistics and disposal.

For a response to climate change, not only are our own proper responses to the GHG reduction in Scope 1 and 2 but also the reduction of Scope 3 impact throughout the lifecycles of products and services, ranging from the collection of raw materials to the use and disposal of the products and services, also important because the activities accounts for a

large portion of total GHG emissions.

As the company headquartered in Tosu City, Saga Prefecture, which is rich in nature unlike large cities, we believe that we would be able to present an approach from a perspective that is different from that of urban areas, and thus we will discuss and work on every environmental issue from various perspectives for seeking the best solution.

In addition, while we realize that the launch in Africa is one of the important opportunities, we need to explore measures focusing on diversity considering differences in living environment, culture, and issues that would be unexpected from a domestic perspective. At the same time, we believe that it would be necessary to build a more transparent system also for personnel affairs so that we can develop and promote a global personnel strategy.

Considering that more strict systems are being required for various issues of sustainability, we will strive to be trusted as a corporate group that takes charge of delivering a better QOL to the world.



To Our Stakeholders

The Hisamitsu Pharmaceutical Group has moved forward together with our stakeholders, overcome difficulties, and stayed close to people’s lives and lifestyles since its foundation. Though there are a number of various issues today, we will continue efforts further with our Corporate Philosophy of “Delivering a Better QOL to the World” in mind at all times without forgetting the accumulations we have built up.

In order to promote this, it is important to deepen our engagement by disclosing appropriate information and sharing it with our stakeholders. We would like to make a further effort so that we can be a trusted partner by perceiving the status of various regions fully and working together with them. In this regard, we look forward to continuing to receive your support as ever.

*A logo displayed on products that meet the eco-standards of our company. For more information, please visit <https://global.hisamitsu/sustainability/hello-eco.html>.

Value Creation Model

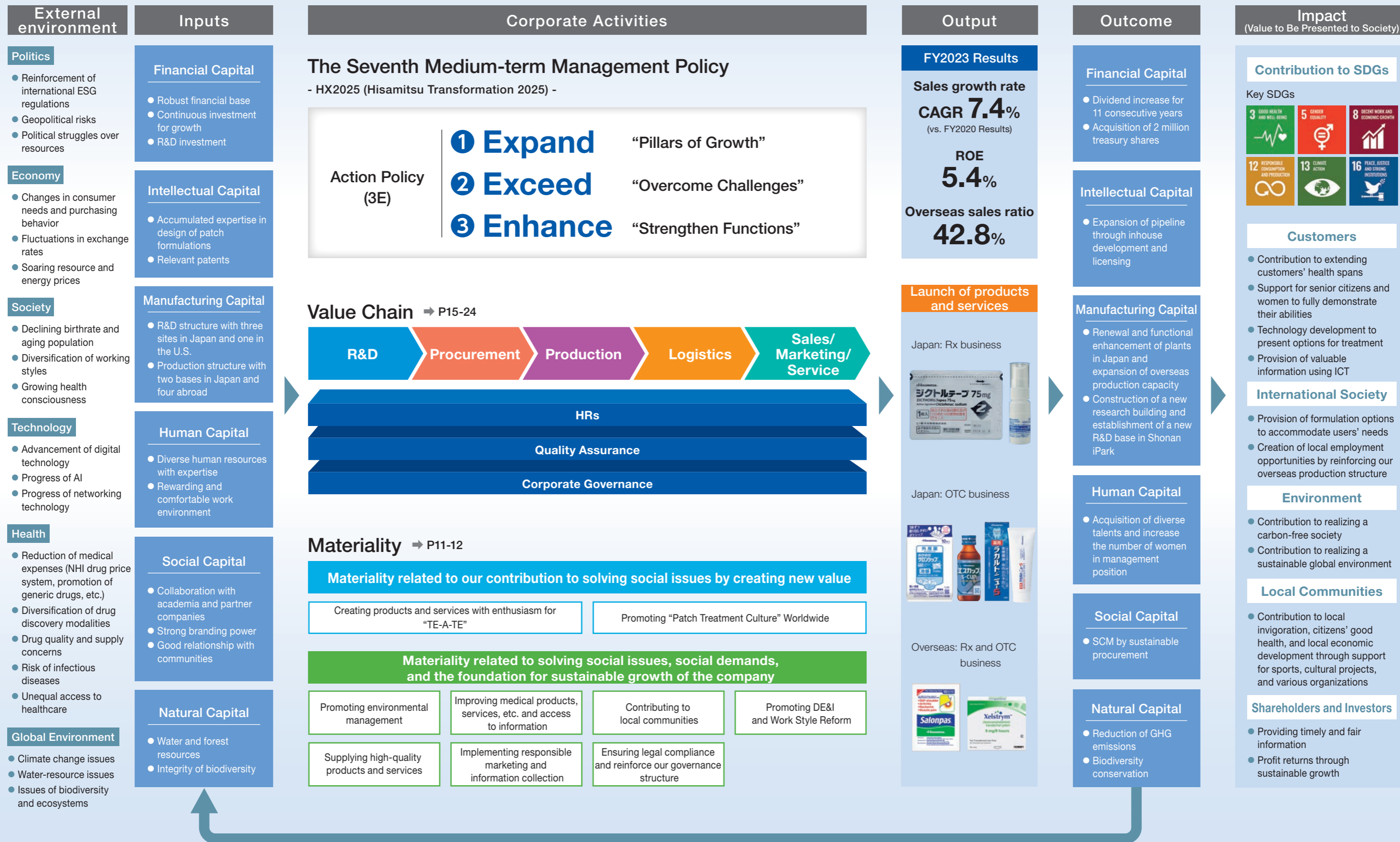
The Hisamitsu Pharmaceutical Group has established “Delivering a Better QOL to the World” as its Corporate Philosophy and To adapt to the recent rapid changes in the external environment and to meet the diversifying needs of our customers, we have “Promoting ‘TE-A-TE’ Culture Worldwide” and have been working on our business activities accordingly.

While focusing on ESG and Sustainable Development Goals (SDGs), we will proactively take on the challenge of unprecedented

strives to create value for all stakeholders, including customers and society, through its business activities.

established the “Seventh Medium-term Management Policy” and Materiality (priority issues) under our Company Mission

initiatives and realize change, with the aim of increasing corporate value and realizing a sustainable society.



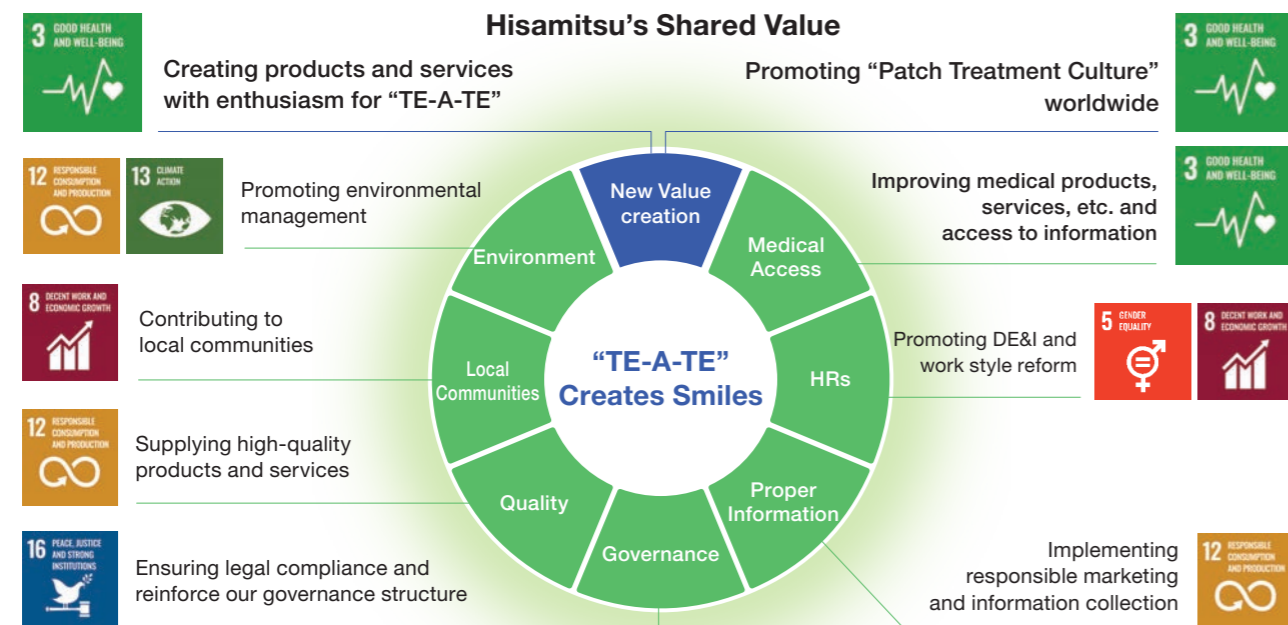
Materiality

Materiality for Hisamitsu Pharmaceutical Sustainability Promotion

To adapt to the recent rapid changes in the external environment and to meet the diversifying needs of our customers, the Hisamitsu Pharmaceutical Group has established the "Seventh Medium-term Management Policy" and Materiality (priority issues) under our Company Mission "Promoting 'TE-A-TE' Culture Worldwide" and has

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.

Hisamitsu Pharmaceutical Group's Materiality (Priority Issues)

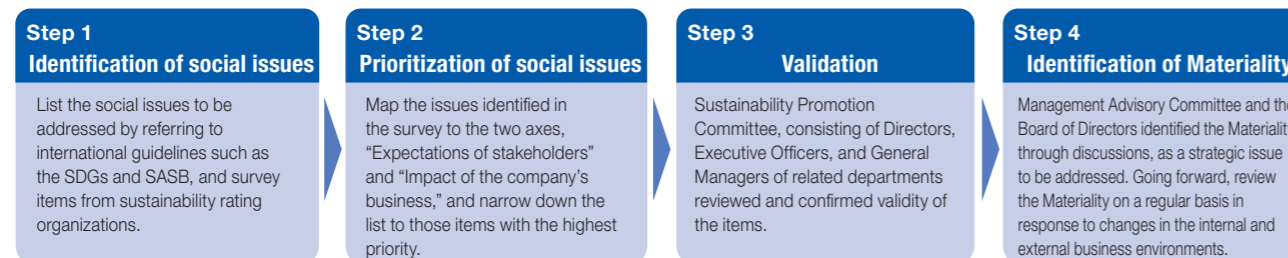


SDGs related to our materiality

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

Materiality related to our contribution to solving social issues by creating new value			
Creating products and services with enthusiasm for “TE-A-TE”	<ul style="list-style-type: none"> Development and delivery of products that meet needs other than transdermal patches Delivery of products and services that contribute to extending healthy life expectancy 	Promoting “Patch Treatment Culture” worldwide	<ul style="list-style-type: none"> Diffusion of positive effects of “TE-A-TE” through transdermal patches Development of valuable transdermal patches
Materiality related to solving social issues, social demands, and the foundation for sustainable growth of the company			
Promoting environmental management	<ul style="list-style-type: none"> Reduction of CO₂ emissions from our business activities Reduction of plastic usage and waste Promotion of sustainable procurement in supply chains 	Improving medical products, services, etc. and access to information	<ul style="list-style-type: none"> Delivery of products and services worldwide Providing means of purchasing that meet the needs Improvement in the delivery of health-related information
Contributing to local communities	<ul style="list-style-type: none"> Activities for supporting culture, sports and groups Development of products that are produced and consumed locally 	Promoting DE&I and work style reform	<ul style="list-style-type: none"> Utilization of diverse human resources Development of a satisfying work environment
Supplying high-quality products and services	<ul style="list-style-type: none"> Securement of the quality and safety of products and services Product improvement reflecting the feedback from customers 	Implementing responsible marketing and information collection	<ul style="list-style-type: none"> Marketing activities that comply with the guidelines of each country Collection of information on the proper use of drugs
Ensuring legal compliance and reinforce our governance structure	<ul style="list-style-type: none"> Improvement in the effectiveness of the Board of Directors Elimination of various kinds of harassment 		<ul style="list-style-type: none"> Penetration of compliance consciousness Response to various risks

Identification Process of Materiality



KPI Setting and FY2023 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 FY2023 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	FY2022 Results	FY2023 Results	Scope
<ul style="list-style-type: none"> 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: MOHRUS PATCH 40mg (Hong Kong), OABLOK Ex PATCH (Taiwan) OTC: 19 items (Japan: 9 items, Overseas: 10 items) Others: 19 items (Japan: 8 items, Overseas: 11 items)	Rx: APOHIDE Lotion 20% (Japan), XELSTRYM (USA) OTC: 12 items (Japan: 5 items, Overseas: 7 items) Others: 28 items (Japan: 23 items, Overseas: 5 items)	Hisamitsu Non-consolidated, overseas subsidiaries
	Expand the Number of Countries and Regions where Our Products are Sold	OTC/Others: 33 countries and regions including Japan Rx: 9 countries and regions including Japan	OTC/Others: 33 countries and regions including Japan Rx: 9 countries and regions including Japan	Hisamitsu Non-consolidated, overseas subsidiaries
	Environment- and User-friendly Drug Development (Drug development: product improvement, additional indications, etc.)	<Indication added> ZICTHORU Tapes 75mg, ESTRANA Tapes 0.72mg/0.36mg <Product improvements and others> Rx: 37 products (Japan: 34 products, Overseas: 3 products) OTC/Others: 20 items (Japan: 9 items, Overseas: 11 items)	<Indication added> None <Product improvements and others> Rx: 21 products (Japan: 21 products, Overseas: none) OTC/Others: 8 items (Japan: 7 items, Overseas: 1 item)	Hisamitsu Non-consolidated, overseas subsidiaries
	Reduction of CO₂ Emissions (Scopes 1 and 2) Reduce by 46% compared to FY2013 by FY2030. Target: All sites of the Hisamitsu Pharmaceutical Group. However, sites with little impact on the calculation of CO ₂ emissions are excluded.	Progress toward the standard for FY2022: Reduction by 24.4% Hisamitsu Pharmaceutical Group Reduction by 18.2% (compared to FY2013) Hisamitsu Non-consolidated Reduction by 30.6% (compared to FY2013)	Progress toward the standard: Reduction by 27.1% Hisamitsu Pharmaceutical Group Reduction by 17.1% (compared to FY2013) Hisamitsu Non-consolidated Reduction by 29.5% (compared to FY2013)	Hisamitsu Pharmaceutical Group
Promoting Environmental Management	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	1.5% increase in waste rate (compared to FY2020)	1.4% increase in waste rate (compared to FY2020)	Hisamitsu Non-consolidated
	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.	Reduction by 10.8% (compared to FY2020)	Increase by 15.9% in reduction rate (compared to FY2020) *The reduction rate excluding S-CUP, whose sales started in FY2023, was 18.7% (compared to FY2020).	Hisamitsu Non-consolidated
	Reduction in the Use of Plastics	—	Setting of new KPIs	Hisamitsu Non-consolidated
	Waste Plastic Recycling Rate We will achieve the waste plastic recycling rate of 65% or higher by FY2030.	Waste plastic recycling rate 99.8%	Waste plastic recycling rate 99.8%	Hisamitsu Non-consolidated
Supplying High-quality Products and Services	Sustainability Procurement Survey Response Rate To achieve 100% response rate to the Sustainability Procurement Survey by FY2025. Scope: (1) Primary and secondary suppliers for products manufactured in domestic factories (2) Primary and secondary suppliers for products manufactured in overseas factories	Response rate Hisamitsu Non-consolidated 100% Hisamitsu Indonesia 100% Hisamitsu Vietnam 100%	Response rate Hisamitsu Non-consolidated 100% Hisamitsu Indonesia 100% Hisamitsu Vietnam 100% Noven 74.1% Hisamitsu Brazil 93.8%	Hisamitsu Non-consolidated Overseas subsidiaries with production sites
	Zero Product Recalls Zero product recalls each year.	Product recalled: 0	Product recalled: 0	Hisamitsu Non-consolidated
Promoting DE&I and work style reform	Product complaint incidence Reduce product complaint incidence to 0.001% or less by FY2025.	Product Complaint Incidence: 0.0010%	Product complaint incidence: 0.0015%	Hisamitsu Non-consolidated
	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: 4.59 points	Average of 8 items: 4.69 points	Hisamitsu Non-consolidated
	Female Managers By March 31, 2024, increase to 1.5 times the ratio as of March 31, 2021.	As of March 31, 2023 Ratio of women in management positions: 7.9% = 1.25 times the ratio at the end of March of 2021	As of March 31, 2024 Ratio of women in management positions: 7.8% = 1.24 times the ratio at the end of March of 2021	Hisamitsu Non-consolidated
Ensuring legal compliance and reinforce our governance structure	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.	As of March 31, 2023 Continuous employment ratio: 48.7%	As of March 31, 2024 Continuous employment ratio: 51.4%	Hisamitsu Non-consolidated

Business Strategies

We will realize the corporate mission of “Promoting ‘TE-A-TE’ Culture Worldwide.”



Three Action Policies

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 2024, the third 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.

Regarding the impact of COVID-19 pandemic, we can see society regaining its calmness, as well as some positive signs for society and the 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,” 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.

In February 2024, consolidating our domestic research sites into a single location, we have started the operation of the SAGA Global Research Center, a new research lab that has acquired the ZEB Ready Certification, to enhance our research and development capabilities further.

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 (7.4% in the fiscal year ended February 2024), overseas sales ratio at 50% or higher (42.8% in the fiscal year ended February 2024), 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 2024 improved by 0.7% from last year and reached 5.4%. We are working on restoring sales that have declined due to the impact on the economy caused by the spread of COVID-19 and the stagnation of activities, as well as improving profitability by positioning the five years as a period for realizing transformation.

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 to 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 2024/2	4.3	5.4	9.3	80.5
Mean value over the past five years	4.1	5.0	10.3	82.1

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 2024, the year-end dividend is 42.50 yen as initially planned, and the annual dividend is 85.0 yen in total including the interim dividend of 42.50 yen. This resulted in an increase in the dividend per share for the eleventh straight fiscal year.

February 2025, we plan to pay 90.00 yen, including a normal increase of 1.0 yen and an increase of 4.0 yen commemorating the 90th Anniversary of Salonpas®, as an annual dividend per share

considering our current financial position and a stable dividend for shareholders.

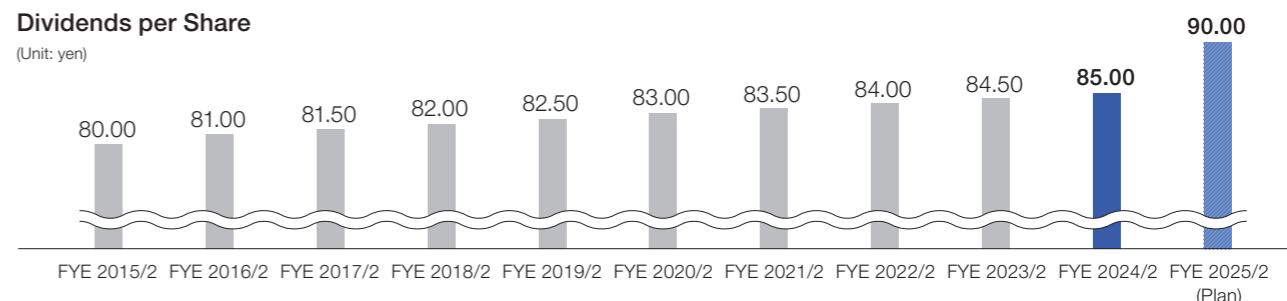
Regarding retained earnings, we will make efforts to strengthen our management foundation by investing mainly in promotion of R&D, expansion of production facilities, and expansion of overseas business.

Besides the acquisition of six million treasury shares in the past three years, we have acquired another two million four hundred thousand shares in 2024 to improve capital efficiency and return more profit to shareholders, as well as implementing flexible capital policies that meet change in the business environment.

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.

Dividends per Share

(Unit: yen)



Reduction of cross-shareholdings

We have set a target of reducing the ratio to consolidated net assets to less than 20% by the end of February 2025.

We will verify the rationality of the cross-shareholdings in the meetings of the Board of Directors held every May, comprehensively considering the qualitative verification of trading status by issue and

the quantitative verification of economic rationality of benefits and dividends from trading. For issues we judge that it is not rational to hold based on the verification results, we will discuss with the investee companies to consider reduction. And we plan to use the generated cash to fund future growth investment.

Business Strategies

Japan - Rx business



We will deliver a better QOL of patients by making effort for new product delivery and drug development and spreading drugs that meet their needs.

Executive Officer
Head of Sales & Marketing Division, RX

Mitsutoshi Tsuruta

Japan: Rx Business Strategy

As for the environment surrounding the Rx business, we expect that measures for holding down medical expenses will be continued in the future as well, including the further promotion of the use of generic drugs and additional reductions in the prices of long-term marketed products. Even in these circumstances, our Rx business in Japan is aiming to develop new formulations that meet the needs of healthcare professionals and patients.

For APOHIDE® Lotion, Japan's first treatment drug for primary palmar hyperhidrosis that was launched in June 2023, we are aiming for staying close to those who suffer from palmer hyperhidrosis through opening *the Hand Sweat Site for Everyone*, which is a website for offering information and solutions for problems with hand sweat,

and other measures.

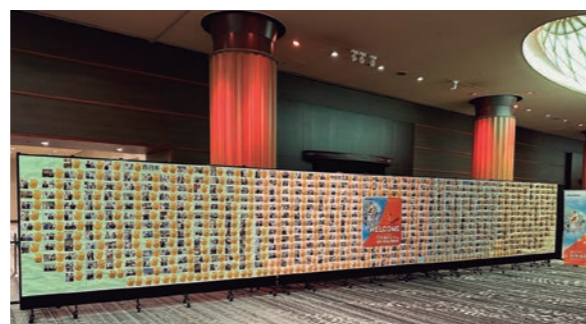
Even in the difficult business environment, we will work on the achievement of HX2025 (the Seventh Medium-Term Management Policy) by strengthening the functions of sales, production and R&D, along with driving the promotion of activities for proper use of transdermal patches, such as ZICTHORU® Tapes.

In addition, we will enhance digital marketing and promote digital transformation in line with the progress of digital technologies, including AI, as well as human resources development and collaboration with partners to strive for the development of a robust structure that can respond to social trend.

Status Quo in FY2023	Challenges to be Addressed	Major Stakeholders	Actions in FY2024
Expanded sales of ZICTHORU® Tapes	Improving the awareness of new transdermal patches	Patients/healthcare professionals, MRs	Delivering information, as well as developing human resources for that
	Response to policy trends including the revision of drug prices	Patients/healthcare professionals, those who are engaged in the pharmaceutical industry	Collecting information, and promoting collaboration with those concerned
Launch of APOHIDE® Lotion	Increasing the sales of new products	Patients/healthcare professionals	Delivering a better QOL of patients through increasing sales
	Raising awareness of treatment	Patients/healthcare professionals	Improving the awareness of curability through educational activities



On May 21, 2024, ZICTHORU® Tapes marked the 3rd Anniversary of its launch.



The photo of a giant welcome board in the lecture session targeting healthcare professionals, held for commemorating the 3rd Anniversary of launching ZICTHORU® Tapes

* For all the healthcare professionals who participated in the session, the assigned MRs wrote messages and displayed them on the board.

Sharing of Information about Primary Palmar Hyperhidrosis

Not a few patients with primary palmar hyperhidrosis have given up on it as they thought of it as a matter of constitutional condition.

It is, therefore, important to deliver information to a wide range of patients and healthcare professionals so that they can understand that the disease is curable and improve the patients' QOL. For patients, we are conducting raise awareness activities for disease through TV commercials, Web commercials, and online public lectures for citizens.

For healthcare professionals, on the other hand, we establish an education system for MRs to provide appropriate information and conduct workshops that allow healthcare professionals to simulate the patients' symptoms of primary palmar hyperhidrosis in order to promote awareness and understanding of this disease.



The Workshop for simulating the Symptoms of Palmer Hyperhidrosis



New Release Announcement



Disease Awareness on the Website



The Poster for Disease Awareness



Online Public Lectures

Consideration for the Packaging of Rx Drugs

We have striven to develop eco-friendly and proper packaging also for Rx drugs. In 2023, improvement in MOHRUS® Tapes 20mg and MOHRUS® Tapes L 40mg was recognized with the Optimum Packaging Award of Japan packaging Contest hosted by Japan Packaging Institute and the Packing Technology Award of the Kinoshita Award.

The packaging awarded this time use 80% recycled PET for the packing pouches while ensuring the same quality as the traditional pouches, which is for the first time in Rx drugs. The amount of plastic usage decreased by 15.2% by reducing the thickness of the packing pouches through changing the composition of materials. The use of this PET is expected to have an effect of reducing CO₂ by 24% compared to PET used for the conventional products. In addition, we have changed white ink used for the packing pouches to 10% biomass one. We take environmental issues and others into consideration from various perspectives.

The Kinoshita Award: It is an award program established to commemorate the achievements that Mr. Matasaburo Kinoshita, the Second Caging Institute, accomplished in the packaging industry for many years.
Japan Packaging Contest: The best works in the year (Good Packaging Award) are selected from various functional areas of materials, plan, technology, appropriateness, eco-friendliness, design, packaging for transportation, logistics, sales promotion, and ideas.



MOHRUS® Tapes L 40mg



MOHRUS® Tapes 20mg



Received the "Packaging Technology Award" of the 47th Kinoshita Award



The certificate of the Optimum Packaging Award

Japan - OTC Business



We will promote the improvement of existing products and the development of new products to drive activities for creating a new customer base.

Executive Officer
Head of Sales & Marketing Division, OTC

Masaya Okuno

Japan: OTC Business Strategy

Salonpas® has marked the 90th Anniversary of its launch in 2024. Despite a prolonged slump in the domestic market and intensifying competition among companies, it is really encouraging that our culture of "TE-A-TE" is recognized by customers. We will continue the improvement of existing products and the development of new products and make efforts at activities for creating a new customer base by capitalizing on both over-the-counter marketing and digital marketing in the future.

In FY2023, we newly launched a Salonpas Hot® pack of three and others and relaunched FEITAS® and others. In addition, we also launched other new products, such as BUTENALOCK® Medical Soap Foot & Body, which cleanses the whole body thoroughly with

its superior sterilizing power and fine lather, promoting the offering of products that meet the detailed needs of customers.

In addition, we completed the partial transfer of assets related to both the S-CUP® and LACALUT® brands from SSP Co., Ltd., in October 2023, and we announced the launch of them in new packages in March 2024.

For capturing not only domestic sales but also the inbound flow of people, change in consumers' awareness and new demands, we will enhance the drug development system through speedy coordination between the internal R&D, production and quality assurance departments, including collaboration with retailers and wholesalers, and the diversification of distribution channels.

Status Quo in FY2023	Challenges to be Addressed	Major Stakeholders	Actions in FY2024
Change in consumer trend	Trend of ethical consumption	Ethical consumers and new young adults	Promotion of marketing measures
	Marketing in line with consumers' information sources	Consumers	Establish and implement effective global strategies for digital marketing through SNS and others.
	Providing valuable information with the optimal balance between digital and real services	Patients/healthcare professionals, MRs	Delivering information, as well as developing human resources for that
	Development and information delivery relating to over-the-counter (OTC) business	Employees	Develop human resources to solve problems.
Offering of new products	Offering products in new areas	Consumers	Deepening the branding of S-CUP® and LACALUT®

Measures Targeting Ethical Consumers and New Young Adults

In recent years, citizens have been increasingly conscious about ethical aspects such as environmental issues and human rights in their consumption behavior.

We think it important not only to take some measures, such as using media and SNS to disseminate the importance of ethical consumption and specific initiatives for it, but also to promote the visualization of the effect as products to appeal appropriately through packaging and sales situations.

In order to communicate the advantage of our products directly to customers, we distribute samples at events and others.



Sample Distribution

Information delivery through various channels

In order to deliver appropriate information to the users of our products and make them feel the effects more clearly, we are delivering various

kinds of information.



Official SNS accounts



Providing information on Diseases

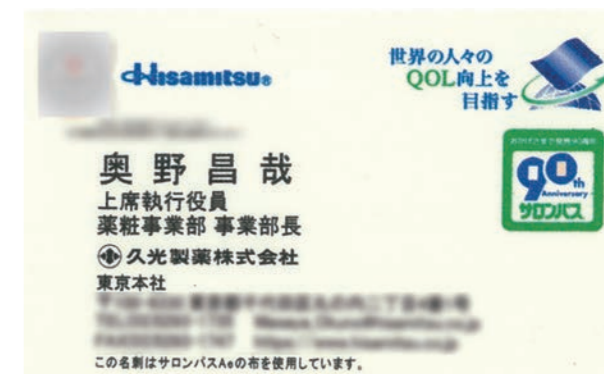
Creating 90th Anniversary Business Cards made from the cloth used for Salonpas®

Salonpas®, which was launched in 1934, has marked the 90th Anniversary of launch in 2024. This is all thanks to our many customers who have used Salonpas® for a long time.

The creation of business cards realizes the idea that a certain group came up with when working on the theme "Proposals for new initiatives in eco-friendliness" in the in-house training session.

In the process of manufacturing Salonpas®, it is inevitable that the loss of cloth occurs. Such cloth had been normally reused in the waste-to-energy process. In the group discussion to seek for any other method of using it during the training session, the technique for reusing such cloth as business cards was found. So, as one of measures for expressing our gratitude for commemorating the 90th Anniversary of Salonpas® to customers and one of projects that would lead to our commitment to sustainability and improvement in employees' awareness of eco-friendliness, we created business

cards made from cloth used for Salonpas® to commemorate its 90th Anniversary.



This business card is made from cloth used for Salonpas Ae®.

Overseas - Rx and OTC Business



In collaboration with Hisamitsu Pharmaceutical Group companies, we will seek to understand change in the market of each country, disseminate the culture of “TE-A-TE,” and pursue growth that is appropriate for the region.

Executive Officer
Head of International Division

Taro Hiramatsu

Business Strategy for Rx and OTC

As the needs and consumption behavior of customers in the New Normal era after the COVID-19 pandemic have been drastically changing, we have conducted right and proactive marketing activities with a view to change in the market of each country. As a result, we achieved the significant growth in both Rx drugs and OTC drugs on a year-to-year comparison.

In the OTC market, in particular, Euromonitor International Ltd., which is a U.K.-based global market research company, identified Salonpas® as the world's No. 1 brand for 8 consecutive years in terms of the sales share in the analgesic and anti-inflammatory patch category of the OTC market, and at the same time, it identified

Hisamitsu Pharmaceutical Co., Inc. as the world's No. 1 company for 7 consecutive years in terms of the sales share in the same category.

Continuously collaborating with Hisamitsu Pharmaceutical Group companies, we will seek to understand change in the market of each country where we are doing business, disseminate the culture of “TE-A-TE,” and pursue growth that is appropriate for the region.

In April 2024, we launched Salonpas® in Nigeria, successfully expanding into the African continent for the first time. We will aggressively expand into countries where we have not yet had a presence.

Status Quo in FY2023	Challenges to be Addressed	Major Stakeholders	Actions in FY2024
Progress in overseas business development	Business development in line with market environment	Consumers, healthcare professionals, employees in overseas markets	Implementation of proactive sales and marketing activities with a view to change in the market of each country where we have a presence
	Launch of our products in countries where we have a presence/have not yet had a presence	Relevant administrative authorities, healthcare professionals	Analyzing research findings on overseas pharmaceutical regulations and the related social environment, as well as our own data
	Accelerating the speed of our overseas expansion for Rx drugs	Partners, employees	Reinforcing alliances and strengthening the development of human resources who can support this growth as well as measures for Digital Transformation

May 18 is the Salonpas® Day

When Salonpas® was first launched (90 years ago), activities of sampling at public bathhouses for enhancing recognition and experience of use were started in order to let customers know how good the product was. No matter how we explain the product, it would be impossible to deliver all its features. One look is worth a thousand words. If you use and experience it, you can understand how good it is. In our company, sampling activities are at the center of our sales activities, called “Jissen” (literally, practical advertising). And in order to recognize it again, we conduct sampling activities on May 18 on a global basis.

Globally, there are many countries with no culture of transdermal patches. Now matter how hard we try to explain that the bestselling

transdermal patch in the world is Salonpas®, it may be hard to imagine it in countries with no culture of transdermal patches. Therefore, we think that sampling for experience is an opportunity to judge the quality of the product, and therefore we implement sampling through events other than the Salonpas® Day as well.

In the case of sampling in countries we newly launch the product, at first people sometimes say with a questioning look, “What is this?” But as the product permeates, we come to hear people saying, “I have used it,” and after that, we often come to receive a word of “thank you.” Stimulated by receiving a word of thanks more frequently, we are thankful and encouraged by the fact that our activities are making our customers happy while conducting our sales activities.



Office Building Entrance in UK.



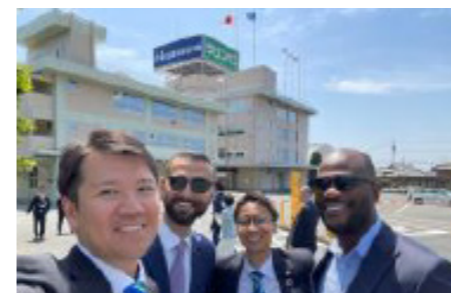
An Elderly Care Facility in Malaysia



A District Welfare Center in Hong Kong

Implementation of Various Activities for Overseas Expansion

We are promoting a wide range of activities, including information delivery using various SNS services, participation in community events, building partnerships with clients in each country, and personnel exchanges within the Group.



We invited a distributor in Nigeria to deepen mutual understanding.



We held a product briefing for pharmacists of a dispensing pharmacy group in Hong Kong.



We conducted a mobile health checkup using the “Salonpas®” car in Vietnam

Production Environment



We will establish a consistent production structure globally to improve productivity as a value chain and ensure quality management of products.

Executive Officer
Head of Production Division

Taro Ozaki

Strengthened Production Environment Supports the Medium-Term Management Policy

We recognize that the Production Division is the core of our value chain, has important roles of reorganizing domestic factories, including the restructuring of the production system and strengthening the overseas production system, and is the basis for achieving HX2025.

All the members of the Production Division understand that the mission of the Division is to ensure a stable supply of safe, secure, high-quality products to customers. To achieve the mission, it is indispensable to take both approaches of ensuring compliance with the Good Manufacturing Practice (hereinafter referred to as "GMP") and strengthening overseas production capacity for the global market. We are making efforts at promoting them.

In this context, as raw materials and energy costs continue to rise, we are working on the enhancement of our whole supply chain including procurement, production and logistics to promote the establishment of a system that is resistant to market changes.

In order to solve the challenges of the Production Division, we have created a cross-sectional team to enhance various KAIZEN activities, including line automation, introduction of Digital Transformation, and supply in the right place at the right time.

It is nothing but people who are responsible for such operational management. Therefore, we are working on raising the level of human resources through the enhancement of the human resources development programs, including those for GMP, and exchanges and information sharing between groups.

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, a comprehensive approach is required to address the issues of climate change, resource circulation, water resources, biodiversity and chemical management. Among them, 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 FY2023, CO₂ emissions declined by 29.5% (vs FY2013) thanks to our efforts, including the modal shift in transportation from trucks to ferries and trains, 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 more 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.

Status Quo in FY2023	Challenges to be Addressed	Major Stakeholders	Actions in FY2024
SAGA Global Research Center completed	Strengthening functions by integrating R&D, manufacturing and sales	Employees	Enhancing the collaboration between the production departments and R&D
Progress in the expansion of overseas business	Global standardization of production systems	Employees	Expanding of the function of Tosu Factory as a mother factory, and enhancing the collaboration between production departments
Unstable international relations	Securing stability and flexibility of raw materials procurement	Partners, employees	Building a strong relationship with partners in line with the procurement policy

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 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 we will 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



Procurement

At our procurement departments, not only do we strive to maintain 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 worries, including worries about 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 <https://global.hisamitsu/sustainability/society/society-01.html>
- Sustainability Procurement Guidelines https://global.hisamitsu/sustainability/pdf/supplychain_E.pdf



*See p. 44 for more information on Sustainability Procurement

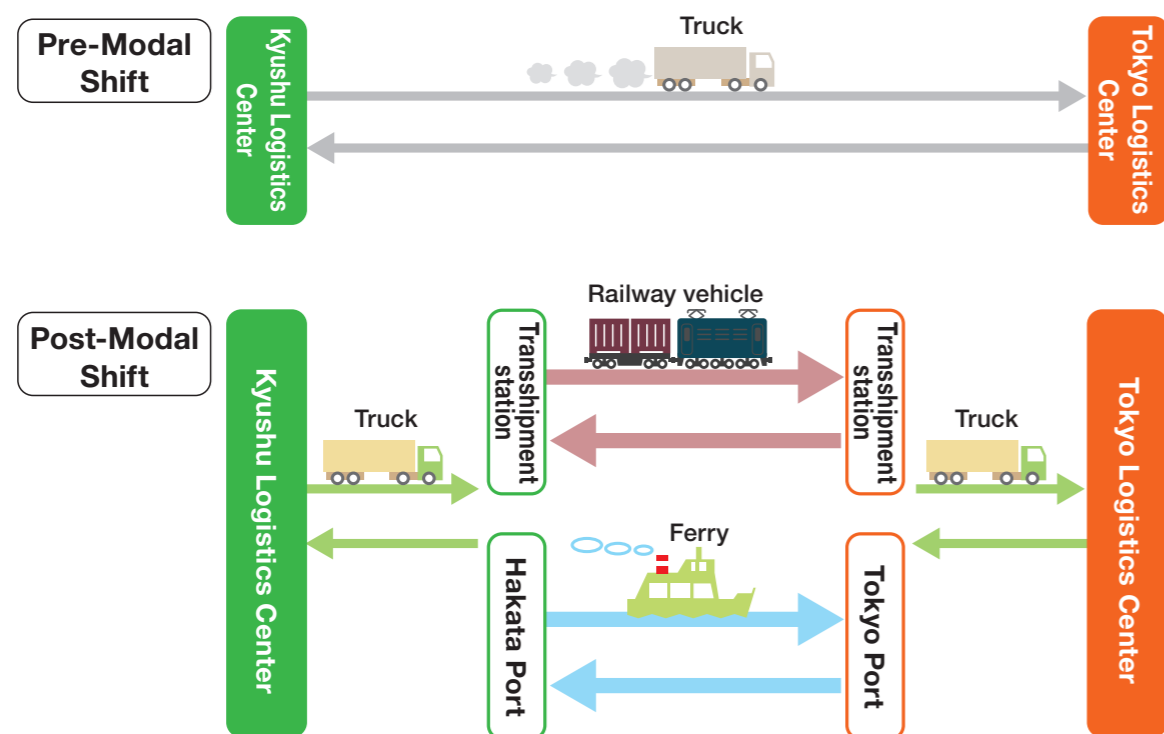
Logistics

Not only do we have logistics centers in eastern Japan (Kuki City, Saitama Prefecture) and in western Japan (Tosu City, Saga Prefecture) but we also have newly established Kansai Logistics Center (Kumiyama Town, Kuze County, Kyoto Prefecture) in April 2024, which underpin our logistics structure to maintain a stable supply of our products.

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. 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 thereby strive to raise our transportation efficiency.

Modal Shift to Rolling Stock and Sea Transportation as the Main Transportation Channel



R&D



Based on the new R&D organization, we will promote the development of formulations for the Transdermal Drug Delivery System (TDDS) and drug development in line with consideration for the environment.

Executive Officer
Head of R&D Division

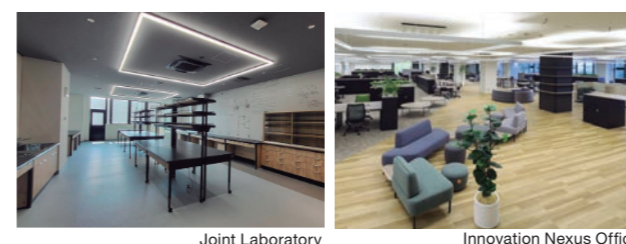
Takaaki Terahara

Operation of the New Research Lab, the SAGA Global Research Center, started

In February 2024, the SAGA Global Research Center was completed and started full-scale operation. The research functions, which had been located in Tsukuba City, Ibaraki Prefecture, and Tosu City, Saga Prefecture, in Japan before, were consolidated into the Center, aiming for improvement in the speed of development through collaboration between researchers and the maximization of the R&D function. In addition, the Center takes up the enhancement of collaboration with the production departments of the Tosu Factory, which is the mother factory of the Hisamitsu Group located near the Center as one of its important missions.



SAGA Global Research Center



Joint Laboratory

Innovation Nexus Office

[Overview]

- Consolidated our domestic research sites into a single location to speed-up research and development
- Set up a Common Laboratory to promote open innovation
- Acquired the ZEB Ready certificate*

* Reduced the building energy consumption by 53%

Building area	5,660 m ²	Start of construction	September 28, 2022
Total floor area	23,290 m ²	Completion Date	February 29, 2024

Development of a New R&D Organization

The main mission of R&D Division is to bring new products into the market and to develop existing products (additional indication, product improvement). In order to achieve the Seventh Medium-term Management Policy and solidify the future potential of Hisamitsu Group, we are restructuring the former R&D organization into a Group R&D organization centered on SAGA Global Research Center.

For the R&D organization, we reorganized the former research departments into five units. With this reorganization, we will promote R&D more efficiently, ranging from basic research to development and tests, including support for various modalities.

For global expansion of the Group, we will seek to promote flexible development in line with the trend and legal restrictions of each country or market, mainly led by the SAGA Global Research Center.

In addition, we have also established a structure for managing intellectual properties strategically by proceeding with collaboration with parties concerned at Shonan Health Innovation Park and promotion of open innovation.

5 units for Enhancing R&D

R&D

- Frontier Research Unit of R&D Division
- Lead Research Unit of R&D Division
- Formulation Design Unit of R&D Division
- Analytical Research Unit of R&D Division
- SETT Research Unit of R&D Division
(SETT: an abbreviation for SDGs, ESG, Tech Transfer)

“Promoting ‘TE-A-TE’ Culture Worldwide” with TDDS Technology

A microneedle is among the new technologies of TDDS. It is a new drug delivery system with an immediate effect and less invasiveness at the time of administration, which has not ever been achieved in the conventional dosage form. In the early phase II trial of the microneedle-type tranquilizer HP-6050, a placebo-controlled double-blind trial was conducted on patients with delirium, vibrational excitation, or irritability. As a result, its effectiveness was verified, and no side effect was observed that could cause safety issues in the development. On the other hand, making use of the pleasant stimulation sensation of the microneedles on the skin, we are also proceeding with the development of microneedles for cosmetic use. These developments are being prepared for commercialization with a view to partnership with other companies.

We have provided products for various diseases, including the treatment drug for primary palmar hyperhidrosis APOHIDE® Lotion, the transdermal treatment drug for overactive bladder NEOXY® Tapes, and the transdermal treatment drug for allergic rhinitis ALLESAGA® Tapes.

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 are conducting R&D activities based on the needs of healthcare communities, mainly focusing on the development of transdermal patches.

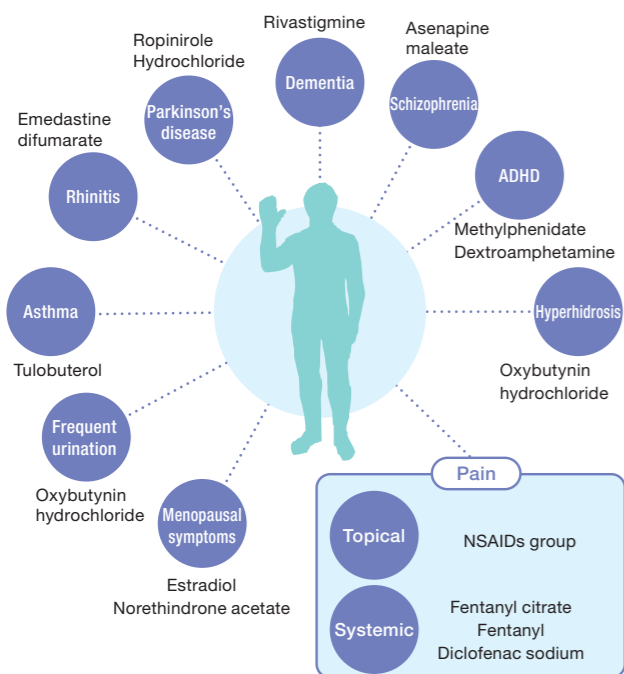
For Rx drugs in the United States, we have proceeded with the development of a transdermal analgesics and anti-inflammatory drug HP-5000 (the generic name: Diclofenac sodium) for the indications of osteoarthritis of the knee; however, in order to accelerate the overseas expansion of ZICTHORU® Tapes, we will newly promote the clinical development of HP-3150 (the generic name: diclofenac sodium) in the United States in place of the said development as an analgesic to meet the indications of chronic back pain. XELSTRYM™ (development code: d-ATS, the generic name: d-amphetamine), a transdermal treatment drug for attention-deficit hyperactivity disorder, newly received approval on March 22, 2022, and began the sales in the United States on June 5, 2023.

Research & Development Pipelines

Stage	Theme	Target	Dosage Form	Characteristics	Next Step
1	HARUROPI® PATCH (HARUROPI® Tapes)	Asia	Patch	Parkinson's disease	To be launched in FY2025
2	HP-3150US	US	Patch	Chronic back pain	Scheduled to start Phase 3 in FY2026
3	HP-6050	Japan	Microneedle	Delirium, psychomotor excitement, irritability	Scheduled to start late Phase 2 in FY2025

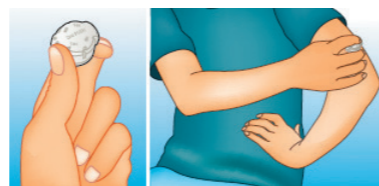
as of October, 2024

Expansion of Target Diseases for Hisamitsu TDDS



Microneedle Technology

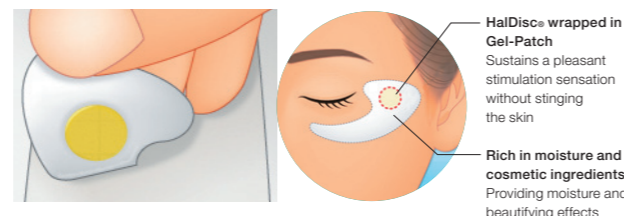
HalDisc® Technology (Pinhold-shaped microneedle technology)
Realization of macromolecular drugs that are treated as injectable drugs such as vaccines, offering easy self-medication by anyone



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



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



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

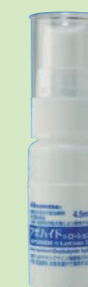
In the improvement of drugs, we have continuously worked to choose the size and shape fit for the purpose and reduce the frequency of use of drug products in order to improve QOL of our customers, mainly based on customer opinions (needs), the latest manufacturing technologies, and our research and development 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 work actively on the improvement of our products into ECO ones with the purpose of reducing CO₂ emissions and impact to the environmental circulation. 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.

Development cases

APOHIDE® Lotion

The first therapeutic 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
Contents: 4.5 mL

ZICTHORU® Tapes

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



Pain Area / Patch 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.

(Marketed by Kyowa Kirin Co., Ltd.)



Neurology / Patch size: 5.33 cm² (23.2 mm × 23.2 mm)

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.

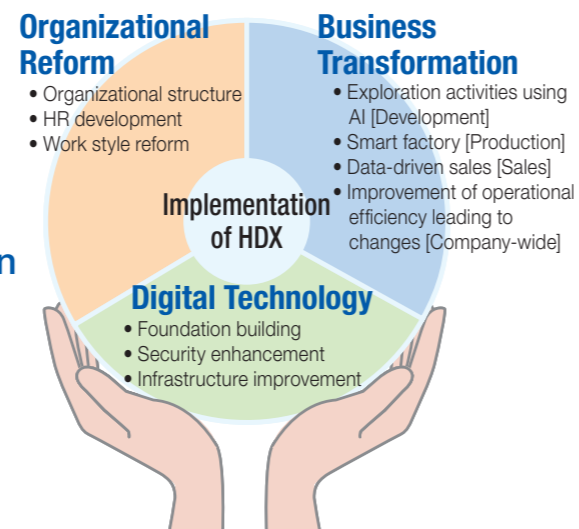
*ICH-GCP: International GCP Guidelines on the practice of clinical trials and clinical studies agreed at the Japan, the U.S. and EU ICH (International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use).

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.



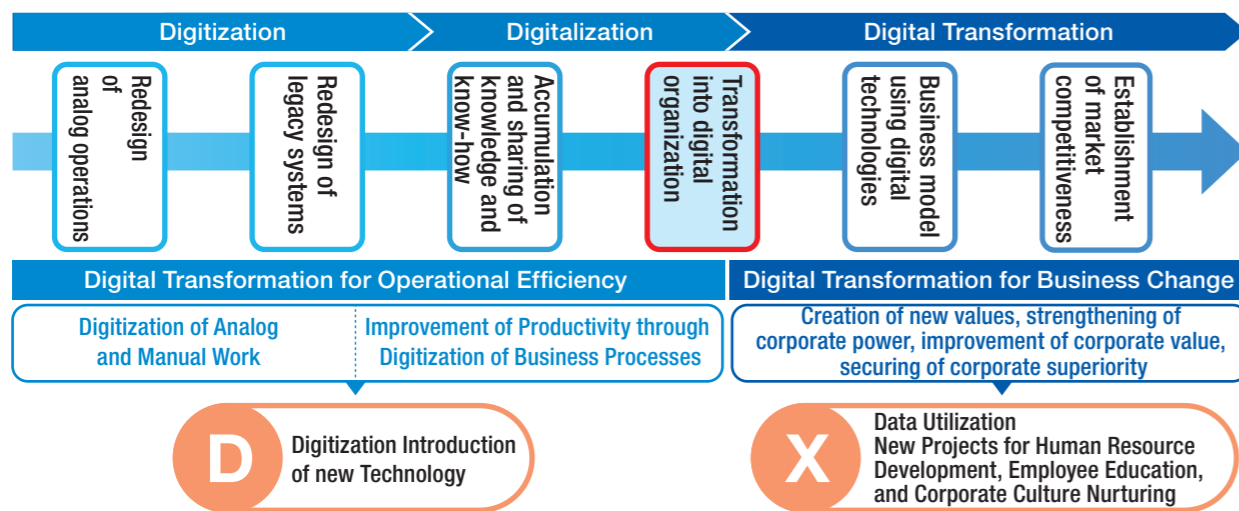
Basic Policy for Digital Transformation

HDX for customer (Hisamitsu Digital Transformation for customer)

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

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.



Acquisition of Digital Transformation Certification

As a result of being recognized as being prepared for the promotion of digital transformation because we meet the basic points of the Digital Governance Code, such as publicizing a management vision, a business model, and strategies of utilizing digital technologies, as well as a system for them and measures for arranging the utilization environment, and promote cybersecurity measures, we have acquired the Digital Transformation Certification.



Development of Digital Transformation human resources

We work on the development of Digital Transformation human resources with two core pillars: (1) Raising the level of digital literacy of all employees and (2) Developing Digital Transformation Leaders in each department. In order to raise the level of digital literacy of all employees, we have started the campaign for the recommended acquisition of IT Passport certification, and more than 130 employees have passed the examination, which exceeds our projection. We have also held HisamitsuDX Channel 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. In addition, in order to foster digital transformation leaders, we hold the HDX Human Resource Development School, and around 40 employees have completed it as planned.



The scene of holding the HDX Human Resource Development School

Initiatives to develop Digital Transformation human resources

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

Development of Digital Transformation Projects and Realization of Key Elements

In order to realize results from digital transformation, we have developed digital transformation projects from difficulties and what to realize in each division. Furthermore, we review and update the difficulties and what to realize on a regular basis to add new digital transformation projects. We also determine the direction of efforts for

Digital Transformation by value chain for consistent promotion. Through the realization of key elements by putting each digital transformation project into a concrete shape, we are making progress toward achieving HX2025.

Efforts for Digital Transformation by Value Chain

- R&D:** The work on the digital transformation of the new lab for identifying hidden gems by AI and optimizing manufacturing conditions in parallel with the projects for operational efficiency and productivity improvement.
- Production:** The work on the visualization of factories and the labor saving of operation lines, aiming for smart factories.
- Sales:** The work on the establishment of the basis for expanding sales by visualizing data and developing analysis environment in all the Sales & Marketing Division, RX, Sales & Marketing Division, OTC, and International Division.

Key elements

- Improvement of customer satisfaction
- Improvement of employees' productivity
- Reduction of expenses and costs
- Increase in sales and profits
- Improvement of employee satisfaction
- Enhancement of pipelines

Medium-term Management Policy - HX2025 -

- CAGR: ≥5.0%
- Overseas sales ratio: ≥50.0%
- ROE: ≥8.0%

Digital transformation projects are developed by screening difficulties and what to realize in each division

Progress in Initiatives for Digital Transformation Promotion

Since we set up the Digital Transformation Promotion Department and the Digital Transformation Promotion Committee in 2022 to scrutinize internal and external situations as well as internal issues and gather information on and explore various technologies, our digital transformation has been being materialized further. Digital transformation projects prepared in each division are also managed comprehensively. For digital transformation projects, utilization of AI in R&D activities and cameras in production processes has started, which improves operational efficiency and contributes to improvement in productivity. In addition, since we received the assets of S-CUP®

and LACALUT®, we have developed a new system environment in order to establish different sales channels from the past. Considering this movement, we think it will be important to update initiatives for digital transformation on a steady basis in the future as well. For human resources development, we are working on improvement in the digital literacy of employees through the campaign for the recommended acquisition of IT passport certification and the HDX Human Resource Development School. We will continue to strengthen the Digital Transformation initiatives throughout the Company.

Hisamitsu Pharmaceutical Group's Commitment to Sustainability

The Hisamitsu Pharmaceutical Group has established "Delivering a Better QOL to the World" as its Corporate Philosophy and strives to create value for all stakeholders, including customers and society, through its business activities. We think that value creation will enable us to realize sustainability for all our stakeholders.

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 service 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.

Sustainability Promotion Committee

Role: Deliberating on basic policies on sustainability, and important issues as an advisory body to the President & CEO

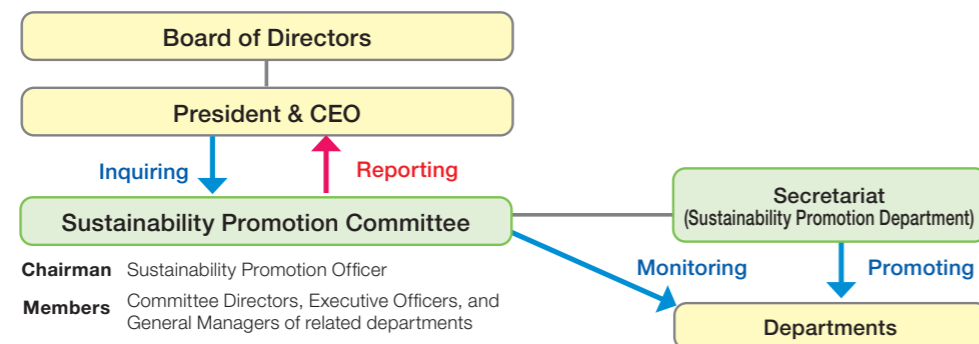
Chairman: Sustainability Promotion Officer

Sustainability Promotion Members:

Committee Directors, as well as Executive Officers, and General Managers of related departments

Schedule: Held every quarter in principle, reporting deliberations to the Board of Directors on a regular basis

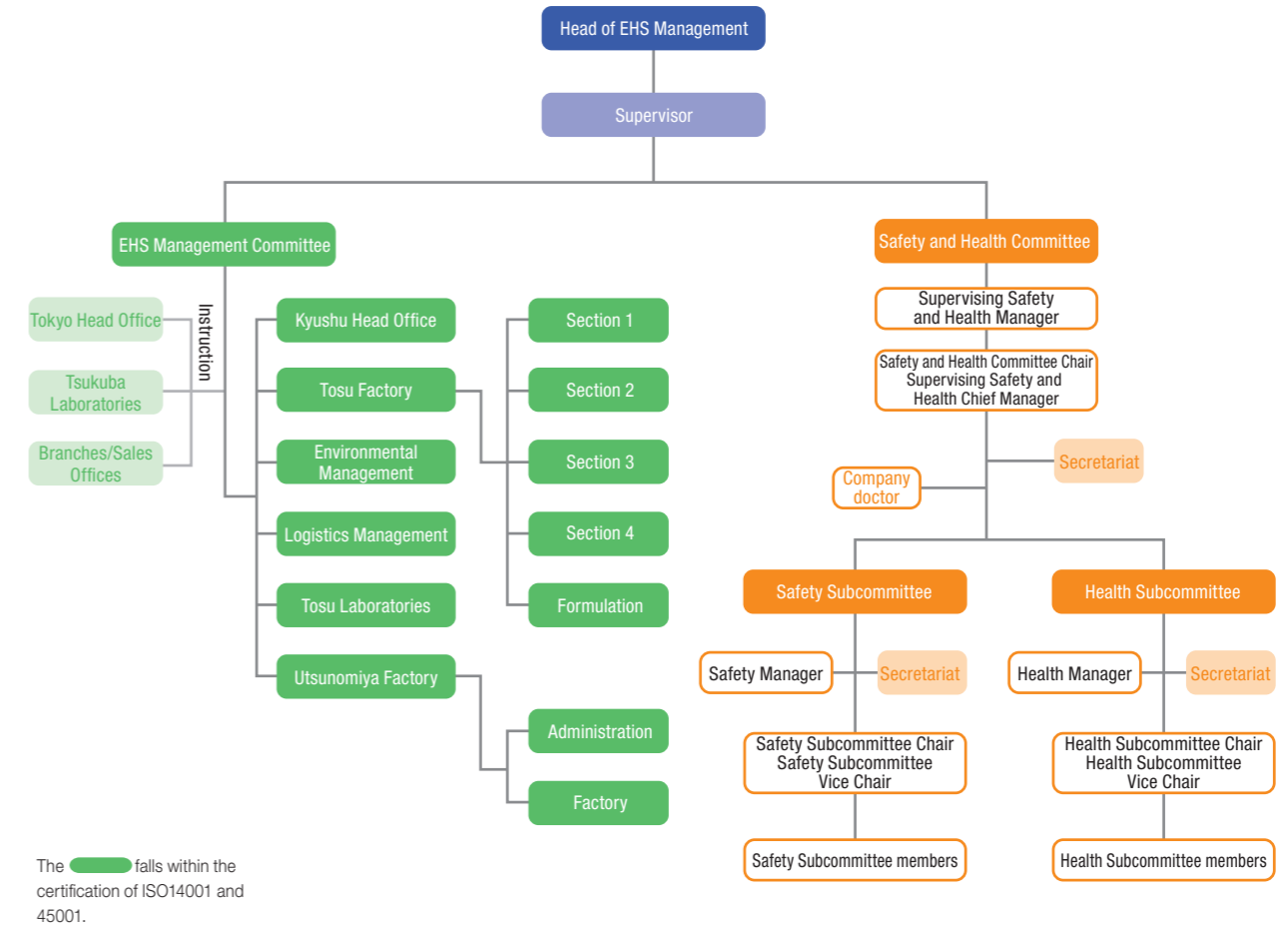
Sustainability Promotion Structure



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.

EHS Management Structure



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.

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.

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 established 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 Corporate Philosophy "Delivering a Better QOL to the World," as an important management issue.

EHS Targets and FY2023 Results

EHS Policy	Objective (Mid-Term Target) (FY2024)	FY2023 Annual Target	FY2023 Major Results
Reduce Resource Use	(1) Promote resource saving in accordance with the themes of KAIZEN activities. (2) Promote effective use of water resources.	(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 22 themes that led to resource conservation, such as reduction of product loss. (2) The usage of water resources was surveyed, and it was confirmed that there was no wasteful use.
Reduce Energy Use	(1) Reduce specific energy consumption at the Kyushu Head Office and the Utsunomiya Factory by at least 3% from the FY2022 results. (2) Reduce CO ₂ emissions by 35% from the FY2013 result. (3) Promote enhancement of energy efficiency.	(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 [t-CO ₂] from the FY2013 result. (3) Promote enhancement of energy efficiency.	(1) The specific energy consumption at the Kyushu Head Office and Utsunomiya Factory decreased to 98.9% compared to the FY2022 results. (2) CO ₂ emissions decreased by 29.5% compared to the FY2013 results. (3) The renewal of chillers in the A-5 building, replacement with highly efficient air-conditioners, and the use of LED lighting were proceeded.
Reduce Waste Generation	Reduce waste in accordance with the loss reduction theme of KAIZEN activities.	Carry out activities in accordance with this fiscal year's loss reduction theme of KAIZEN activities.	Activities were carried out in accordance with 15 themes that lead to waste reduction, including loss reduction in plants.
Green Procurement	Use raw materials, building materials, equipment, and transportation services with less environmental impact.	(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) Continued to implement a modal shift. (3) Inspected whether our manufacturing contractors operated in consideration of the environment, safety, and health and thereby confirmed their circumstances.
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.	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.
Development of Environmentally Friendly Products	(1) Assess environmental impact in the process of product R&D, and promote development of environmentally friendly products. (2) Promote environmentally friendly product specifications (HELLO! ecol).	(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! ecol).	(1) Conducted two assessments during the R&D process of products that led to reduce environmental impact. (2) Changed PET used for drug packaging PET to recycled PET for two items.
Conserve Environment in Local Communities	Promote environmental conservation activities in local communities and biodiversity conservation.	(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 environmental organizations through the Hisamitsu-Hot-Heart Club.
Continuously Improve Environment Safety and Health Management Systems	Improve the operations and efficiency of the EHS management system.	(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 June and February).
Prevent Occupational Accidents	To prevent occupational accidents, risk management is promoted through identification of hazardous sources and risk assessment. (Zero lost worktime injuries for four days or more)	(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.
Ensure Employees' Good Health and Establish a Safe Workplace Environment	Promote employees' good mental and physical health and the establishment of 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.
Promote Education and Training on Environment and Health and Safety	Conduct education and enlightenment activities on environment and health and safety in a proactive and systematic manner in order to raise employee's awareness.	(1) Conduct training on safety and health management in a systematic manner. (2) Conduct environmental education in a systematic manner	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.

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).

Hisamitsu Pharmaceutical Group's Environmental Policy

1. We will build an environmental management system and set medium and long-term environmental goals to promote environmental conservation activities.
2. We will promote environmental conservation activities that comply with environmental laws, regulations, agreements, and voluntary standards of the countries and regions where we operate.
3. We will promote resource and energy conservation and work to reduce greenhouse gas emissions in order to contribute to the prevention of global warming.
4. In addition to working to create environmentally friendly products, we will also engage in environmentally friendly activities in all of our business activities, including research, development, procurement, production, distribution, and marketing.
5. We will strive to effectively use limited resources, prevent pollution, reduce waste, and recycle resources, thereby contributing to the conservation of biodiversity and the creation of a recycling-oriented society.
6. We will require our suppliers to understand and comply with our Sustainability Procurement Standards for Suppliers to promote environmental conservation activities throughout the supply chain.
7. We aim to raise the awareness of environmental conservation among all employees through environmental education, training, and awareness activities.
8. In addition to proactively disclosing environmental information, we will strive to communicate and build relationships of trust with stakeholders through participation in and support for environmental conservation activities in local communities.

Governance

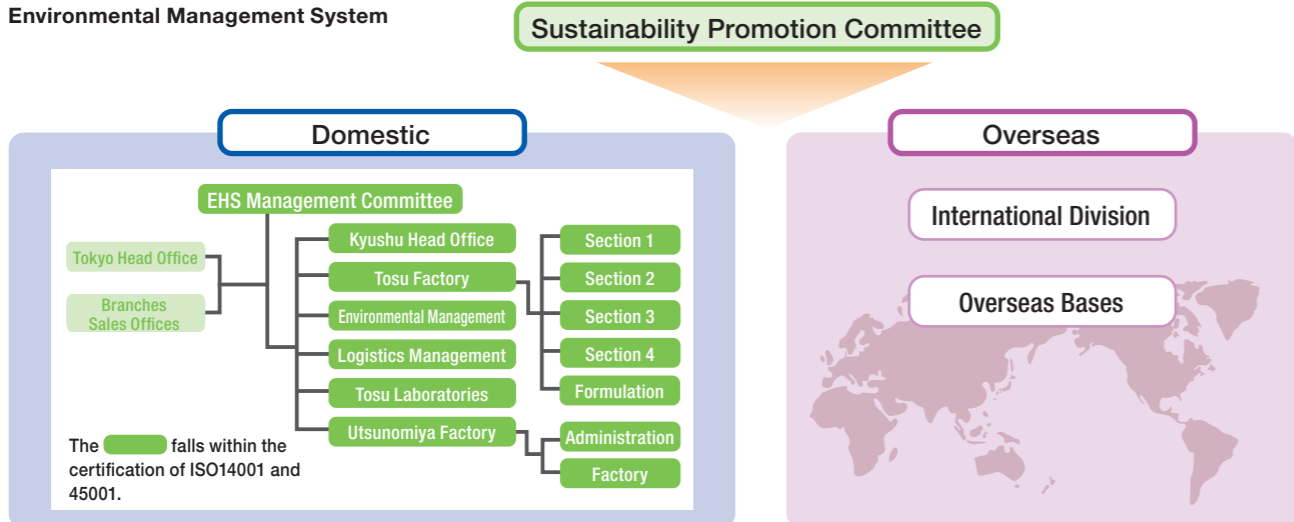
In order to supervise environmental issues appropriately in the Board of Directors, the Sustainability Promotion Committee, which is an advisory body to the President & CEO, deliberates on environmental issues, including climate change, and makes a report to the Board of Directors.

Environmental Management

Domestically, the EHS Management Committee plays a main role in implementing assessment and evaluation at each base to identify risks and opportunities. An action plan that sets a target for each fiscal year is established to promote related measures.

For overseas sites, under the management of the International Division, appropriate actions are promoted at each site in accordance with the laws and regulations of each country.

Environmental Management System



Environmental Strategies

For environmental risks and opportunities, the 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,

in line with the TCFD disclosure framework.

Regarding climate change, although there are risks associated with the carbon tax and natural disasters, opportunities were identified in terms of increased demand for environmentally friendly products.

Risk / Opportunity	Importance Evaluation		Targets	Measures	
	Business Impact	Time Axis			
Risks	Impact of the Introduction of a Carbon Tax	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.
	Impact on Raw Materials in Association with a Rise in Temperature	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.
	Natural Disasters (Impact on the Supply Chain)	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.
	Response to Decarbonization Technology	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.
Opportunities	Expansion of Demand for Environmentally Friendly Products	The lack of progress in environmentally friendly product development makes us unable to respond to changes in consumer needs. As a result, the market share declines with a decrease in our sales.	Medium-term	Promotion of development of environmentally friendly products	We will promote the development and introduction of environmentally friendly products.
	Resilience	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.
		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.
		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.

Risk Management

We recognize environmental issues, including climate change, as important management issues, and the Sustainability Promotion Committee examines them in more detail. Specifically, after identifying and evaluating risks and prioritizing them, each department that works on the promotion incorporates sustainability initiatives into action plans. In addition, the Sustainability Promotion Committee monitors

the action plans. The impact of identified sustainability-related issues is reported and proposed by the Sustainability Promotion Committee at a Board of Directors meeting, and the impact of sustainability-related issues is integrated into the company-wide risk management system.

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 FY2023 performance was a 29.5% 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.

Indicator	Targets	Results
CO ₂ emissions (Scopes 1 & 2)	FY2030: Reduce CO ₂ emissions by 46% (compared to FY2013) FY2050: Achieve net zero CO ₂ emissions	Hisamitsu Pharmaceutical Group: 34,439 t Hisamitsu Non-consolidated: 22,468 t Reduced by 17.1% (compared to FY2013) Reduced by 29.5% (compared to FY2013)

Actions Related to Climate Change in FY2023

Social issues related to climate change is increasingly becoming important every year. Hisamitsu Group assesses the environmental impact of the processes of R&D, production and sales, and takes appropriate actions in all the areas of Scope 1, 2, and 3, including the reduction of such impact in our value chain to help realize a rich global environment.

For Scopes 1 and 2 to be managed within our Group, we develop a specific plan from a mid-term perspective and introduce measures for it, as well as reviewing the progress every fiscal year and exploring new risks and opportunities to update the plan on an ongoing basis.

For the production sites, we develop an investment plan based on a common management tool so that we can promote management as the Group and implement it after deliberation and approval of the Board of Directors.

Examples of specific activities in FY2023

In FY2023, we introduced renewed equipment in air conditioning, lighting and thermal systems.

At the Utsunomiya Factory, a centrifugal chiller, which uses electricity, and an absorption chiller, which uses steam, are installed as a heat source for chilled water production. Generally, the centrifugal chiller is mainly used, but it is switched to the steam absorption chiller during times of day when the steam supply capacity is available, mainly in summer to reduce power usage.

As for the installation of the NAS battery system at the Tosu Factory, it needed renewal. Examining the reduction of CO₂

emissions, we removed it. The removal led to reducing power usage without undermining the leveling of electrical energy use in connection with the current electricity supply system, resulting in reduction of power purchase by 889 Mwh, which is converted to CO₂ reduction of 361.8 t-CO₂.

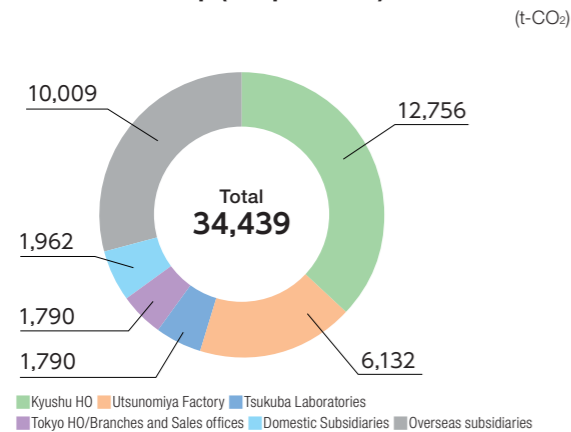
Key Measures in FY2023

	Tosu Factory	Utsunomiya Factory	Noven	Vietnam	Brazil
Air conditioning Equipment	●		●		
Lighting	●	●			
Heat Source	●	●		●	
Transportation Service	●				
Operational Control	●	●			
Other	●	●			●

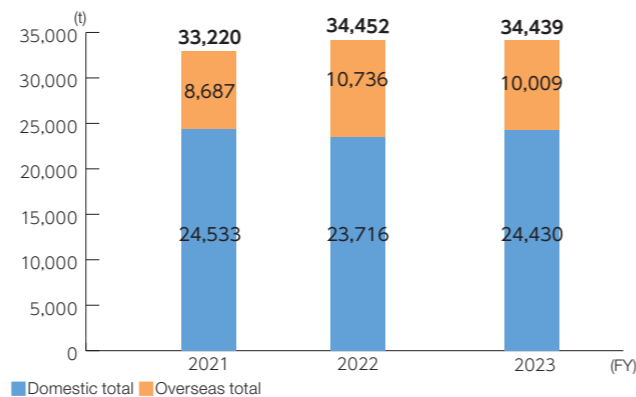
Efforts to Go Paperless within the Company

We are making efforts to go paperless across the company by minimizing paper use for the reduction of environmental burden and using IT (digitization). In FY2023, the efforts resulted in reduction by around 69% in value terms and around 46% in terms of the number of sheets compared to FY2019, respectively. We will continue to promote paperless operations in the future.

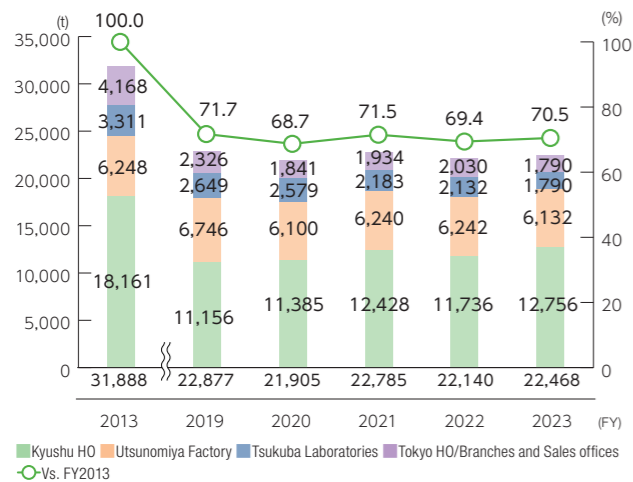
CO₂ Emissions from Hisamitsu Pharmaceutical Group (Scopes 1 & 2)



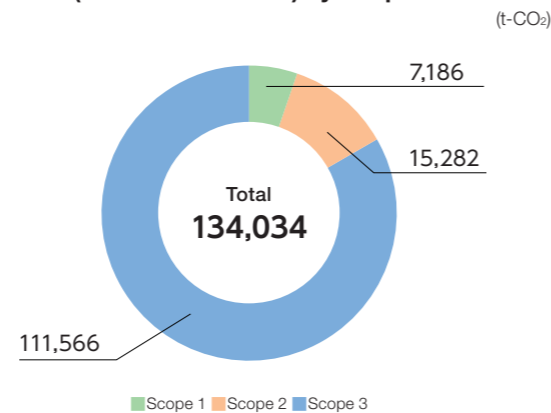
CO₂ Emissions of Hisamitsu Pharmaceutical Group



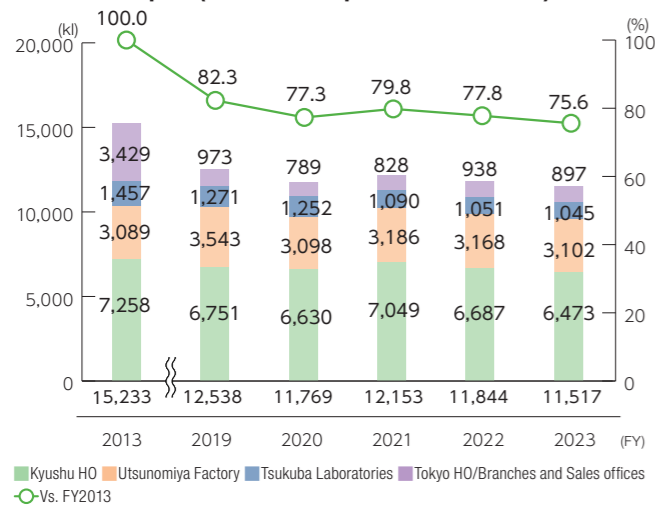
CO₂ Emissions of Hisamitsu Pharmaceutical (Non-consolidated) by Business Site in Japan



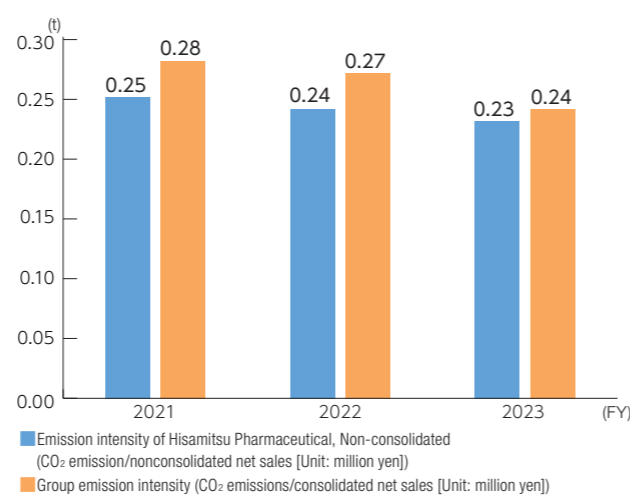
CO₂ Emissions of Hisamitsu Pharmaceutical (Non-consolidated) by Scope



Change in the Energy Usage of Hisamitsu Pharmaceutical (Non-consolidated) by Business Site in Japan (Crude Oil Equivalent Value: kl)



Change in CO₂ Emission Intensity per Unit of Sales in the Hisamitsu Pharmaceutical Group



Water Resources Management

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

Response to water risks

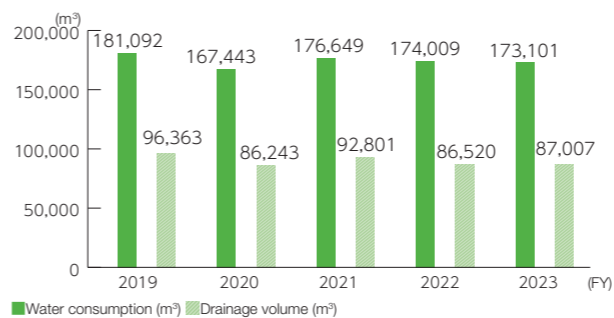
In the Hisamitsu Pharmaceutical Group, an assessment of water stress, which is an indicator of water scarcity, was conducted on domestic and overseas production sites and R&D sites using WRI Aqueduct*, which is a tool for assessing the water risks around the world. As a result, we verified that there was no site that was evaluated as "High" or "Extremely high" in water stress. (As of August 2024)

There were also no sites where water restrictions or problem caused by water scarcity occurred, so we recognize that there is no urgent water shortage risk.

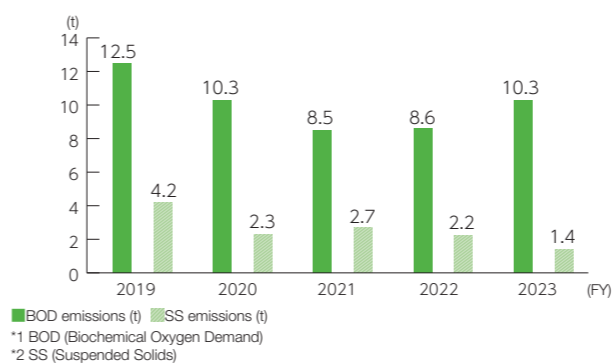
We will continue to assess water risks and work on the efficient use of water resources and the reduction of water usage.

*A tool for assessing water risks provided by the World Resources Institute (WRI)
[Aqueduct | World Resources Institute \(wri.org\)](https://www.wri.org/aqueduct) (External link)

Water Consumption and Drainage Volumes



Discharge Volume of Water Pollutants (BOD¹ and SS²)



¹BOD (Biochemical Oxygen Demand)
²SS (Suspended Solids)

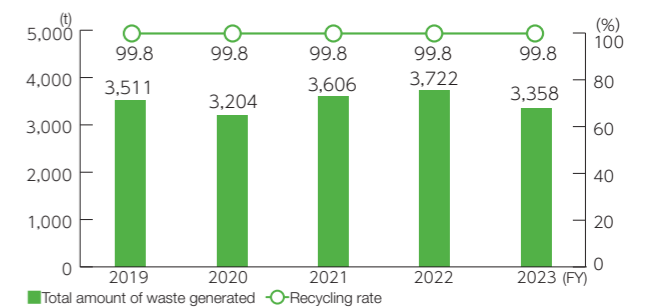
Evaluation of Water Stress Using WRI Aqueduct

Water stress level	Base
Low (<10%)	Hisamitsu Brazil
Low – Medium (10 - 20%)	Tosu Factory, SAGA Global Research Center, Noven, Hisamitsu Vietnam, Hisamitsu Indonesia
Medium – High (20 - 40%)	Utsunomiya Factory
High (40 - 80%)	N/A
Extremely High (>80%)	N/A

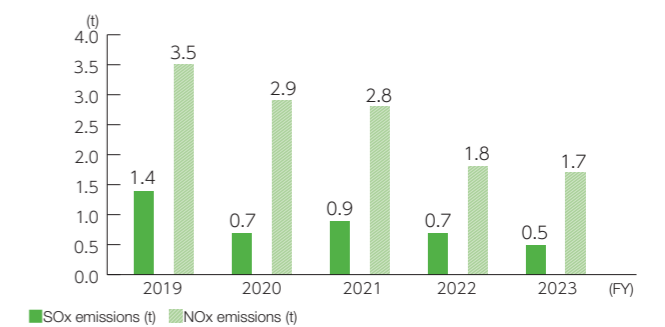
Resource Recycling

We think that we should fully consider the effective use of limited resources in business management. We promote the reduction of resource input, waste recycling, and the use of renewable raw materials as well as striving for pollution alleviation and the proper management of chemicals.

Total Amount of Waste Generated and Recycling Rate



Emissions of Air Pollutants (SO_x and NO_x)



Biodiversity

Some raw materials used for our products are derived from natural resources. In terms of sustainable procurement of raw materials, we think the conservation of ecosystems, including biodiversity is important.

Society

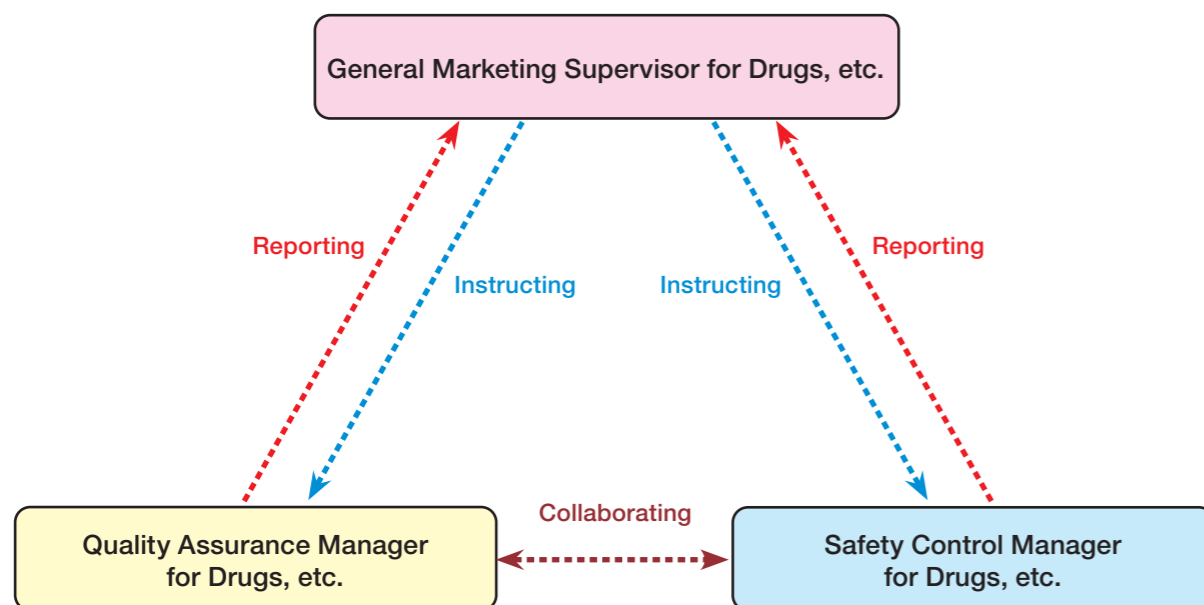
Bonds with Customers

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 quasidevices.
 *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.

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. For the SAGA Global Research Center, we also plan to gain accreditation as an animal testing facility in the future.

Activities at 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

Halal* Certification

Hisamitsu Pharmaceutical operates businesses in Indonesia, Malaysia, and other countries and regions where many Muslims live.

In our subsidiary Hisamitsu Indonesia, in order to ensure that the halal guidelines in Indonesia are followed, and 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 region.

*Halal: What is legal under Islamic law



Sales activities at drugstores



Activities for delivering information for promoting appropriate use



Distribution of samples in Saga Sakura Marathon

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.

Strategies for Human Resources

Securing Human Resources

We will conduct recruitment activities for both new graduates and mid-career workers with the keywords "diversity," "global," and "job" as our challenge to respond to the changing environment within the company and the increasing mobility resulting from the development of diverse workstyles. We will continue to review our working environment within the company on an ongoing basis.

Policy for HR Development

Important keys to realizing our management strategy are how we can spread the culture of "TE-A-TE" to people around the world and how many ideas we can generate. In order to do so, we need human resources who are able to listen to customers' voices, see issues as their own, and present and try specific solutions. Therefore, the basis of our human resource strategy is the development of human resources who can care about others and the development of human resources who see our duties as their own. In addition, considering the business expansion and the globalization of the supply chain, we will work on developing the organization into one that accumulates knowledge, experience, and skills in the global field to overcome hurdles that were previously insurmountable.

Challenges and Direction of Human Resource Development

Based on the policy for human resource development under our management strategies and our current situation, we recognize the following points as important issues.

(1) Expand

Discovering and training human resources for the next generation of leaders who want to play an active role globally for overseas expansion of our products including Salonpas®.

(2) Exceed

Establishing a basis for improving each employee's job satisfaction because it is indispensable to attract and engage diverse human resources and move them to solve challenges on their own so that we can grow sustainably.

(3) Enhance

Fostering an organizational culture that embodies the spirit of "TE-A-TE" in all of our business activities, and securing and developing human resources with specialized skills (R&D, manufacturing, sales) and human resources who plan and promote value maximization through digital application and utilization.

Ideal Character		Expected Actions	Effect of Actions
<ul style="list-style-type: none"> Love to take on new challenges Empathize with the thoughts of the Company and accomplish them Want to play an active role globally 	Value Creation	Always seeking for products and services overflowing with the spirit of "TE-A-TE" that are demanded by people across the world.	Necessary knowledge, experience, and skills are proactively mastered.
	Career Autonomy	Thinking about what to do and what to achieve through work and taking actions for all employees.	Challenges taken on for self-fulfillment realize exponential growth.
	Organizational Co-creation	Uniting human resources of high motivation into one team to solve social issues.	Fruitful results are reaped by people across the world, our employees and our company.

Major Efforts for HR Development

We are providing various opportunities for HR development from the perspectives of the organizational culture to be fostered, the personality of each employee, and the organization structure.

Activities for Fostering an Organizational Culture

As a symbolic activity for promoting "TE-A-TE" culture worldwide, we are working on the company-wide activity in which our employees hand our products (samples) directly to customers in the presence of a pharmacist at various sports events for the purpose of getting people to experience of our products. We will continue this activity in the future as an important opportunity for HR development where employees can come in contact with customers directly and listen to their voices.

Self-reporting System and Internal Job Posting System

Employees are to report on their intentions such as future career plans, relocation, and things they want us to understand every year. In addition, in order to realize employees' motivation and enthusiasm and lead them to solving issues we should address, we implement an internal job posting system for the overseas business departments on a regular basis.

Internal Venture System

Employees themselves plan and try a new business venture to embody the spirit of "TE-A-TE" for realizing commercialization and fostering an organizational culture. We respect free ideas that are not constrained by existing businesses, and work to create growth opportunities for both employees and the company.

Creation of Opportunities for Acquisition of Expertise

To establishing a basis on which employees can acquire expertise by themselves to solve social and management issues, we cover

the costs of taking exams for IT passport and language proficiency, increase the payment amount of duty allowance to employees who take charge of duties necessary for business management, and enhance the system for supporting employees' self-learning further.

Development of Global Human Resources

If we try to enter a new market or want to secure an advantage in the existing market by strengthening competitiveness, it is important to accumulate knowledge, experience, and skills in the global field. Therefore, 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.

Level-specific Training

General Management Training

In order to establish a good workplace and further realize employees' growth, we conduct training on harassment and training for evaluators on a regular basis.

Training for Selected Employees

Step-up Training

The step-up training targets management staff candidate employees to let them experience team building and raise their awareness as next-generation leaders by demonstrating leadership.

Studying-abroad Program

We expect employees to foster global and multilateral perspectives through domestic business schools and studying-abroad programs so that the employees can solve challenges based on their flexible thinking about environmental change.

Training Programs

	Position	By Job Position	Business Skill	Self-Development	By Job Type	Other	
Managerial Level	Head of Division/HQ	Assessment Training	Human Communication Training Logical Thinking Training Management Game Training	Correspondence Courses, External Seminars, e-Learning, English Conversation Training, and Support for Qualification Acquisition	Theme-based Training for each Division/HQ, e.g., Marketing	Life Plan Training	
	General Manager	General Manager Training Section Manager Training					Business Administration Training
	Section Manager	New Section Manager Training					Executive Development Training Business School Enrollment Training of Human Resources for Digital Transformation
	Mid-level	Fifth-year Training					Step-up Training Women Manager Development Training
	Junior	Third-year Training					
	Newcomers	New Employee Follow-up Training Orientation Training					

Evaluation System

□ Evaluation System Linked to Business Results

We introduce a bonus for evaluated performance that reflects the business results of the whole group as well as each department to make the work of each employee their own affair, enhance motivation to achieve their goals, rewarding growth and increasing organizational unity.

□ Evaluation for Rewarding the Behavior and Performance Results of Individuals

The growth of our company is the result of accumulated individual efforts; therefore, we evaluate individual work in terms of both individual growth (behavioral management) and contribution to the company (target management), in order to enhance individual motivation for everyday duties and promote self-growth.

Behavioral management assesses whether the behavior for demonstrating high performance is shown consistently, and is reviewed through an annual interview with a superior.

For target management, a target is set based on an interview with a superior at the beginning of each term for evaluation. After the term ends, a self-assessment is made first of all, followed by an interview with a superior held to discuss the degree of target achievement and future endeavors for further performance improvement.

This evaluation is reflected in the treatment of each employee and leads them to have a sense of fulfillment in their work by giving feedback on the final result.

To Enhance Job Satisfaction

We conduct a morale survey annually for the purpose of identifying the strengths and issues of the organization so that employees' voices can lead to improvement in management, training, and the work environment in order to promote the development of a better work environment where employees can continue working.



*The Job Satisfaction Score is the average score of items related to job satisfaction in the annual survey. The upper limit for positive answers is 7.0.

Internal Environment Improvement Policy

For enabling each individual to demonstrate their potential and achieve self-fulfillment through business activities, we think that respect for personality and promotion of using diverse human resources will lead to the development of an organization that can adapt to environmental changes promptly. Therefore, we are working on establishing a basis for enhancing job satisfaction through improvement in workplace comfort, effort for performing tasks within a limited amount of time, and instillation of DE&I.

Promotion of Diversity

We educate employees on the importance of supporting a work-life balance and using diverse human resources through training for managerial positions and training at each level to deepen the understanding of diversity.

□ Promotion of Women's Empowerment

The percentage of female employees in management positions of our company is 7.8% (FY2023), and the causes include no role model around them and concerns about balancing work and family life. We regard the promotion of women's empowerment as one of our important issues to be tackled and encourage women employees to take another look at themselves by offering the HWL (Hisamitsu Women's Leadership) training to the candidates for the next managerial positions in order to encourage them to change their behavior in the workplaces.

□ Empowerment of Senior Human Resources

In order to solve various business issues, the needs for active senior human resources who have a high level of expertise and skill are increasing year after year. Employees increasingly use their experiences and skills to work on fostering young employees and solving management issues actively after retirement, widening their appeal.

□ Career Return System

We established the Career Return System in August 2023 so that employees who left our company due to life events, such as child-rearing and caregiving or their own career development, can join us again after accumulating experience outside of our company. The system provides an opportunity for empowering diverse human resources and deepening the understanding of diversity.

In Order to Produce Successful Results in a Limited Amount of Time

Based on the hope that each employee should enrich their entire life, including their job, we have set not only the Family/Self-Education Day (every Wednesday) to encourage employees to leave the office on time but also the 'Leaving On Time Month' to promote the review of operation processes to increase the productivity of the company. We are expecting that employees will put forward ideas, such as reviewing operations, helping each other, and collaborating across organizations, to lead them to activities for improvement on their own motives.

Telework System/Staggered Work Hours 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 own roles. In addition, we also allow employees to use a staggered work hours system (starting and ending work earlier/later) depending on their work schedules.

Promotion of Taking Leave

As part of creating a culture where employees can easily take annual paid leave, we have set 'Family Bonding Day' to allow employees to take leave on their birthdays and six months after the birthdays for the purpose of thanking their families and parents who support them, as well as 'WAKUWAKU' consecutive leave that encourages employees to take leave for at least three consecutive working days in order to refresh the body and mind.

In addition, we have also established an accumulation system for annual paid leave and an hourly basis paid leave system so that employees can work with peace of mind even in cases that any other unexpected events occur, such as medical care and caregiving for employees and their family members, to respond to individual situations.

Employee Data

(As of the end of February each fiscal year)

Program		FY2020	FY2021	FY2022	FY2023
Employees	Male	1,130	1,119	1,070	1,042
	Female	453	468	451	464
	Total	1,583	1,587	1,521	1,506
Ratio of women in management positions (as of March 31 for each fiscal year)		6.3%	7.1%	7.9%	7.8%
Number of employees taking childcare leave		39	39	66	48
Rate of male employees taking childcare leave		0%	24%	50%	42%
Rate of the elderly employed		3.00%	3.18%	3.29%	4.56%
Employment rate of persons with disabilities		1.94%	1.99%	1.95%	2.31%
Rate of annual paid leave taken		60.2%	60.6%	72.1%	71.7%
Gender wage difference	Regular employees	-	-	76.1%	74.3%
	Part-time/fixed-term employees	-	-	92.6%	90.0%
	All employees	-	-	75.7%	74.5%

Life Event Programs

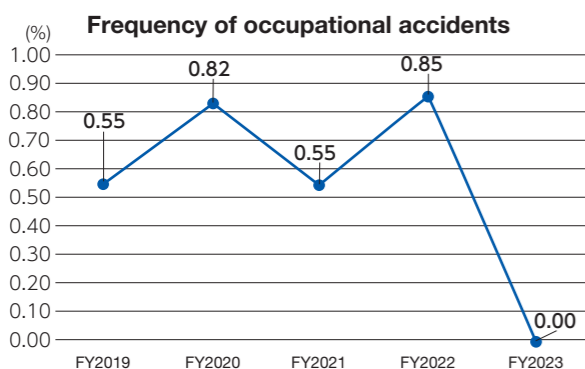
Program	Contents
Marriage	Work place application system accompanying marriage A system that allows employees to apply for a place of work that will enable them to live with their spouse when they get married
Childbirth and Childcare	Childcare Leave After maternity leave, employees can take leave until 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
	Shortened Working Hour System 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
Child Nursing Leave A system that allows employees to nurse a preschool child when they become ill	
Long-term Care	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
	Shortened 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	Career Return System A system established so that employees who left our company due to life events, such as child-rearing and caregiving, or their own career development, can join us again after accumulating experience outside of our company
	Disaster Recovery Funds and Medical Treatment Loan Program A program for 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, 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
	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)
Social Contribution	Life Plan Support System A corporate-type defined contribution pension (DC) plan that promotes asset management at employees' own discretion for asset building for the future
	Hisamitsu-Hot-Heart Club The Club supports social contribution organizations with funds contributed by member employees and the company

Occupational Safety and Health

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 environmental goals, single-year and midterm goals have been set to improve the work environment through workplace patrols and to encourage employees to take leave and to create a healthy and comfortable working environment for our employees.



Encouragement to Receive Comprehensive Medical Examination

We pay a portion of the cost of comprehensive medical examination or medical checkup of the brain to employees who want to get it in addition to regular health examination, supporting early detection and the early prevention of illness.

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 can deepen relations regardless of age or division through common hobbies. The club also conducts annual sports events and company retreats to promote employee health and communication.



Major Employee-Related Indicators

Indicator	Targets (FY2025) <small>*FY2028 for (5) and (6)</small>	Results (FY2023)
(1) Rate of annual paid leave taken	80.0%	71.7%
(2) Self-report submission rate ¹	100.0%	98.3%
(3) Job satisfaction score	5.0	4.7
(4) Self-study implementation rate ²	50.0%	20.0%
(5) Ratio of women in management positions	15.0%	7.8%
(6) Continuous employment ratio of women employees in their 9th to 11th years of employment ³	50.0%	51.4%

¹ The self-report submission rate is the percentage of employees who report their intentions such as future career plans, relocations, and things they want us to understand.

² The self-study implementation rate is the percentage of employees who work on reskilling, which covers the number of employees who used our self-education support system, the number of employees who took the exam for IT passport, and the number of employees who took a TOEIC test.

³ With the fluctuations in the number of employees every year in mind, the continuous employment ratio is set as a target for building a stable organization where diverse human resources, including employees who balance work and family life, can continue working.

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.

Hisamitsu Pharmaceutical Group Human Rights Policy

Hisamitsu Pharmaceutical established the Hisamitsu Pharmaceutical Human Rights Policy in March 2018, based on the United Nations Guiding Principles on Business and Human Rights, and revised it to the Hisamitsu Pharmaceutical Group Human Rights Policy in June 2024.

In revising it, we once again strived to enhance our understanding of and respect for human rights declared in the International Bill of Human Rights established by the United Nations (Universal Declaration of Human Rights, International Covenant on Civil and Political Rights, and International Covenant on Economic, Social and Cultural Rights), the core labor standards in the ILO (International Labour Organization) Declaration on Fundamental Principles and Rights at Work that specifies basic rights at work, and the Declaration of Helsinki by the World Medical Association (hereinafter collectively referred to as "International Principles of Human Rights").

The corporate philosophy of the Hisamitsu Pharmaceutical Group is "Delivering a Better QOL to the World" through the creation, development, manufacturing, and sales of pharmaceuticals and other products. The Hisamitsu Group has also established its company mission as "Promoting 'TE-A-TE' Culture Worldwide." Based on this philosophy and mission, the Hisamitsu Group will actively expand its activities to spread the "TE-A-TE" Culture of compassion for people all over the world through not only transdermal patches but also various other products and services.

Respecting the human rights in our value chain across the Hisamitsu Group's business activities is consistent with the corporate philosophy, and thus we will push ahead together with our group companies and stakeholders, including our business partners.

■ Hisamitsu Pharmaceutical Group Human Rights Policy
https://global.hisamitsu/company/pdf/Human_rights_Policy_E.pdf

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 web-based 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 FY2023, we started SAQ for primary and secondary suppliers of products manufactured at the factories in Vietnam, the United States, and Brazil. Thus, we conduct SAQ covering products manufactured at all our factories. We will continue to assess the human rights risks of supplies in the future as well.

Commitment to Respecting Human Rights

Human Rights Due Diligence	The Hisamitsu Group conducts human rights due diligence on an ongoing basis in order to identify negative human rights impacts related to our business activities and prevent or reduce them.
Dialog and Consultation with Stakeholders	The Hisamitsu Group promotes commitment to identifying issues of human rights and respecting human rights through dialogues and talks with related stakeholders.
Education and Training	The Hisamitsu Group provides all executives and employees with appropriate education and training so that this policy can be understood and implemented effectively.
Relief	The Hisamitsu Group shall, if it becomes clear that we have caused or encouraged negative impacts on human rights, work to offer relief from that through appropriate procedures.
Information Disclosure	The Hisamitsu Group discloses information on our commitment to respecting human rights through our website.
Applicable Laws and Ordinances	Hisamitsu Group complies with applicable laws and ordinances in each country and region where it operates. However, if there is any inconsistency between the laws and regulations of a country/region and the internationally recognized principles of human rights, we shall pursue methods that fully respect the internationally recognized principles of human rights.

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 through both human and tangible resources, we hope to contribute to solving social issues. Additionally, promotion and education of medicine and pharmacy is made through the support of foundations.

Bonds with Tosu City, Saga Prefecture

Since our founding in Tosu City, Saga Prefecture, in 1847, Hisamitsu Pharmaceutical has delivered our products to all over Japan and the world from that location as a base. Therefore, we conduct various activities because we want to contribute to the promotion of sports and regional revitalization in Tosu City, Saga.

We will continue to work on the regional revitalization in Tosu City, Saga Prefecture, which is the place of our foundation and considered an important area for us, in the future as well.

Promoting the SAGA Sports Pyramid Initiative (hereinafter, 'SSP Initiative')

We executed a collaboration agreement with Saga Prefecture and the Saga Sports Association in support of the SSP Initiative that aims to promote human and community development utilizing the power of sports through the development of top athletes who will challenge the world from Saga Prefecture (May 2021).

Based on this agreement, we allow junior high/high school athletes attending schools in Tosu City to use the dormitories owned by us.

In addition, we conducted a High-Five Project linked to Salonpas® sampling events in 2024. This is an initiative of making a donation of the number of high fives x 9 yen to the SSP Initiative according to the number of high fives given by participants in the events.

JLPGA Step Up Tour Salonpas® Ladies Open

Salonpas®, which is our signature product, is celebrating the 90th Anniversary of its release in 2024, and has become a favorite in more than 30 countries and regions around the world. We would like to express our gratitude to all the people in Saga Prefecture, which is the place of our foundation, as well as our customers who have supported us. As we wanted to put the gratitude into action through economic, social and cultural contribution, we held JLPGA Step Up Tour Salonpas® Ladies Open in Saga Prefecture for the first time in October 2023.

Utilization of Salonpas® Arena

The Salonpas® Arena constructed in 2023 as a new practice base for the team of SAGA Hisamitsu Springs also serves as an evacuation center equipped with emergency power generators and water receiving tanks.

The Agreement on Providing an Evacuation Center in Time of Disaster (December 2023) concluded between our company, SAGA Hisamitsu Springs and Tosu City aims at maximizing recovery activities in affected areas and districts in time of disaster through mutual cooperation between the said three parties.

If disasters, such as great earthquakes, wind, and rain, occur in Tosu City, we will provide Salonpas® Arena as an evacuation center for residents and a place to stay for support staff dispatched from other municipalities at the request of Tosu City for cooperation according to this agreement.

(Examples of Bonds with Tosu City, Saga Prefecture)

Activity	Details
Collaboration for Saga International Balloon Festa	Co-sponsored the Festa and handed out samples at the venue
Autumn Tea Party was held	Held a tea party co-hosted with Saga Branch of Urasenke Tankokai for the purpose of developing and promoting the culture of Chado (the Way of Tea)
Co-sponsorship of Saga Sakura Marathon	Co-sponsored the marathon and provided samples of Air® Salonpas® to participating runners who participated in it on the day
Hisamitsu Tosu Public Lecture	Held lecture sessions in Tosu City, Saga Prefecture, inviting celebrities from a wide range of fields as a lecturer, to provide the community with opportunities for lifelong learning and cultural education
Delivery of Lectures on Demand	Introduced children in the community to the history of transdermal patches and the SDGs at elementary schools within Tosu City and Tosu City Library
Participation in the 8th SUPO GOMI in Tosu	Participated in the environmental beautification activity held in Tosu City

TEAM JAPAN Official Partner

Hisamitsu Pharmaceutical was selected as a TEAM JAPAN Official Partner (topical anti-inflammatory analgesic, muscle fatigue care products, medical sleeves) in March 2023. Through products of the categories covered by the partnership contract, we will provide support from the outside of the body with the power of "TE-A-TE" so that athletes, sports-lovers, and everyone else 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.

Hisamitsu-Hot-Heart Club

In 2007, as part of a project commemorating the 160th anniversary of our founding, we established the charity organization Hisamitsu-Hot-Heart Club. The club operates funds based on contributions from our officers and 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 FY2023, we made donations to 41 organizations nationwide which are engaged in various activities such as conservation of the natural environment, childcare support, and international cooperation. We donated a total of 60.4 million yen to a total of 604 organizations for support since the establishment.



FY2023 Donation Recipients (example)

Recipient	Main Activity
Specified Nonprofit Organization Balloon Society	Support for young carers
Certified NPO Foodbank Kansai	Food bank project
NPO Delivery of Books to Children with Weak Sight	Support for the visually impaired
NPO Sekiseishouko Coral-reef Fund	Preservation and restoration of coral reefs
NPO Citizens Association for the Kamakura Hiromachi Forest	Environment conservation activities
NPO Forest Development Forum	Forest conservation activities
NPO Nihon Kyuentai	Disaster relief volunteer activities

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 order to support victims of the 2024 Noto Peninsula Earthquake, the Company donated 10 million yen (9 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 in January 2024.

Support Efforts	Overview
On-the-street International Charity Drive	From December 2 to December 23, 2023, a total of 297 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.

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 FY2023, 86 researchers were supported with financial support of 118.5 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 as part of the projects commemorating 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. It also holds classes to learn how to make spiced sake and curry spices using *yagen* (a crushing tool used in grinding plant medicines) on a regular basis.

Nakatomi Sports Promotion Foundation

This foundation provides financial support for various efforts by sports organizations in Saga Prefecture, 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 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 FY2023, the foundation provided financial support of 10,003,000 yen to 21 organizations for 21 projects.

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

In the *Space Life Story Book* published by JAXA, a problem with garbage and odor to be tackled in closed isolated spaces is mentioned as one of the challenges of living in space. To solve this problem, the Company developed Odorleship® using the adhesive technology developed over time by Hisamitsu Pharmaceutical.

Odorleship® is going to be carried to the ISS when astronaut Kimiya Yui stays there for an extended period of time in 2025.



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.

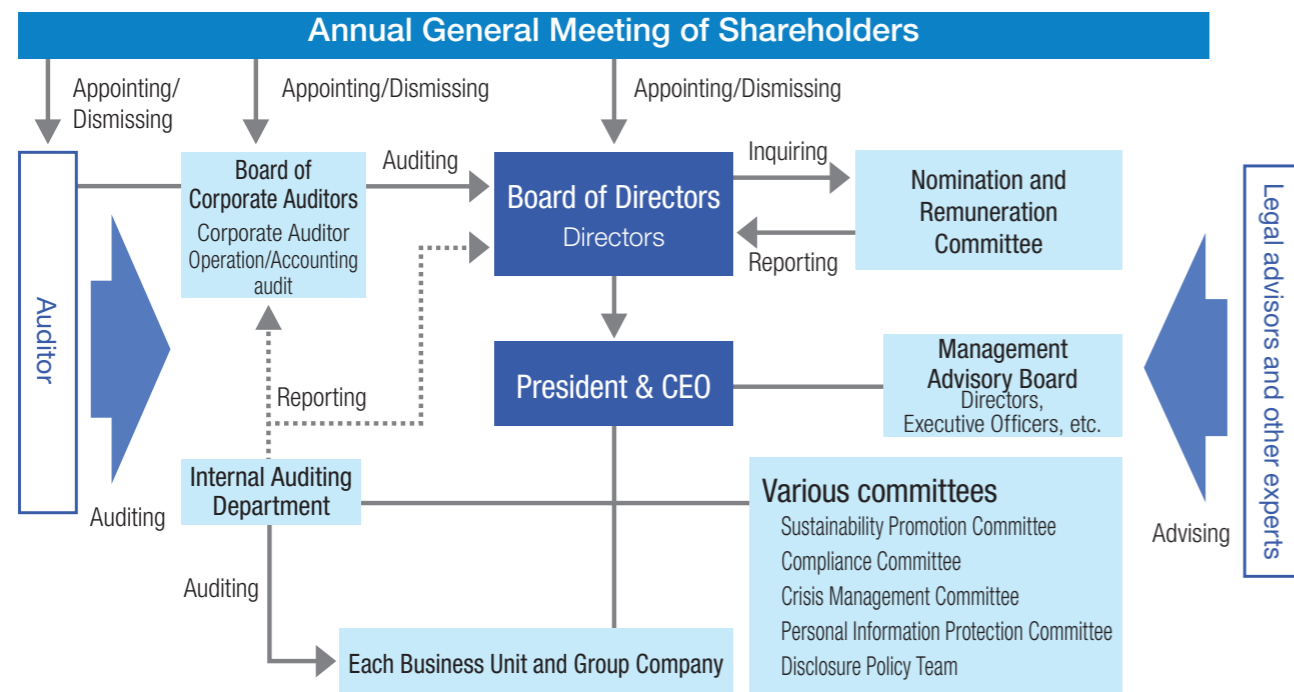
We shall continue to enhance the relationship of trust with our stakeholders as a good corporate citizen by improving transparency, observing compliance, and upholding corporate ethics in our activities.

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 account 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.

Skill matrix

	Name	Corporate management	Sales/Marketing	Global Business	Production/R&D	IT/Digital Transformation (DX)	HR/HR development	Sustainability/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				●					
	Kentaro Watanabe	●							●	
	Ryusuke Itakura	●						●	●	

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).

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)	245 (19)	121 (19)	49 (-)	74 (-)	10 (4)
Corporate Auditor (Outside Corporate Auditors)	59 (15)	59 (15)	- (-)	- (-)	5 (3)
Total (Outside Officers)	305 (35)	181 (35)	49 (-)	74 (-)	15 (7)

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," provided electronically.

Effectiveness Assessment of the Board of Directors

With the aim of improving the Board of Directors functions, through an ongoing process of correcting problems and building upon strengths,

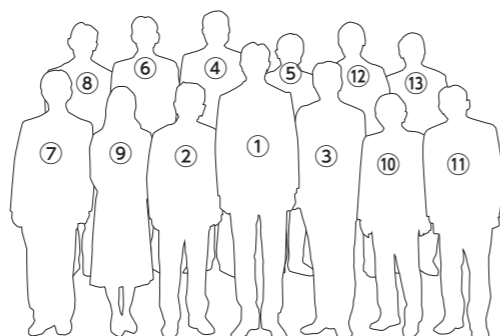
Hisamitsu Pharmaceutical regularly verifies and assesses the Board of Directors as a whole.

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 every year.	<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 Appropriate information disclosure and ensured transparency 	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.

Board Members (as of October 1, 2024)



- ① Kazuhide Nakatomi
President & CEO
- ② Kosuke Sugiyama
Senior Managing Director, Executive Officer
Management of Human Resources and R&D
and Management of Corporate Planning Division
- ③ Kyu Saito
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
- ④ Nobuo Tsutsumi
Director, Executive Officer, Head of Legal Department
And Management of Production, And Management of Quality Assurance
& Pharmacovigilance
And Management of Compliance
And Director of Hisamitsu Wellness Co. Ltd (part-time)
And Director of Yutoku Pharmaceutical Ind. Co., Ltd. (part-time)
- ⑤ Shinichi Murayama
Director, Executive Officer, Management of Internal Audit Division
And Management of Domestic Subsidiary Division
And Director of Yutoku Pharmaceutical Ind. Co., Ltd. (part-time)
And Outside Corporate Auditor of Hisamitsu - Sanofi K.K. (part-time)



- ⑥ Koji Takiyama
Director, Executive Officer,
Chief of the President Office
And Management of Digital
Transformation
And Management of Sustainability
Promotion
- ⑦ Yuichiro Anzai
Outside Director (part-time)
- ⑧ Tetsugo Matsuo
Outside Director (part-time)
- ⑨ Tamako Watanabe
Outside Director (part-time)
- ⑩ Nobuyuki Nakatomi
Corporate Auditor
- ⑪ Munehiko Hirano
Corporate Auditor
- ⑫ Kentaro Watanabe
Outside Corporate Auditor (part-time)
- ⑬ Ryusuke Itakura
Outside Corporate Auditor (part-time)
new position

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)
Kosuke Sugiyama	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 Planning Division (current position)
Kyu Saito	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)
Nobuo Tsutsumi	Born on March 11, 1964	April 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 Hisamitsu Wellness Co. Ltd (part-time), And Director of Yutoku Pharmaceutical Ind. Co., Ltd. (part-time) (current position)
Shinichi Murayama	Born on October 16, 1967	March 1991 March 2012 May 2014 May 2023 Joined Hisamitsu Appointed Executive Officer Appointed Director, Executive Officer Director, Executive Officer, Management of Internal Audit Division, And Management of Domestic Subsidiary Division, And Director of Yutoku Pharmaceutical Ind. Co., Ltd. (part-time) And Outside Corporate Auditor of Hisamitsu - Sanofi K.K. (part-time) (current position)
Koji Takiyama	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)
Yuichiro Anzai	Born on August 29, 1946	April 1988 Oct 1993 May 2001 May 2009 April 2010 June 2011 Oct 2011 April 2012 Feb 2018 April 2018 April 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)
Tetsugo Matsuo	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)
Tamako Watanabe	Born on January 26, 1982	April 2004 May 2006 April 2008 August 2010 July 2011 September 2011 July 2019 May 2023 Dec 2023 Joined KPMG AZSA LLC Registered as certified public accountant Joined Grant Thornton Taiyo ASG Tax Corporation Registered as tax accountant Joined Odaki Accounting, Tax & Consulting Director of Tateyama Office Registered as social insurance labor consultant Opened Itsuki Accounting Firm, Representative (current position) Appointed Outside Director (current position) Outside Corporate Auditor of SHOEI Co., Ltd. (current position)
Nobuyuki Nakatomi	Born on September 7, 1940	September 1988 April 1990 May 1999 May 2008 Joined Cable Television Kurume (former company name of CRCC Media Co., Ltd.) President and CEO of CRCC Media Co., Ltd. Appointed Director Appointed Corporate Auditor (current position)
Munehiko Hirano	Born on September 20, 1947	April 1974 April 1997 Feb 2005 May 2006 Joined Hisamitsu Director of Formulation Research Center, R&D Division Full-time Manager of Formulation Technology, R&D Division Appointed Corporate Auditor (current position)
Kentaro Watanabe	Born on July 26, 1969	April 1993 September 2007 Dec 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)
Ryusuke Itakura	Born on November 17, 1955	March 1979 April 2006 April 2007 June 2009 June 2013 May 2019 June 2019 May 2024 Joined The Mitsui Bank, Ltd. (currently Sumitomo Mitsui Banking Corporation) Executive Officer and General Manager, Consumer Loan Dept. of Sumitomo Mitsui Banking Corporation Executive Officer and Deputy Head of Consumer Banking Unit (in charge of West Japan) of Sumitomo Mitsui Banking Corporation President and Representative Director of SMBC Guarantee Co., Ltd. President and Representative Director of Muromachi Building Service Co., Ltd. Director of Tanioka Gakuen Education Foundation (current position) Outside Corporate Auditor of Futaba Industrial Co., Ltd. Appointed Outside Corporate Auditor (current position)

Message from Outside Director



Getting Leverage out of Diversity

Outside Director **Tamako Watanabe**

Qualification Certified public accountant, tax accountant, public consultant on social and labor insurance, passed the Agricultural Management Advisor Examination of the Japan Finance Corporation
Place of birth Kasuga City, Fukuoka Pref.

Brief history

2002	Served as a part-time employee of Asahi Audit Corporation (currently KPMG AZSA LLC)
2004	Served as a regular employee of the above corporation after graduation from Department of Management, Faculty of Economics, The University of Tokyo
2008	Joined Grant Thornton Taiyo ASG Tax Corporation
2011	Joined Odaki Accounting, Tax & Consulting
2019	Opened Itsuki Accounting Firm
May 2023	Outside Director of Hisamitsu Pharmaceutical Co., Inc. (current position)
Dec 2023	Outside Corporate Auditor of SHOEI Co., Ltd. (current position)

She engaged in the audits of financial statements, financial due diligence, etc. of listed companies and incorporated educational institutions at an audit corporation.
 At tax accountant corporation, she engaged in tax advisory work, organizational restructuring, stock price calculation, consultation on public interest corporation authorization, etc. for listed companies and smaller businesses.



As a Newly Appointed Outside Director

I started my career as a certified public accountant, followed by obtaining the qualifications of a tax accountant and a certified social insurance labor consultant. I have supported business management of companies from the viewpoint of the experts mentioned above. In my career, I have engaged with not only major companies but also many other organizations including smaller businesses and incorporated school institutions.

With regard to the business management of companies, I feel that we are facing a difficult era because we are required not only to pursue it from a financial perspective, which I specialize in, but also to take approaches to and initiatives in social issues such as climate change and human rights sincerely.

In those circumstances, I was appointed an outside director of Hisamitsu Pharmaceutical in May 2023. I will serve not only as the first female executive officer but also as an outside director of the corporation for the first time in my career. Female executive officers often attract attention from the perspective of diversity today, and responsibilities of outside directors are sometimes judged strictly, so I am very nervous about this position.

In addition, as Hisamitsu Pharmaceutical establishes “Delivering a Better QOL to the World” as its Corporate Philosophy, it conducts business that is very closely related to each person’s life. I feel great satisfaction and responsibility for the business, including its global expansion as a member of the Board of Directors.

Role as Outside Director Capitalizing on My Experience

Assuming this position, I recognize the importance of fulfilling the responsibilities of the board with a firm awareness of a perspective from gender diversity as the only female director on the board.

Based on my own experience, indeed, I feel that a significant difference of women in life stages is childbirth. While child-rearing has been becoming a cooperative effort between men and women, women are still physically challenged before and after childbirth, and during childcare. In addition, they tend to feel pressure on themselves in maintaining their jobs. So, it is important not only for the company to set up a sufficient system but also for each employee to understand and use the system fully. Furthermore, if the system has anything inconvenient, I think that it is necessary for the users to speak up for changing the system for the better.

In addition, while the system should properly work, we should also consider that support tailored to individual situations is provided. I have experienced many difficulties in balancing work and child-rearing that does not follow a textbook, too. Since I have been particularly involved in the improvement of work environment, diversity, etc. as a social insurance labor consultant, I feel it is also important to foster the thoughtfulness that supports laws and regulations as well as systems as our corporate culture. Though nobody would be opposed to the importance, I believe that actual experience, as well as direct voices from those who have experience, will make us thoughtful based on deeper understanding.

I think that not a few products of Hisamitsu Pharmaceutical actually focus on women. So, it should have an important meaning that I participate in board meetings from women’s perspectives in mind as a user or a patient.

Since I learned sign language and experienced interaction with people with disabilities as a volunteer during my school days, I think I should keep the diversity of the real world in mind. Of course, I would like to focus on judgment with an awareness of stakeholders’ perspectives as a certified public accountant.

With the affluence of the world in mind for the future

With a long history since the Edo period, Hisamitsu Pharmaceutical is one of leading companies in Japan that has accumulated fruitful results. In the 21st century, the world is facing a host of challenges that have not ever been seen before, and thus I think companies are required to handle difficult situations in which it is hard to use a simple rule of thumb.

A year has passed since I assumed office as a director, and Hisamitsu Pharmaceutical has been expanding its business to the world more than ever during the year, including the completion of the construction of the SAGA Global Research Center and launch in Nigeria, capitalizing on the accumulated technologies.

Discussion in the board meetings is conducted more sincerely than I initially expected, and when I look back on whether I served fully as a director in the discussion, I often find myself reflecting on what

more I could have done.

I have interacted with many people in the company, and thus I think I have deepened my understanding of the Hisamitsu Pharmaceutical Group during the year after assuming the office. In this sense, I feel there are some aspects that may be improved further, including the aspect of information disclosure in terms of whether our sincere efforts within the group are fully communicated externally. And I would like to engage in various internal initiatives further as well.

By fully and more positively making the most of my status as a woman and the youngest director, I would like to promote efforts to capitalize on diversity in the governance system called the Board of Directors.

Based on “Delivering a Better QOL to the World” as our Corporate Philosophy, I would like to fulfill my responsibility as an outside director and contribute to the Hisamitsu Pharmaceutical Group and the abundant lives of people around the world.

Promotion of Compliance

Corporate Charter

Hisamitsu Pharmaceutical sells “Salonpas®” 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 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 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.

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.

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

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, including acts of corruption, such as bribery. In addition, we have also set up a contact point for consultation regarding harassment. Information reported is strictly investigated and handled accordingly. Whistleblowers are protected under the Whistleblower Protection Act.

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 selfregulations 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. In order to conduct activities that ensure compliance, we use a system for supervision of activities for providing sales information, which was set within the company, for monitoring and MR education. In addition, all advertisements and materials for promotion are used only after being judged internally as appropriate ones. In addition to respecting the Hisamitsu Code, we comply with the relevant laws and regulations of the country concerned and with the Code of Practice of the International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) if no such code exists. 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.

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.

Risk Management and Information Disclosure

Business Risk Management

Hisamitsu Pharmaceutical addresses various business risks in a proper and effective manner, and formulated a 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.

*BCP: Business Continuity Plan

Examples of Disaster and Information Security Measures

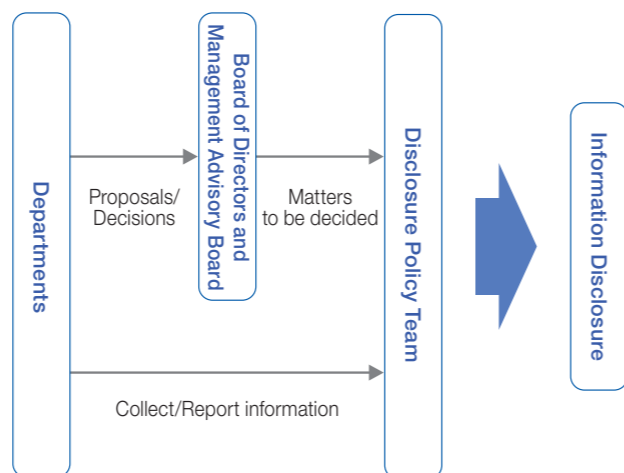
Disaster Simulation Drill	Each business site has established own response team, and conducts drills in preparation for disasters by establishing an action plan in cooperation with the Disaster Response Task Force, which oversees these teams.
Regular Drills for an Emergency Contact System for Safety Confirmation	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).

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.

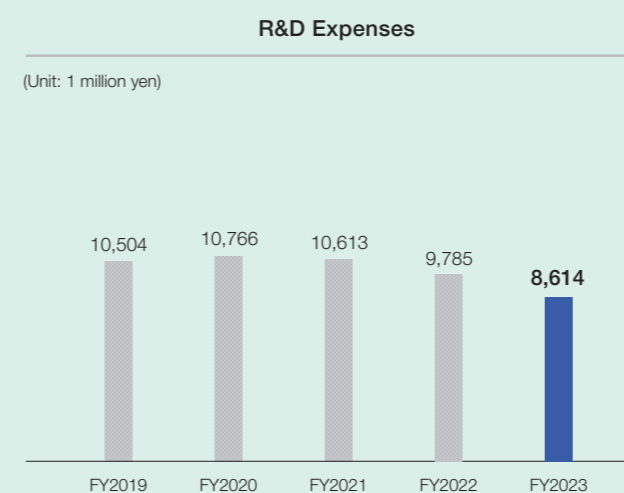
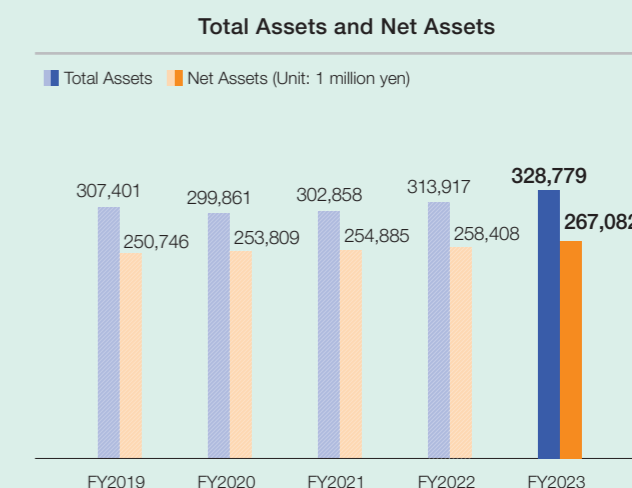
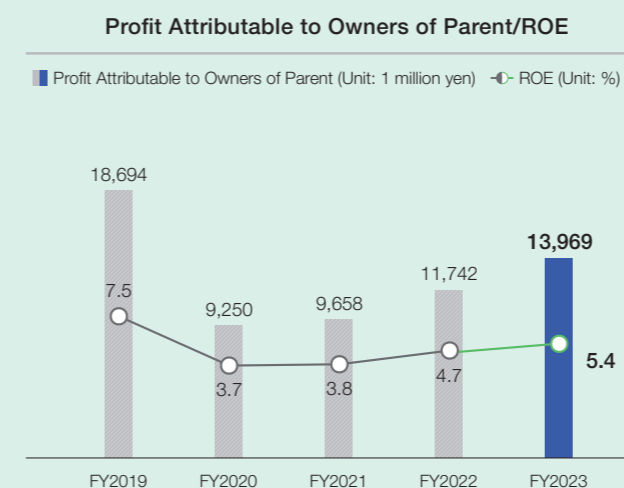
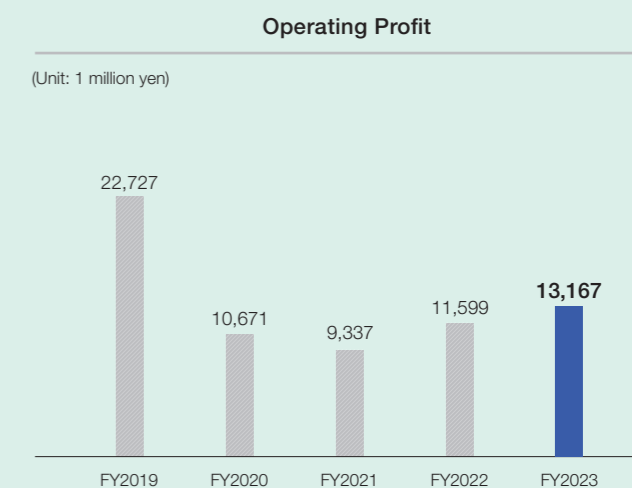
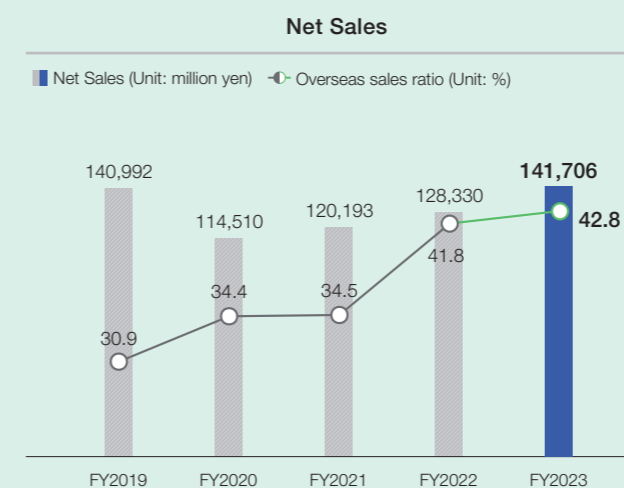


Risk List

Risk	Details of Risk	Countermeasures for Risk
Risks related to legal regulations and medical policies	<ul style="list-style-type: none"> Change in regulations of the drug price system and the healthcare insurance system may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We prepare against any revision in advance, such as examining whether extra measures are needed or not, by seizing the trend to the revision of regulations related to pharmaceutical affairs promptly.
Risks related to quality and side effects	<ul style="list-style-type: none"> Occurrence of quality problems and unexpected side effects may lead to cases, such as cancellation of release and product recalls. 	<ul style="list-style-type: none"> We comply with related laws and regulations including the Pharmaceutical and Medical Device Act and GxP Ministerial Ordinances, as well as internal regulations, to ensure thorough quality management of products. We are prepared to minimize the impact by paying attention to adverse events related to our products and implementing measures promptly including product recall.
Risks related to R&D activities	<ul style="list-style-type: none"> In R&D activities for new products and technologies, discontinuation of those activities due to various causes, such as the failure to achieve expected effects, may prevent us from recovering the investment in the R&D. 	<ul style="list-style-type: none"> We practice portfolio management properly by expanding development pipelines and diversifying resources and risks. We examine the business feasibility of the pipeline at the time of a transitional stage.
Risks related to supply chains	<ul style="list-style-type: none"> Interruption of manufacturing or purchase due to some reason may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We develop a BCP (Business Continuity Plan) and conduct drills at our manufacturing sites and work to secure safety inventory in order to maintain stable supply.
Risks related to environmental issues	<ul style="list-style-type: none"> If chemicals used in the R&D activities or manufacturing processes are judged to have a negative impact on the surrounding environment, it may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We conduct periodic inspections of storage areas in our work to protect environment, as well as drills to handle an emergency.
Risks related to intellectual property rights	<ul style="list-style-type: none"> If business activities of the Hisamitsu Group infringe on patents or other intellectual property rights of other companies, business may be suspended, or a patent dispute may arise. If other companies infringe on the intellectual property rights of the Hisamitsu Group, we may file suit. 	<ul style="list-style-type: none"> We have established a system to implement the best strategy in collaboration with outside experts including lawyers as needed.
Risks related to lawsuits	<ul style="list-style-type: none"> With regard to our business activities, we may be sued for side effects of pharmaceutical products, product liability, and other reasons. 	<ul style="list-style-type: none"> We have established a system to implement the best strategy in collaboration with outside experts including lawyers as needed.
Risks related to natural disasters (climate change)	<ul style="list-style-type: none"> If our business activities or those of our business partners are damaged due to critical natural phenomena (weather, volcano eruptions, earthquakes, landslides, etc.) , it may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> For measures to minimize risks of disasters, we have developed a BCP (Business Continuity Plan), such as developing the <i>Disaster Countermeasures Manual</i>, and improve the Plan on an ongoing basis.
Risks related to IT security and information management	<ul style="list-style-type: none"> The Hisamitsu Group has a lot of in-house information (trade secrets) including personal information, and if any of the information leaks outside of the Company due to unauthorized entry into the system, system failure, accidents, etc., it may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We have formulated the Information Security Management Regulations and established an information system management structure to strive to prevent information leakage and reinforce information security. We take measures to keep pace with changes in the social environment and technological advances, such as countermeasures against cyberattacks. In addition, information security awareness is raised by continuously alerting and educating relevant employees.
Risks related to the securement and development of human resources and work environment	<ul style="list-style-type: none"> If sufficient human resources cannot be secured or an environment where employees can continue working safely, securely, and healthily is impaired, our business may be difficult to continue or may stagnate, which may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We will increase job satisfaction through the creation of employee growth opportunities and a comfortable work environment to realize the self-reliant career development of employees.
Sovereign risks in countries or regions to which we expand our business	<ul style="list-style-type: none"> In overseas business, we may lose initially expected revenues or may suffer unexpected losses from environmental changes in political, social or economic terms in countries or regions to which we expand our business, which may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We collect and recognize information on risks related to countries or regions to which we expand our business, and develop a BCP (Business Continuity Plan), as well as improving it on an ongoing basis.
Risks related to changes in market environments	<ul style="list-style-type: none"> If the environment surrounding our products changes because of the launch of competitors' products or generic products, it may affect the performance of the Hisamitsu Group. 	<ul style="list-style-type: none"> We collect information on the launch or other matters of competitors' products and generic products as well as working on the creation and development of drugs to reduce the impact.

Financial Highlights

		FY2019	FY2020	FY2021	FY2022	FY2023
Financial Results						
Net Sales	(Unit: 1 million yen)	140,992	114,510	120,193	128,330	141,706
Sales Growth Rate	(%)	98.3	81.2	105.0	106.8	110.4
Overseas Net Sales	(Unit: 1 million yen)	43,589	39,340	41,463	53,692	60,679
Overseas Sales Ratio	(%)	30.9	34.4	34.5	41.8	42.8
Cost of Sales	(Unit: 1 million yen)	53,388	45,337	50,126	55,630	62,735
Gross Profit	(Unit: 1 million yen)	87,603	69,173	70,067	72,699	78,970
Selling, General and Administrative Expenses	(Unit: 1 million yen)	64,875	58,501	60,730	61,099	65,803
SG&A to Sales Ratio	(%)	46.0	51.1	50.5	47.6	46.4
Operating Profit	(Unit: 1 million yen)	22,727	10,671	9,337	11,599	13,167
Operating Profit Ratio	(%)	16.1	9.3	7.8	9.0	9.3
Ordinary Profit	(Unit: 1 million yen)	25,628	11,829	12,638	16,051	19,649
Profit Attributable to Owners of Parent	(Unit: 1 million yen)	18,694	9,250	9,658	11,742	13,969
R&D Expenses	(Unit: 1 million yen)	10,504	10,766	10,613	9,785	8,614
Depreciation	(Unit: 1 million yen)	4,251	4,079	4,321	4,952	5,110
Capital Investment Amount	(Unit: 1 million yen)	3,716	3,573	4,729	7,875	12,065
Financial Position						
Total Assets	(Unit: 1 million yen)	307,401	299,861	302,858	313,917	328,779
Net Assets	(Unit: 1 million yen)	250,746	253,809	254,885	258,408	267,082
Statements of Cash Flows						
Net cash provided by (used in) operating activities	(Unit: 1 million yen)	27,395	5,289	19,199	12,727	18,188
Net cash provided by (used in) investing activities	(Unit: 1 million yen)	△17,229	7,815	△13,060	△23,868	△2,512
Net cash provided by (used in) financing activities	(Unit: 1 million yen)	△11,726	△7,187	△15,189	△14,687	△16,691
Net increase (decrease) in cash and cash equivalents	(Unit: 1 million yen)	△1,786	4,357	△5,106	△20,822	941
Free Cash Flow	(Unit: 1 million yen)	10,165	13,105	6,139	△11,141	15,676
Index, etc. Per Share						
Earning Per Share (EPS)	(Yen)	227.58	113.22	118.92	148.01	181.62
Book Value Per Share (BPS)	(Yen)	3,046.45	3,083.98	3,171.83	3,294.20	3,492.62
Dividend Per Share	(Yen)	83.00	83.50	84.00	84.50	85.00
Major Financial Indexes						
Return on Equity (ROE)	(%)	7.5	3.7	3.8	4.7	5.4
Shareholders' Equity Ratio	(%)	80.9	84.1	83.5	81.6	80.5
Payout Ratio	(%)	36.5	73.8	70.6	57.1	46.8



Non-Financial Data Highlights

Environmental Data

Change in Hisamitsu Group CO₂ Emissions (t-CO₂)

	FY2013	FY2019	FY2020	FY2021	FY2022	FY2023
Kyushu Head Office	18,161	11,156	11,385	12,428	11,736	12,756
Utsunomiya Factory	6,248	6,746	6,100	6,240	6,242	6,132
Tsukuba Laboratories	3,311	2,649	2,579	2,183	2,132	1,790
Tokyo HO/Branches and Sales offices	4,168	2,326	1,841	1,934	2,030	1,790
Non-consolidated total	31,888	22,877	21,905	22,785	22,140	22,468
Vs. FY2013 (%)	100	71.7	68.7	71.5	69.4	70.5
Emission intensity of Hisamitsu Pharmaceutical, nonconsolidated (CO ₂ emissions/nonconsolidated net sales [Unit: million yen])	0.27	0.21	0.25	0.25	0.24	0.23
Domestic Subsidiaries	—	—	—	1,748	1,576	1,962
Overseas subsidiaries	—	—	—	8,687	10,736	10,009
Group total	—	—	—	33,220	34,452	34,439
Group emission intensity (CO ₂ emissions/Consolidated net sales [Unit: million yen])	—	—	—	0.28	0.27	0.24

CO₂ Emissions Scope (Scopes 1, 2, and 3) *Nonconsolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
Scope 1 (Direct emissions)	8,762	6,986	6,923	7,862	7,186
Scope 2 (Indirect emissions)	14,115	14,919	15,862	14,278	15,282
Scope 1 & 2	22,877	21,905	22,785	22,140	22,468
Scope 3	108,587	89,353	93,816	98,488	111,566
Purchased goods and services	65,049	51,179	48,284	49,823	46,290
Capital goods	4,729	5,340	9,605	11,651	31,891
Fuel- and energy-related activities not included in Scope 1 or 2	2,494	2,167	4,723	4,885	4,763
Transportation, delivery (upstream)	2,312	2,161	2,039	2,234	2,197
Waste from business	2,308	2,095	2,317	2,433	2,196
Business travel	1,009	473	281	340	610
Employee commuting	254	255	315	271	286
Leased assets (upstream)	—	—	—	—	—
Transportation and delivery (downstream)	34	32	30	33	35
Processing of sold products	—	—	—	—	—
Use of sold products	—	—	—	—	—
End-of-life treatment of sold products	30,398	25,651	26,222	26,818	23,298
Leased assets (downstream)	—	—	—	—	—
Franchises	—	—	—	—	—
Investments	—	—	—	—	—

Energy Consumption at Each Domestic Business Site

	FY2019	FY2020	FY2021	FY2022	FY2023
Kyushu Head Office					
Electricity (MWh)	19,766	19,600	21,143	20,871	20,367
Gas (m ³): LNG	2,096	2,041	2,082	291,363	690,506
Heavy oil (kL)	1,778	1,702	1,721	1,093	562
Utsunomiya Factory					
Electricity (MWh)	10,561	9,923	10,474	10,679	10,366
Steam (t)	16,173	16,503	16,173	15,627	16,209
Tsukuba Laboratories					
Electricity (MWh)	3,760	3,627	3,275	3,188	3,198
Kerosene (kL)	369	370	289	272	262
Tokyo HO/Branches and Sales offices					
Electricity (MWh)	946	914	927	480	414
Gas (m ³): LNG	916	1,159	809	1,298	1,301
Gasoline (kL)	816	620	656	674	640
Domestic total (Crude oil volume conversion: kL)	12,538	11,769	12,153	11,844	11,517
Vs. FY2013 (%)	82.3	77.3	79.8	77.8	75.6
Specific energy consumption (Energy consumption/nonconsolidated net sales [Unit: million yen])	0.11	0.14	0.13	0.13	0.12

Total Amount of Waste Generated, Recycling Rate *Non-consolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
Total amount of waste generated (t)	3,511	3,204	3,606	3,722	3,358
Recycling rate ¹	99.8	99.8	99.8	99.8	99.8
Generation intensity (Total amount of waste generated/Non-consolidated net sales [Unit: million yen])	0.03	0.04	0.04	0.04	0.03

¹The recycling rates show only the figures of waste plastic in the industrial waste.

Change in Water Consumption and Drainage Volume *Non-consolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
Water consumption (m ³)	181,092	167,443	176,649	174,009	173,101
Water consumption intensity (Water consumption/nonconsolidated net sales [Unit: million yen])	1.65	1.93	1.95	1.87	1.79
Drainage volume (m ³)	96,363	86,243	92,801	86,520	87,007

Change in Water Pollutant *Non-consolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
BOD ¹ (t)	12.5	10.3	8.5	8.6	10.3
SS ² (t)	4.2	2.3	2.7	2.2	1.4

¹BOD (Biological Oxygen Demand)

²SS (Suspended Solids)

Change in Air Pollutant *Non-consolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
SO _x (t)	1.4	0.7	0.9	0.7	0.5
NO _x (t)	3.5	2.9	2.8	1.8	1.7

Management of Specified Chemical Substances *Non-consolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
Toluene (PRTR Substances)					
Handling volume (t)	3.8	3.4	3.3	3.7	3.4
Emission into the air (t)	0.2	0.2	0.2	0.2	0.2
Waste disposal (t)	3.6	3.2	3.1	3.5	3.2
Acetonitrile (Excluding April 1, 2023)					
Handling volume (t)	3.3	3.8	4.3	3.3	3.0
Waste disposal (t)	3.3	3.8	4.3	3.3	3.0

Compliance with Environmental Laws and Regulations *Non-consolidated

	FY2019	FY2020	FY2021	FY2022	FY2023
Number of violations of environmental laws and regulations	0	0	0	0	0

Non-Financial Data Highlights

Social Data

Employee Data (Consolidated; As of the end of February each fiscal year)

	Unit	FY2021	FY2022	FY2023
Consolidated Number of Employees	Persons	2,784	2,769	2,759
Number of Domestic Employees	Persons	1,644	1,579	1,568
Number of Overseas Employees	Persons	1,140	1,190	1,191
Number of Male Employees	Persons	–	1,654	1,640
Number of Female Employees	Persons	–	1,115	1,119
Ratio of Female Employees	%	–	40.3	40.6

Employee Data (Hisamitsu Pharmaceutical [Non-consolidated]; As of the end of February each fiscal year)

	Unit	FY2021	FY2022	FY2023
Number of Employees	Persons	1,587	1,521	1,506
Number of Male Employees	Persons	1,119	1,070	1,042
Number of Female Employees	Persons	468	451	464
Ratio of Female Employees	%	29.5	29.7	30.8
Ratio of Women in Management Positions (as of March 31 for each Fiscal Year)	%	7.1	7.9	7.8
Average Age	Years old	38.0	38.9	39.4
Average Service Years	Year	14.4	15.3	15.8
Elderly Employment Rate	%	3.18	3.29	4.56
Employment Rate of Persons with Disabilities	%	1.99	1.95	2.31
Number of New Employees	Persons	72	10	54
Number of New Male Employees	Persons	45	4	26
Number of New Female Employees	Persons	27	6	28
Ratio of New Female Employees	%	37.5	60.0	51.9
Mid-career Hiring Rate	%	5	55	16
Voluntary Turnover Rate	%	3.4	3.7	4.0

Gender Wage Difference (Ratio of women's wages to men's wages; Hisamitsu Pharmaceutical [Non-consolidated])

	Unit	FY2021	FY2022	FY2023
Regular Employees	%	–	76.1	74.3
Part-time/Fixed-term Employees	%	–	92.6	90.0
All Employees	%	–	75.7	74.5

Data Related to Work-life Management (Hisamitsu Pharmaceutical [Non-consolidated])

	Unit	FY2021	FY2022	FY2023
Number of Paid Leave Days Taken	Day	11.1	13.3	13.4
Rate of Annual Paid Leave Taken	%	60.6	72.1	71.7
Number of Employees Taking Maternity Leave	Persons	30	31	24
Number of Employees Taking Childcare Leave	Persons	39	66	48
Number of Male Employees Taking Childcare Leave	Persons	17	29	24
Number of Female Employees Taking Childcare Leave	Persons	22	37	24
Rate of Employees Taking Childcare Leave	%	40	72	61
Rate of Male Employees Taking Childcare Leave	%	24	50	42
Rate of Female Employees Taking Childcare Leave	%	84	108	109
Rate of Return to Work After Childcare Leave	%	98.0	98.4	100

Data Related to Occupational Safety and Health (Hisamitsu Pharmaceutical [Non-consolidated])

	Unit	FY2021	FY2022	FY2023
Number of Workplace Accidents	Cases	7	8	8
Number of Workplace Accidents Requiring Absence From Work	Cases	2	3	0
Workplace Accident Frequency Rate*	%	0.55	0.85	0.00

*Number of casualties of workplace accidents/Total hours worked x 1,000,000

Job Satisfaction Score (Hisamitsu Pharmaceutical [Non-consolidated])

	Unit	FY2021	FY2022	FY2023
Job Satisfaction Score	–	4.7	4.6	4.7

*The Job Satisfaction Score is the average score of items related to job satisfaction in the annual survey. The upper limit for positive answers is 7.0.

Self-report Submission Rate (Hisamitsu Pharmaceutical [Non-consolidated])

	Unit	FY2021	FY2022	FY2023
Self-report Submission Rate	%	–	–	98.3

*The self-report submission rate is the percentage of employees who report their intentions, such as future career plans, relocations, and things they want us to understand.

Self-study Implementation Rate (Hisamitsu Pharmaceutical [Non-consolidated])

	Unit	FY2021	FY2022	FY2023
Self-study Implementation Rate	%	–	–	20.0

*The self-study implementation rate is the percentage of employees who work on reskilling, etc., which covers the number of employees who used our self-education support system, the number of employees who took the exam for IT Passport, the number of employees who took a TOEIC test, etc.

Consolidated Financial Statements

Consolidated Balance Sheets

	Prior Fiscal Year (As of Feb. 28, 2023)	Current Fiscal Year (As of Feb. 29, 2024)
Assets		
Current assets		
Cash and deposits	122,154	112,459
Notes and accounts receivable - trade, and contract assets	40,014	43,237
Securities	14,714	12,862
Merchandise and finished goods	10,330	11,501
Work in process	562	842
Raw materials and supplies	8,030	8,833
Other	3,629	4,542
Allowance for doubtful accounts	△261	△254
Total current assets	199,174	194,022
Non-current assets		
Property, plant and equipment		
Buildings and structures	48,508	51,783
Accumulated depreciation	△34,528	△35,932
Buildings and structures, net	13,980	15,851
Machinery, equipment and vehicles	45,778	47,279
Accumulated depreciation	△38,312	△40,099
Machinery, equipment and vehicles, net	7,466	7,180
Tools, furniture and fixtures	12,901	13,357
Accumulated depreciation	△10,014	△10,606
Tools, furniture and fixtures, net	2,886	2,750
Land	11,587	11,424
Leased assets	1,677	1,564
Accumulated depreciation	△605	△669
Leased assets, net	1,071	895
Construction in progress	6,217	11,360
Total property, plant and equipment	43,209	49,462
Intangible assets		
Sales rights	394	347
Software	75	228
Goodwill	—	1,444
Other	476	4,811
Total intangible assets	946	6,831
Investments and other assets		
Investment securities	60,845	67,121
Net defined benefit asset	5,060	6,099
Deferred tax assets	1,342	1,649
Other	3,546	3,798
Allowance for doubtful accounts	△207	△207
Total investments and other assets	70,586	78,462
Total non-current assets	114,742	134,756
Total assets	313,917	328,779

(Unit: 1 million yen)

	Prior Fiscal Year (As of Feb. 28, 2023)	Current Fiscal Year (As of Feb. 29, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,351	9,612
Electronically recorded obligations - operating	6,567	6,651
Short-term loans payable	1,071	1,071
Lease obligations	327	350
Accounts payable - other	6,249	7,972
Income taxes payable	2,338	1,889
Provision for bonuses	1,340	1,831
Contract liabilities	5,920	4,539
Other	10,411	12,019
Total current liabilities	42,578	45,938
Non-current liabilities		
Long-term loans payable	147	76
Lease obligations	750	603
Deferred tax liabilities for land revaluation	1,697	1,697
Deferred tax liabilities	116	2,821
Net defined benefit liability	8,408	8,598
Other	1,811	1,961
Total non-current liabilities	12,931	15,758
Total liabilities	55,509	61,696
Net Assets		
Shareholders' equity		
Capital stock	8,473	8,473
Capital surplus	2,361	2,361
Retained earnings	235,569	242,578
Treasury shares	△27,196	△36,993
Total shareholders' equity	219,208	216,420
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,042	22,052
Revaluation reserve for land	3,403	3,403
Foreign currency translation adjustment	15,819	21,621
Remeasurements of defined benefit plans	631	1,042
Total accumulated other comprehensive income	36,896	48,120
Share acquisition rights	260	334
Non-controlling interests	2,042	2,205
Total net assets	258,408	267,082
Total liabilities and net assets	313,917	328,779

Consolidated Statements of Income

	Prior Fiscal Year (Mar. 1, 2022 - Feb. 28, 2023)	Current Fiscal Year (Mar. 1, 2023 - Feb. 29, 2024)
Net sales	128,330	141,706
Cost of sales	55,630	62,735
Gross profit	72,699	78,970
Selling, general and administrative expenses	61,099	65,803
Operating profit	11,599	13,167
Non-operating income		
Interest income	894	2,564
Dividend income	978	1,120
Foreign exchange gains	1,973	1,778
Share of profit of entities accounted for using equity method	424	585
Other	520	556
Total non-operating income	4,791	6,605
Non-operating expenses		
Interest expenses	15	18
Loss on cancellation of insurance policies	14	47
Cost for idle operation	248	—
Other	61	58
Total non-operating expenses	340	123
Ordinary profit	16,051	19,649
Extraordinary income		
Gain on disposal of non-current assets	453	1
Gain on sale of investment securities	—	389
Total extraordinary income	453	391
Extraordinary losses		
Loss on disposal of non-current assets	133	7
Loss on sale of investment securities	47	—
Loss on valuation of investment securities	210	—
Impairment losses	—	847
Total extraordinary losses	391	854
Profit before income taxes	16,113	19,186
Income taxes - current	4,419	3,903
Income taxes - deferred	△432	851
Total income taxes	3,987	4,754
Profit	12,126	14,431
Profit attributable to non-controlling interests	383	461
Profit attributable to owners of parent	11,742	13,969

(Unit: 1 million yen)

Consolidated Statement of Comprehensive Income

	Prior Fiscal Year (Mar. 1, 2022 - Feb. 28, 2023)	Current Fiscal Year (Mar. 1, 2023 - Feb. 29, 2024)
Profit	12,126	14,431
Other comprehensive income		
Valuation difference on available-for-sale securities	1,991	4,887
Foreign currency translation adjustment	10,188	5,874
Remeasurements of defined benefit plans, net of tax	△456	428
Share of other comprehensive income of entities accounted for using equity method	△5	104
Total other comprehensive income	11,718	11,295
Comprehensive income	23,844	25,727
(Breakdown)		
Comprehensive income attributable to owners of parent	23,458	25,193
Comprehensive income attributable to Non-controlling shareholders	386	533

(Unit: 1 million yen)

Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

Prior Fiscal Year (March 1, 2022, to February 28, 2023)	Shareholders' equity					(Unit: 1 million yen)		
	Capital stock	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 effects of changes in accounting policies			△5,883		△5,883			
Restated balance	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			
Change in scope of consolidation								
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	254,885
Cumulative effects of changes in accounting policies								△5,883
Restated balance	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
Change in scope of consolidation								—
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
	Current Fiscal Year							
	(Unit: 1 million yen)							
	(Mar. 1, 2023 – Feb. 29 2024)							
	Shareholders' equity							
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity			
Balance at March 1, 2023	8,473	2,361	235,569	△27,196	219,208			
Cumulative effects of changes in accounting policies								
Restated balance								
Changes in items during period								
Dividends of surplus			△6,579		△6,579			
Profit attributable to owners of parent			13,969		13,969			
Reversal of revaluation reserve for land			△0		△0			
Purchase of treasury shares				△9,796	△9,796			
Disposal of treasury shares								
Change in scope of consolidation			△380		△380			
Net changes in items other than shareholders' equity								
Total changes of items during period	—	—	7,009	△9,796	△2,787			
Balance at February 29, 2024	8,473	2,361	242,578	△36,993	216,420			
	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, 2023	17,042	3,403	15,819	631	36,896	260	2,042	258,408
Cumulative effects of changes in accounting policies								
Restated balance								
Changes in items during period								
Dividends of surplus								△6,579
Profit attributable to owners of parent								13,969
Reversal of revaluation reserve for land								△0
Purchase of treasury shares								△9,796
Disposal of treasury shares								—
Change in scope of consolidation								△380
Net changes in items other than shareholders' equity	5,010	0	5,802	411	11,224	74	163	11,461
Total changes of items during period	5,010	0	5,802	411	11,224	74	163	8,674
Balance at February 29, 2024	22,052	3,403	21,621	1,042	48,120	334	2,205	267,082

Consolidated Statements of Cash Flows

(Unit: 1 million yen)

	Prior Fiscal Year (Mar. 1, 2022 – Feb. 28 2023)	Current Fiscal Year (Mar. 1, 2023 – Feb. 29 2024)
Net cash provided by (used in) operating activities		
Profit before income taxes	16,113	19,186
Depreciation	4,952	5,110
Impairment losses	—	847
Amortization of goodwill	—	62
Increase (decrease) in net defined benefit liability	206	193
Increase (decrease) in provision for bonuses	△71	468
Increase (decrease) in allowance for doubtful accounts	△169	△14
Interest and dividend income	△1,873	△3,684
Interest expenses	15	18
Foreign exchange losses (gains)	△1,219	△780
Share of loss (profit) of entities accounted for using equity method	△424	△585
Loss (gain) on sales of investment securities	47	△389
Loss (gain) on valuation of investment securities	210	—
Loss (gain) on disposal of non-current assets	△319	5
Decrease (increase) in notes and accounts receivable - trade	780	△2,082
Decrease (increase) in inventories	△1,581	△1,628
Decrease (increase) in other current assets	△65	△1,047
Increase (decrease) in notes and accounts payable - trade	653	686
Increase (decrease) in contract liabilities	△1,030	△1,380
Increase (decrease) in other current liabilities	1,015	3,577
Other	△1,060	△87
Subtotal	16,179	18,474
Interest and dividend income received	1,897	3,757
Interest expenses paid	△15	△18
Income taxes paid	△5,333	△4,017
Payments of retirement benefits for directors (and other officers)	△0	△7
Net cash provided by (used in) operating activities	12,727	18,188
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	△13,068	15,572
Purchase of property, plant and equipment	△7,859	△12,924
Proceeds from sales of property, plant and equipment	1,004	186
Purchase of intangible assets	△49	△112
Decrease (increase) in short-term investment securities	1,848	155
Purchase of investment securities	△5,897	△15
Proceeds from sales and redemption of investment securities	151	1,397
Payments for acquisition of businesses	—	△6,800
Collection of loans receivable	2	2
Other	—	25
Net cash provided by (used in) investing activities	△23,868	△2,512
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	—	△4
Repayments of long-term loans payable	△71	△66
Dividends paid to non-controlling interests	△61	△111
Purchase of treasury shares	△7,694	△9,796
Cash dividends paid	△6,719	△6,578
Other	△140	△133
Net cash provided by (used in) financing activities	△14,687	△16,691
Effect of exchange rate change on cash and cash equivalents	5,005	1,957
Net increase (decrease) in cash and cash equivalents	△20,822	941
Cash and cash equivalents at beginning of period	86,247	65,424
Cash and cash equivalents at end of period	65,424	66,366

Corporate Profile (as of February 29, 2024)

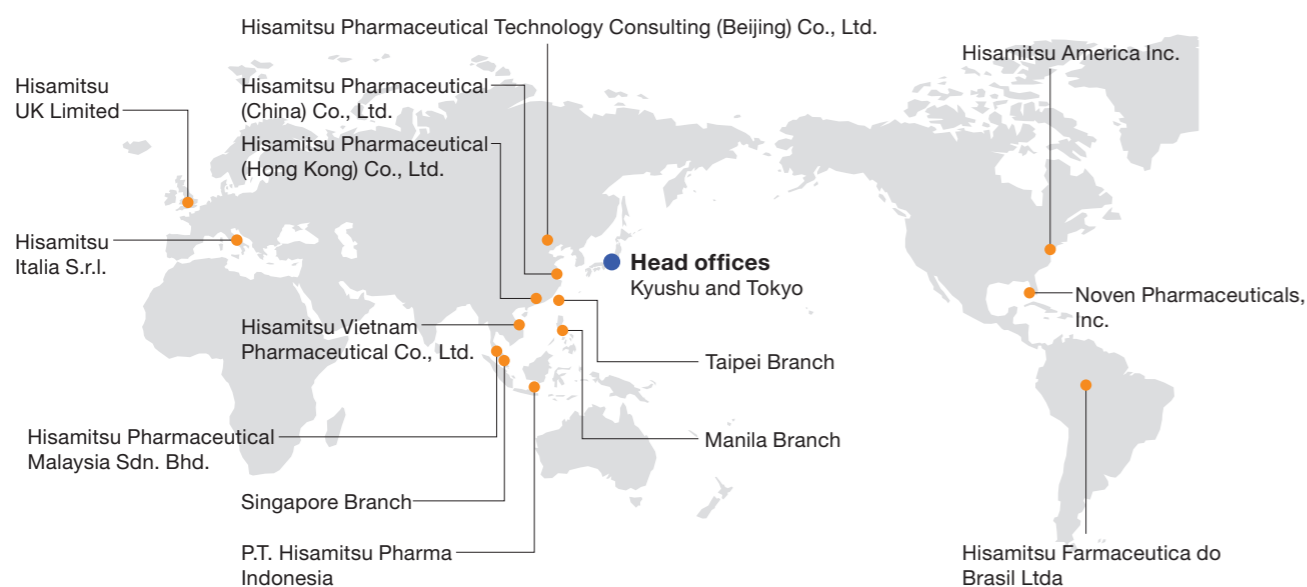
Corporate Information

Company Name	HISAMITSU PHARMACEUTICAL CO., INC.	Head Offices	Kyushu Head Office (main), Tokyo Head Office
Founded	1847	Branches	Sapporo Branch, Sendai Branch, Tokyo Branch, Nagoya Branch, Osaka Branch, Hiroshima Branch, Fukuoka Branch, Taipei Branch, Singapore Branch, Manila Branch
Incorporated	May 22, 1944	Sales Offices	Kanazawa Sales Office, Takamatsu Sales Office
Capital	8,473 million yen	Factories	Utsunomiya Factory, Tosu Factory
Employees	2,759 (Consolidated); 1,506 (Non-consolidated)	Laboratories	SAGA Global Research Center
Representative	NAKATOMI, Kazuhide, President & CEO		

Domestic Subsidiaries	Hisamitsu Wellness Co. Ltd. (Tokyo)	Taiyo Co., Ltd (Saga)
	CRCC Media Co., Ltd. (Fukuoka)	SAGA HISAMITSU SPRINGS Co., Ltd. (Saga)
	Saga City-Vision Co., Ltd. (Saga)	Hisamitsu Agency Co., Ltd. (Fukuoka)

Overseas Subsidiaries	Hisamitsu U.S., Inc. (USA)	Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd. (China)
	Hisamitsu America Inc. (USA)	Hisamitsu Pharmaceutical (China) Co., Ltd. (China)
	Noven Pharmaceuticals, Inc. (U.S.)	Hisamitsu Pharmaceutical (Hong Kong) Co., Ltd. (China)
	Hisamitsu Farmaceutica do Brasil Ltda. (Brazil)	Hisamitsu Pharmaceutical Malaysia Sdn. Bhd. (Malaysia)
	Hisamitsu UK Limited (UK)	P.T. Hisamitsu Pharma Indonesia (Indonesia)
	Hisamitsu Italia S.r.l. (Italy)	And one other company
	Hisamitsu Vietnam Pharmaceutical Co., Ltd. (Vietnam)	

Hisamitsu Pharmaceutical Group's Operating Bases

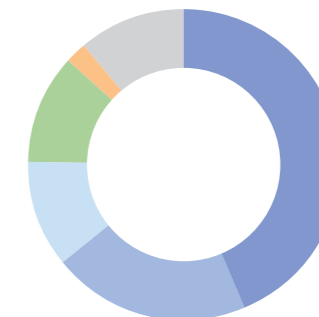


Shares (as of February 29, 2024)

Stock Profile

Total Number of Authorized Shares	380,000,000 shares
Total Number of Shares Outstanding	85,164,895 shares
Total Number of Shareholders	9,126 shareholders
Fiscal 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



Financial Institutions	43.78%
Other Corporations	20.44%
Individuals	11.23%
Foreign Institutions and Individuals	11.36%
Securities Companies	2.16%
Held in own name	11.03%

Principal Shareholders

Shareholders	Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,650	10.10
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	5.77
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust account for MUFG Bank, Ltd.)	4,060	5.36
Nippon Life Insurance Company	3,910	5.16
Custody Bank of Japan, Ltd. (trust account)	3,657	4.83
The Bank of Fukuoka, Ltd.	3,371	4.45
Hisamitsu Pharmaceutical Partner Companies' Shareholding Association	2,641	3.49
THE BANK OF SAGA Ltd.	2,356	3.11
SMBC Trust Bank Ltd. (Retirement Benefit Trust Account of Sumitomo Mitsui Banking Corporation)	2,064	2.72
TKY Co., Ltd.	1,842	2.43

Note: The shareholding ratios have been calculated after the treasury shares (9,392,152 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.

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Sustainability

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