



**Hisamitsu Pharmaceutical  
Group**

# **2021**

**Integrated Report**



### Corporate Philosophy

# Delivering a Better QOL to the World

### Company Mission

## Promoting "TE-A-TE" Culture Worldwide

### Release of the Integrated Report

## Share the Entire Vision for Value Creation Efforts toward Our Development into a Corporate Entity That Continues to Grow Together with Society

At Hisamitsu Pharmaceutical, since our establishment in 1847, we have upheld the corporate philosophy "Delivering a Better QOL to the World," based on which we operate actively for the purpose of "Promoting 'TE-A-TE' Culture Worldwide." To present the entire vision of such value creation efforts from a long-term perspective and communicate it properly, we have decided to newly issue the integrated report. We believe that by sharing the entire vision of the Hisamitsu Pharmaceutical Group's value creation efforts with stakeholders through this report, we can raise the empathy of our investors, employees, those who would like to join us in the future, and others concerned, and share our values with them. The deep mutual understanding backed by such empathy forms the basis for us to ensure sufficient human resources, who serve as the cornerstone for creating a new corporate culture and creating value on a long-term basis, and also to implement stable, long-term investment.

At the Hisamitsu Pharmaceutical Group, while living up to the expectations placed on us by stakeholders, we will continue to pursue the creation of new value. In addition, we will continue to rally all the forces of our corporate group so that we can achieve sustainable growth together with society.

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### Editorial Policy

The Integrated Report, which we released this fiscal year for the first time, presents information on the path toward the Hisamitsu Pharmaceutical Group's sustainable growth. Referring to both our financial and non-financial efforts, the report explains our approach and efforts in creating value. We hope that the report will be of use for stakeholders to deepen their understanding of our corporate group.

### Organizations Covered in the Report

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

### Coverage of Performance Data

Hisamitsu Pharmaceutical Co., Inc. (with some domestic and overseas subsidiaries included)  
 Period covered in the report: March 1, 2020 – February 28, 2021 (with some past and recent information included)

Report Release: November 2021

Next Scheduled Release: September 2022

### Preparation Department and Contact Information

Promotion Section,  
 Sustainability Promotion Department,  
 Hisamitsu Pharmaceutical Co., Inc.  
 408 Tashirodaikan-machi, Tosu, Saga 841-0017, Japan  
 Tel: 0942-83-2101 (main switchboard)  
 Fax: 0942-83-6119

### Related corporate information is available from Hisamitsu Pharmaceutical's website.

URL: <https://www.hisamitsu.co.jp/>  
 This report contains information on pharmaceutical products (development products), but the information is not intended to advertise or publicize the products.



## Message from the President and CEO

**Guided by Our Immutable Philosophy “Delivering a Better QOL to the World,” We Will Pursue the Creation of New Value Free from Stereotypes or Preconceptions.**

**Kazuhide Nakatomi**  
President and CEO

### Business Environment

Due to the impact of COVID-19, the entire world experienced great difficulties in 2020. I would like to express my sympathy to everybody affected by the disease and those related to them, as well as my sincere respect to all medical workers on the front line for the dedication they displayed every single day. Prior to reporting on our business environment, I would like to refer to the administrative penalty imposed on us by Saga Prefecture on August 12 this year. When manufacturing an OTC pharmaceutical product at our Tosu Factory, we used a raw material (coloring agent) that did not meet the designated standards and

then sold the product. This led to imposition of the administrative penalty by Saga Prefecture for violation of the Pharmaceutical and Medical Devices Act.\* We take this administrative penalty very seriously and express our heartfelt apologies to our customers and all other stakeholders. At the same time, we pledge that each member of management and each employee will make an all-out effort in good faith to prevent a reoccurrence and restore the trust that we previously enjoyed from society.

\* Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices

### Take on New Challenges Promptly

Since our foundation, we have been committed to fulfilling our company mission “Promoting Patch Treatment Culture Worldwide” under our corporate philosophy “Delivering a Better QOL to the World.” While being asked extensively by society what we can and should do as a pharmaceutical company, we have been ministering to customers’ needs by concentrating our management resources on “patch products” On the other hand, the current COVID-19 pandemic is causing rapid changes in customers’ lifestyles and values. To respond to these changes, we must implement corporate

reform promptly. We need to realize corporate reform and transform ourselves into an entity that can create new value across the boundary of “patch treatment.” With this background, we have decided to evolve the original company mission into “Promoting ‘TE-A-TE’ Culture Worldwide” and operate based on the new mission. “TE-A-TE,” a familiar term to Japanese people (literally meaning “applying a hand”), signifies to heal your loved ones by giving them your hand in the sincere hope that they will get better. Full of compassion for the patients, this treatment culture is what we have valued

since our establishment. Through our products, we would like to spread the compassion found in “TE-A-TE,” together with “TE-A-TE” culture, throughout the world. Although the anxiety over the spread of COVID-19

is casting uncertainty over the future, all of us in the Hisamitsu Group will consolidate our efforts in “Delivering a Better QOL to the World.”

### Hisamitsu Pharmaceutical Group's Commitment to ESG

#### Further Accelerate Our ESG Commitments in Step with Our Global Business Expansion

We have so far proceeded with the 6th Mid-Term Management Policy, which we announced to the public in April 2017. Since the preconditions for the Mid-Term Management Policy have changed greatly, however, we have newly established the 7th Mid-Term Management Policy for FY2021 to FY2025. To realize sustainable growth, we will accelerate our global expansion and promptly make the necessary efforts. In terms of the environment, we first need to address the materiality of climate change, which is regarded not only as a factor causing devastating natural disasters, but also providing a hotbed for new infectious diseases. As part of our measures for reducing greenhouse gas emissions, we have been involved in the Kiyohara Industrial Park Smart Energy Project at the Utsunomiya Factory since December 2019 from the perspective of reducing environmental impact by saving energy. This and other measures have enabled us to accomplish

a 28% CO<sub>2</sub> emissions reduction by FY2020, with our reduction target set at 30% by FY2030 (compared to FY 2013). We will continue to address environmental problems in accordance with the government’s policy of achieving net zero GHG emissions by 2050. As for social issues, we need to address a wide variety of challenges, such as quality and safety, human rights, employment, and our relationships with local communities. Of particular note is quality. To accommodate global demand, we will continue to maintain and improve the necessary structure and comply with PIC/S\* GMP as the global standard. For our corporate governance, we have increased the percentage of Outside Directors on the Board of Directors to 40% in order to enhance our mid- to long-term corporate value and further reinforce our corporate governance structure.

\* Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-operation Scheme

### To Our Stakeholders

#### Strive to Deliver a Better QOL to the World While Pursuing Immutability and Innovation

Since our establishment in 1847, we have been able to continue our corporate operations thanks to the support of our customers and many other stakeholders. We believe that the meaning of our existence lies in continuing to create value toward realizing a sustainable society based on our company mission “Promoting ‘TE-A-TE’ Culture Worldwide.” In addition, the role that we need to fulfill for society is “Delivering a Better QOL to the World” by presenting excellent products and services. To do so, all our employees need not only to comply with laws and regulations, but also act with the highest ethics and integrity. This will never change in the future. At the same time, while inheriting the foundation

established over our long history as is, we will bring about business innovation with reference to suggestions and expectations presented from those in objective positions. We would therefore like to deepen our interaction with stakeholders through this report, reconfirm our basic approach and commitments, and continue to improve them. We will continue to marshal all the forces of the Hisamitsu Pharmaceutical Group so that we can live up to the expectations placed on us by stakeholders and grow continually together with society. In this regard, we look forward to continuing to receive your support as ever.

# Financial Strategy



## Realize Our New Company Mission “Promoting ‘TE-A-TE’ Culture Worldwide” by Enhancing Corporate Value through Business Expansion across the Boundary of Pharmaceutical Products and by Pursuing Sustainable Growth in Harmony with the Environment and Local Communities

**Shinichiro Takao**  
Managing Director, Executive Officer  
Head of BU Division

### Basic Policy of the Financial Strategy

Since our establishment, we have been conducting our corporate activities in accordance with the basic policy of “Customer-First,” with our corporate philosophy set as “Delivering a Better QOL to the World” by creating, fostering, manufacturing, and selling pharmaceutical products and other items. For our company mission, we have adopted a new version, “Promoting ‘TE-A-TE’ Culture Worldwide,” in order to respond to great changes in the external environment, such as the spread of COVID-19, and to accommodate customers’ needs even more properly across the boundaries of patch products and other pharmaceutical products. While making the best use of our accumulation of management resources, we would like to continue to make active efforts to create new customers.

While adopting the new version of the company mission, we also established the Hisamitsu Transformation 2025 (HX2025) 7th Mid-Term Management Policy in September 2021. Over the next five years, we will pursue 1) strategic investment, 2) growth investment, 3) plant and equipment investment, and 4) investment for enhancing our capital efficiency, with our FY2025 targets set as follows: sales growth rate (CAGR) of 5% or higher; overseas sales ratio of 50% or higher; and return on equity (ROE) of 8% or higher.

To accomplish the targets above, we will make the necessary efforts based on our three activity policies: “Expand - Pillars of Growth”; “Exceed - Overcoming Challenges - Beyond the Barrier”; and “Enhance - Enhancing Functions.”

To implement the three activity policies, we will proceed with “overseas expansion of Salonpas<sup>®</sup>,” “pain care management,” “overseas expansion of ethical drugs,” “microneedle technology,” “reinforcement of existing functions,” and “commitment to the SDGs.” It is expected that affected by the spread of COVID-19, the business environment will remain uncertain. However, we would like to enhance our corporate value by raising our ROE on a sustainable basis through various efforts both at home and abroad, by managing risks with due awareness of our capital cost, and by reinforcing the disclosure of our ESG information. Furthermore, while ensuring that our corporate philosophy and our new company mission take root even more firmly at all our organizations and that they are understood even more deeply by all our employees, we will strengthen our support for promoting diversity in human resources and improving the skills of our employees.

### Policy for the Use of Proceeds

Backed by our robust balance sheet, indicated by a shareholders’ equity ratio of more than 80% and virtually no debt, and also by our ability to generate cash, the 7th Mid-Term Management Policy sets forth an investment plan with more than 150 billion yen in total allocated for strategic investment, growth investment, plant and equipment investment, and investment for enhancing our capital efficiency, on the precondition that our financial discipline is maintained. For strategic investment, in order to accomplish our new company mission “Promoting ‘TE-A-TE’ Culture Worldwide,” we will go beyond the boundary of patch products and consider various options, such as alliances and M&A, as long as they are promising and effective enough to

realize business growth. Moreover, we will also focus on investment for upgrading and expanding our production equipment, as well as for improving the sales, production, R&D, ICT, etc. of our overseas businesses, thereby striving to increase our mid- to long-term corporate value and further consolidate our management foundation. Furthermore, to contribute to achieving the SDGs, we will pursue business investment from the viewpoint of the betterment of local communities and the environment. By doing so, we will strive to further expand our profit foundation, established through our operations over the more than 170 years since our establishment, and augment shareholder value.

	ROA (%)	ROE (%)	Operating profit ratio (%)	Shareholders’ equity ratio (%)
FY ended Feb. 2021	3.0	3.7	9.3	84.1
Mean value over the past five years	5.9	7.2	15.4	82.7

#### Return on assets (ROA)

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

#### Operating profit ratio (Operating profit to net sales)

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

#### 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

#### Shareholders’ equity ratio (Shareholders’ equity to total assets)

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

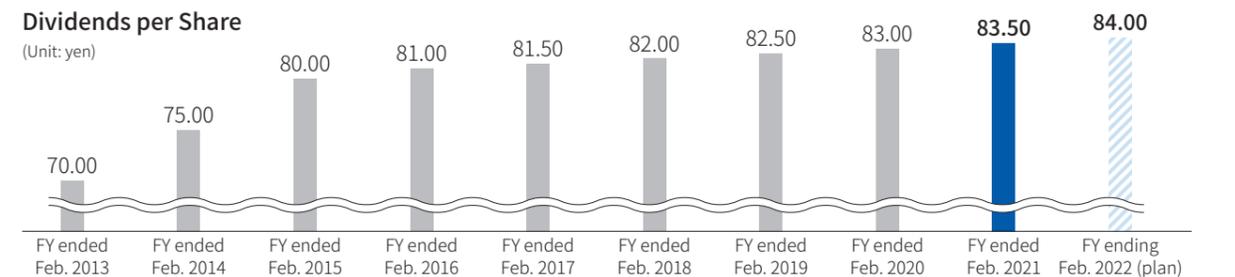
### Policy for the Distribution of Dividends

In the belief that a stable, continuous distribution of dividends forms the basis of return to shareholders, we have continued to increase the dividend per share from the fiscal year ended February 2014. For the annual dividend per share for the fiscal year ended February 2021, we distributed 83.5 yen, up 0.5 yen from the previous fiscal year, in light of our financial situation, business results, and other factors. For the fiscal year ending February 2022, we foresee an increase in net profit based on the assumption that we will not be affected by COVID-19 as heavily as we were last fiscal year. For the year-end dividend, we plan to pay 84 yen as an annual

dividend per share in light of our current financial situation and a stable dividend for shareholders. This will result in an increase in the dividend per share for the ninth straight fiscal year. While considering an appropriate balance between the business environment, business results, strategic investment, growth investment, etc., we will continue to strive to enhance the efficiency of shareholders’ equity and return our profits to shareholders on a mid- to long-term basis. With our first priority being a stable distribution of dividends, we will implement financial measures, including acquiring treasury shares, appropriately and flexibly.

#### Dividends per Share

(Unit: yen)



# 7th Mid-Term Management Policy (March 2021 – February 2026)

## — Hisamitsu Transformation 2025 (HX2025) —

On September 17, 2021, we released our new company mission and the 7th Mid-Term Management Policy. We have named the new mid-term management policy “Hisamitsu Transformation 2025 (HX2025).”

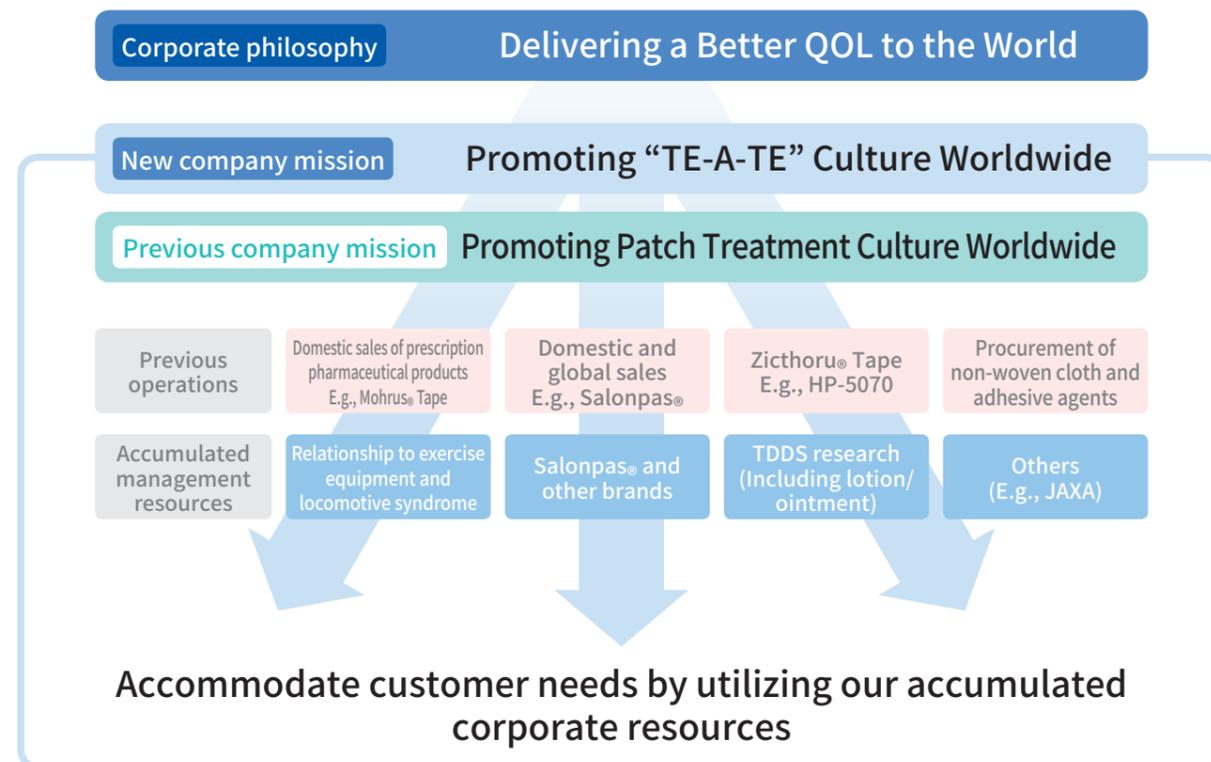
### New Company Mission

## Promoting “TE-A-TE” Culture Worldwide

Hisamitsu cherishes the "TE-A-TE" culture.  
 What lies beneath "TE-A-TE" is your compassion for your loved ones.  
 This treatment culture is what we have valued since our establishment.

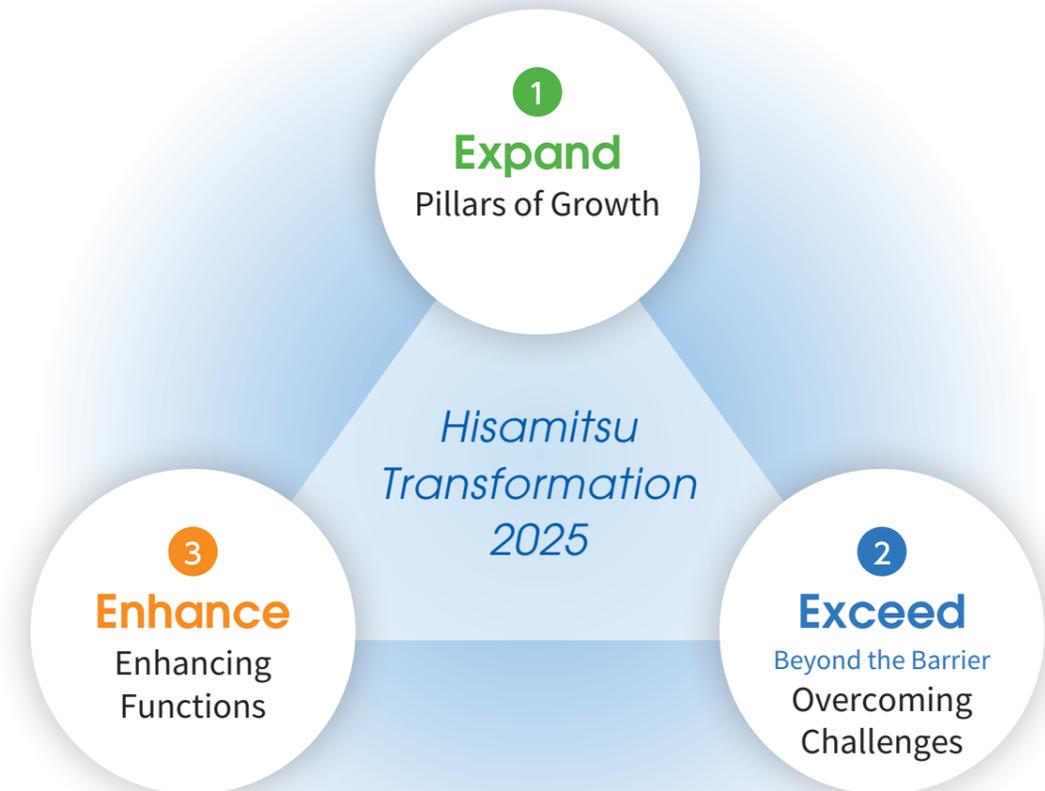
### Expansion of Business Operations

We have so far operated with our company mission being set as “Promoting Patch Treatment Culture Worldwide.” Utilizing the management resources that we have accumulated while operating based on this mission, we will go beyond the boundary of patch products and actively try new fields where we can accommodate customer needs.



### HX2025 Activity Policies

The name represents our determination to actively take on unprecedented challenges over the next five years and accomplish our reforms so that we will develop into a new Hisamitsu Pharmaceutical.



### Management Targets (FY2025)

Improve profitability and establish a foundation for sustainable growth

Sales growth rate*	ROE	Overseas sales ratio
5% or higher (CAGR)	8% or higher	50% or higher
Growth investment	More than <b>150 billion yen</b> over five years	
Return to shareholders	•Stable distribution of dividends	•Flexible acquisition of treasury shares

\*Based on the business results for FY2020

## Overview of the Basic Policies

### 1 “Expand”

Expand	
<b>Overseas expansion of Salonpas®</b> <ul style="list-style-type: none"> <li>• <b>Concentration of resources in priority areas</b> Increase in sales in the seven countries/regions where our overseas subsidiaries are located by approximately 15 billion yen (more than 1.7-fold)</li> <li>• <b>Expansion of the market for the new Salonpas®</b> Launch of the newly formulated Salonpas® in various countries</li> </ul>	<b>Pain care management</b> <ul style="list-style-type: none"> <li>• <b>Diclofenac topical patch</b> (Japan) Zicthoru® Tape (U.S.) HP-5000</li> <li>• <b>Non-oral treatment for cancer pain</b> Patch products used for care of mild to severe cancer pain</li> </ul>
<b>New efforts</b> <ul style="list-style-type: none"> <li>• <b>Increase in awareness of palmar hyperhidrosis</b> HP-5070</li> <li>• <b>Business development using our corporate resources</b> Products related to, for example, locomotive syndrome</li> </ul>	

Expand the scope of our efforts so that they will serve as new pillars supporting our growth

#### PICKUP

#### Zicthoru® Tape

We have added Zicthoru® Tape (launched on the market on May 21, 2021) to the list of cancer pain remedies, meaning that non-oral treatment for mild to severe cancer pain is now available. As of August 20, 2021, we applied for approval of the addition of the product's effectiveness for low back pain, shoulder periarthritis, cervico-omo-brachial syndrome and tenosynovitis. We expect that such approval will enable us to present new options for treating low back pain and other conditions.

### 2 “Exceed”

Exceed		
<b>Overseas expansion of ethical drugs</b> <ul style="list-style-type: none"> <li>• <b>Improvement of Noven's profitability</b> Licensing activities SECUADO® and ATS</li> <li>• <b>Horizontal spread of ethical drugs</b> Zicthoru® Tape Utilization of partnership</li> </ul>	<b>Microneedles</b> <ul style="list-style-type: none"> <li>• <b>Development of non-therapeutic applications</b> E.g., Cosmetics</li> <li>• <b>Large-quantity and inexpensive supply</b> Commercialization-based manufacturing</li> </ul>	<b>Eco-friendly efforts</b> <ul style="list-style-type: none"> <li>• <b>Reduction in CO<sub>2</sub> emissions</b> Toward net zero GHG emissions by 2050</li> <li>• <b>Environmentally friendly product development</b> Reduction in size Pocket tissue-type packaging</li> </ul>

Overcome challenges and exceed growth barriers

#### PICKUP

#### Microneedle Technology

Using this new fundamental technology, we will go beyond the limits of conventional patch products and create a “future” transdermal absorption agent.  
**HalDisc® Technology:** Realizing the administration of pharmaceuticals (such as vaccines) that cannot be administered transdermally  
**Sheetify® Technology:** Featuring the strong points of patch products and realizing high-dose administration of pharmaceuticals

### 3 “Enhance”

Enhance		
<b>R&amp;D capabilities</b> <ul style="list-style-type: none"> <li>• <b>Formulation development</b> Local formulation Long-term formulation</li> <li>• <b>Reestablishment of the research structure</b> Consolidation of research sites (Tosu) Reinforcement of cooperation with manufacturing</li> </ul>	<b>Manufacturing capabilities</b> <ul style="list-style-type: none"> <li>• <b>Streamlining of domestic factories</b> Reestablishment of the manufacturing structure Manufacturing of non-pharmaceuticals</li> <li>• <b>Reinforcement of the overseas production structure</b> Reinforcement of the Salonpas® production line</li> </ul>	<b>Selling power</b> <ul style="list-style-type: none"> <li>• <b>Integration of sales promotion efforts with digital technology</b> EC sales New product presentation meetings</li> <li>• <b>Integration of orthopedics with products related to locomotive syndrome</b> Health foods App</li> </ul>

Strengthen the existing functions and establish a new foundation for growth

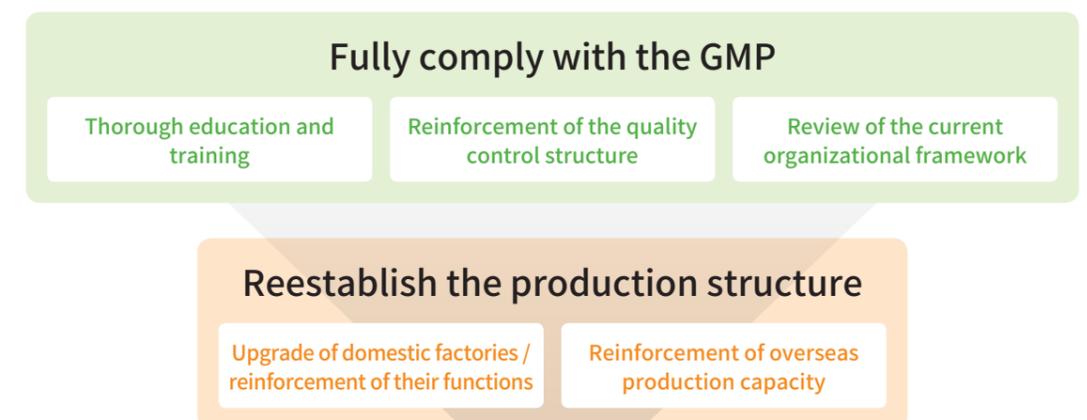
#### PICKUP

#### Use of a Wide Variety of Means (e.g., Partnership and ICT)

To reinforce the existing functions, we will integrate the management resources that we have accumulated so far (e.g., technology and know-how in the fields of R&D, manufacturing, and sales) with a wide variety of means (e.g., partnership with other companies, ICT, and M&A), thereby striving to create unprecedentedly new value.

## Production Efforts

Returning to the basics of manufacturing, we will continue to fully comply with the GMP and reestablish our production structure so that we can continue to supply products that customers can use without worry. At the same time, we will establish a foundation for our global expansion.



Establish a foundation for global expansion

# Japan: Prescription Pharmaceutical Products



**Mitsutoshi Tsuruta**

Executive Officer  
Head of Ethical Division

## ▶ Japan: Business Strategy for Prescription Pharmaceutical Products

We provide information on the effectiveness and safety of our products, mainly transdermal absorption patch products, for medical workers, and also collect such information from them. At the same time, we actively raise the profile of TDDS products by, for example, organizing TDDS work sessions at medical facilities.

We “foster” our pharmaceutical products by internally sharing the information and requests that our MRs\* have collected from medical workers and use them for developing products. In addition, we are promoting the Hisamitsu® Support Web, which is designed to provide information for medical workers online.

Moreover, we are releasing eco-friendly and compact products in response to greater customer awareness of the environment and labeling some products in Braille for patients with impaired vision. We thus pursue the improvement of our products so that they fit each customer's living environment.

\*MR: Medical representative

<p><b>Strong Points</b></p> <ul style="list-style-type: none"> <li>High profile among medical workers and large market share</li> <li>Product improvement process enabling a prompt response to customers' needs</li> <li>Ownership of Japan's No. 1 brand in the field of painkilling anti-inflammatory patch products</li> <li>High-quality products developed with attention to their use processes and even more pleasant feel of use</li> </ul>	<p><b>Weak Points</b></p> <ul style="list-style-type: none"> <li>Need to reinforce efforts to go digital</li> <li>Product lineup centered on long-term listed items</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Change in consumers' health conditions due to changes in their lifestyles, such as working from home</li> <li>Possible growth in the need for patch products for improving medication adherence in the aging society</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Decline in profits due to reduction in medical expenses and pharmaceutical prices</li> <li>Decline in profits due to the use of generic products</li> <li>People's hesitation to see doctors due to the spread of infectious disease</li> <li>Less frequent medical consultations due to self-medication instead</li> </ul>

## ▶ Challenges to Be Addressed

- Enhance profits: We will enhance our profits by maximizing both the sales of new products and the value of all products through efforts to foster them.
- Increase the value of TDDS products: We will increase the value of our TDDS products by raising the profile of patch products and TDDS products.
- Improve products to address environmental problems and accommodate customers' needs: We will address environmental problems by releasing improved, eco-friendly, and compact products (whose outer boxes and containers are reduced in size) while satisfying the needs of patients and medical workers.
- Provide valuable information: We will proceed with DX and provide valuable information through a wide variety of means so that we can respond to the various needs and situations of medical institutions.

### Major Products



### Sales by Product

(Unit: 1 million yen)

	Results FY ended Feb. 2020	Results FY ended Feb. 2021
FENTOS® Tapes	4,155	3,569
NEOXY® Tapes	605	500
Abstral®	198	205
ALLESAGA® Tapes	356	291
HARUROPI® Tapes	674	1,185
MOHRUS® Tapes	38,485	33,073
MOHRUS® Paps	6,407	5,125
MENOAID® Combipatch	548	1,093
Others	13,648	7,136
RX Business	65,080	52,181

# Japan: OTC Pharmaceuticals



**Masaya Okuno**

Executive Officer  
Head of Sales & Marketing Division, OTC

## ▶ Japan: Business Strategy for OTC Pharmaceuticals

In Japan, which is experiencing an aging of the population and enhanced longevity, the concept of “self-medication” to maintain one's good health for oneself is taking root. At the same time, an increasing number of patients stay away from medical institutions out of their concern about COVID-19. Consequently, the role of patch products is drawing much more attention than before as a self-medication option to treat stiff shoulders and lower back pain suffered by those who work from home for many hours. Amidst this environment, we have placed the emphasis of our domestic OTC pharmaceutical business not only on sales of the Salopas® brand, but also in the development of new products and improvement of conventional products in order to respond to changes in society and customer needs, especially the recent increased awareness of the SDGs and ethical consumption. Moreover, we will create new customers by making inroads into new fields and further reinforcing our sales promotion efforts using digital technology. While doing so, we will also strive to expand our operations from a mid- to long-term perspective.

<p><b>Strong Points</b></p> <ul style="list-style-type: none"> <li>Accumulated R&amp;D, manufacturing and sales know-how specializing in patch products</li> <li>Ownership of the world's No. 1 brand in terms of retail sales of anti-inflammatory analgesic products</li> <li>Marketing strategy implemented by human resources with expertise in the field of sales</li> </ul>	<p><b>Weak Points</b></p> <ul style="list-style-type: none"> <li>Sales promotion using social media and other forms of digital technology</li> <li>Product development and launch from the perspective of “TE-A-TE” in new categories other than the topical anti-inflammatory analgesic category</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>People's increased awareness of good health worldwide</li> <li>Change in consumers' purchase behavior due to their reluctance to go out (expansion of e-commerce)</li> <li>Rise in consumer interest in the SDGs and ethical consumption</li> <li>Expansion of the patch product market due to the spread of self-medication</li> <li>Change in consumers' health conditions due to changes in their lifestyles, such as working from home</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Changes in the business environment due to intensifying competition between us and existing/new market players</li> <li>Reinforcement of the major drug stores' buying power resulting from increasing monopolization</li> </ul>

## ▶ Challenges to Be Addressed

- Develop products to address environmental problems: We will release eco-friendly and compact products (whose outer boxes and containers are reduced in size) to reduce the generation of waste from packaging materials. We will remain committed to product development that will lead to reduced energy use and improvement of the global environment.
- Improve products on a continual basis from the perspective of customers: We will continue to improve existing products, such as Salopas®, and bring added value to them.
- Increase our presence in the domestic, OTC pharmaceutical market: We will establish an unwavering presence in the market by expanding our market scale in both new and existing fields.

### Major Products



### Sales by Product

(Unit: 1 million yen)

	Results FY ended Feb. 2020	Results FY ended Feb. 2021
Salopas® products	11,290	7,376
Salonsip® products	2,366	2,067
Air® Salopas® products	1,026	848
Feitas® products	5,914	4,582
Butenlock® products	1,683	1,311
Allegra® FX	5,303	2,255
Others	2,097	1,797
OTC Business	29,682	20,239

# Overseas: Prescription Pharmaceutical Products and OTC Pharmaceuticals



**Kyu Saito**  
Director, Executive Officer  
Head of International Division

## ▶ Overseas: Business Strategy for Prescription Pharmaceutical Products and OTC Pharmaceuticals

With a focus on our main product Salonpas®, we are expanding our operations to increase our market share in the global fields of pharmaceutical products and patch products.

We place priority on 15 countries and regions whose markets are expected to grow considerably, such as the U.S. and Asia. In Asia especially, we are proceeding with the localization of sales bases for the OTC pharmaceutical segment, while pushing forward with the launch of pharmaceutical products in the field of prescription pharmaceutical products and the establishment of the practice of "Improving" such new products. We are expanding operations throughout Asia.

In addition, we share with Noven Pharmaceuticals, Inc., in the U.S., expertise and information on overseas pharmaceutical regulations, while reinforcing efforts toward the overseas launch of domestic prescription pharmaceutical products.

<p><b>Strong Points</b></p> <ul style="list-style-type: none"> <li>Accumulated know-how regarding patch products</li> <li>Ownership of the world's No. 1 brand in terms of retail sales of anti-inflammatory analgesic patch products</li> <li>Expansion of the brand equity fostered in Japan into more than 40 countries</li> </ul>	<p><b>Weak Points</b></p> <ul style="list-style-type: none"> <li>Speed at which patch treatment culture is taking root in countries where oral agents are mainly used</li> <li>Business development of products other than Salonpas® (Cooling sheets and prescription pharmaceutical products)</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Further market growth due to patch treatment culture taking root worldwide</li> <li>Inroads into the highly promising field of prescription pharmaceutical products</li> <li>Entry into new markets through the spread of EC</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>Inroads by competing products and generic products</li> <li>Change in overseas regulations</li> <li>Aggravation of the market environment due to the pandemic</li> </ul>

## ▶ Challenges to Be Addressed

- Launch and improve patch products: We will actively launch patch products tailored to each country's market environment and then improve them so that they can take root and increase their presence in the market.
- Reinforce operations in the U.S. and Asia and proceed with localization: In step with our increased presence in the U.S. and Asia, we will proceed with localization, especially in Asia, and establish a structure so that we can sell our products on our own.
- Realize a horizontal spread of prescription pharmaceutical products in Japan and the U.S.: While reanalyzing overseas pharmaceutical regulations and research findings on the market environment, as well as our own data, we will reinforce our efforts to launch domestic prescription pharmaceutical products in foreign countries.
- Establish a structure to ensure that Noven can generate profits on a sustainable basis: We will ensure that Noven has a manufacturing structure with which they can generate profits, and then consider a sales structure for developed products.
- Realize a global contribution to generating profits: We will reinforce alliances to accelerate the speed of our overseas expansion and strengthen the development of human resources who can support this growth.

### Major Products



### Sales by Product

(Unit: 1 million yen)

	Results FY ended Feb. 2020	Results FY ended Feb. 2021
MOHRUS® Tape	605	377
Minivelle® products	3,249	2,510
Vivelle-Dot® products	4,917	3,778
CombiPatch® products	3,787	3,789
Daytrana®	2,490	2,183
SECUADO®	—	148
Others	1,141	1,095
<b>Rx Business</b>	<b>16,299</b>	<b>13,885</b>
Salonpas® products	23,166	22,427
Salonsip® products	1,621	1,157
Air® Salonpas® products	675	644
Others	1,826	1,224
<b>OTC Business</b>	<b>27,289</b>	<b>25,454</b>

### Close-up

#### Salonpas® Recognized as the World's No. 1 Brand for Five Years in a Row in Sales Share

Salonpas® has been certified by Euromonitor as the world's No. 1 brand for five years in a row in sales share in the category of topical analgesic patch products in the OTC pharmaceutical product market. In addition, Hisamitsu Pharmaceutical has been certified as the world's No. 1 company for four years in a row in sales share in the same category. We have received certificates.



## Development Pipeline

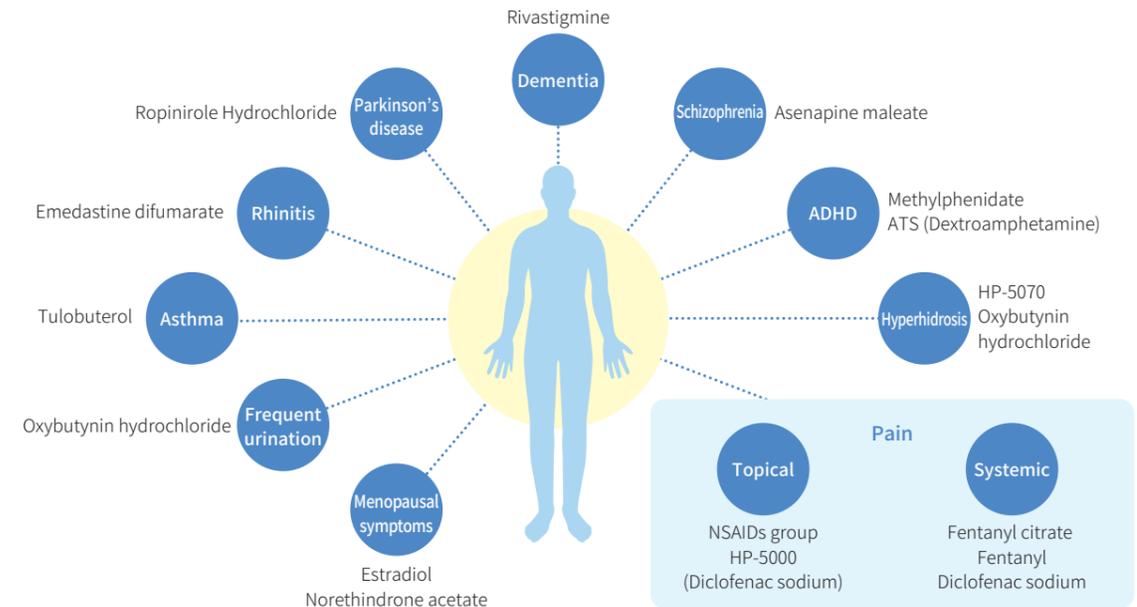
We are engaged in research and development by maximizing the advantages of TDDS technology, such as stable, continuous efficacy and reduced adverse drug reaction thanks to transdermal administration. In addition, we are working toward shortening our development period based on the know-how that we have accumulated while developing TDDS products so that we can promptly supply pharmaceutical products that will contribute to delivering a better QOL.

### Development Pipeline

	Stage	Topic	Subject	Formulation	Targeted indication(s)	Status/Schedule
1	Approved	HFT-290 (Pediatric patients with cancer pain)	Japan	Transdermal patch	Cancer pain	Approved on August 25, 2021
2	Applied	ATS	U.S.	Transdermal patch	Attention-Deficit Hyperactivity Disorder (ADHD)	To be approved in FY2021
3	Applied	HP-3150	Japan	Transdermal patch	Low back pain, shoulder periarthritis, cervico-omo-brachial syndrome, tenosynovitis	To be approved in FY2022
4	Preparing for application	HP-5070	Japan	Liniments	Primary palmar hyperhidrosis	To be applied for in FY2022
5	Phase 3 trial	HP-5000	U.S.	Transdermal patch	Knee osteoarthritis	To be applied for in FY2023

As of the end of August 2021

### Extent of Indications of Hisamitsu TDDS Products



# History of Value Creation

Since our establishment as a pharmaceutical business in 1847, we have been committed to the betterment of people's health by providing pharmaceutical products, centered on transdermal painkilling anti-inflammatory agents. Today, we have developed into a leading company in Japan. Our company mission is to spread "TE-A-TE" culture, which we

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

Management milestones

**1847**  
Komatsuya founded (Nihei Hisamitsu)



**1903**  
Hisamitsu & Co. (Saburo Nakatomi) established (Nakatomi's former name was Hisamitsu.)

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

**1951**  
Hisamitsu & Co. incorporated (Masayoshi Nakatomi)

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

**1971**  
Tosu Laboratories completed

**1987**  
Utsunomiya Factory completed

**1990**  
Tsukuba Laboratories completed



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

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

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



**2020**  
SAGA Hisamitsu Springs Co. (consolidated company) established

**1847**

**1990 onward**

**2000 onward**

**2010 onward**

Established as a pharmaceutical company

Overseas expansion accelerated

Business foundation consolidated

Toward sustainable growth

**1960**  
Taiwan Hisamitsu Pharmaceutical Co., Ltd. established

**1975**  
P.T. Salonpas Indonesia established

**1986**  
Hisamitsu Farmaceutica do Brasil Ltda. established

**1987**  
Hisamitsu America, Inc. established

**1994**  
Hisamitsu Vietnam Pharmaceutical Co., Ltd. established

**2002**  
Hisamitsu UK Limited established

**2009**  
Hisamitsu US Incorporated Established  
Noven Pharmaceuticals, Inc. acquired (U.S.)

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

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

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

**2019**  
Hisamitsu Italy S.r.l. established

**2020**  
Hisamitsu Pharmaceutical Malaysia Sdn. Bhd. Established

Major Products

**1907**  
Asahi Mankinko<sup>®</sup> launched



**1934**  
Salonpas<sup>®</sup> launched



**1963**  
Air<sup>®</sup> Salonpas<sup>®</sup> launched



**1971**  
Salonsip<sup>®</sup> launched



**1988**  
MOHRUS<sup>®</sup> launched



**1995**  
MOHRUS<sup>®</sup> Tapes launched



**2000**  
ESTRANA<sup>®</sup> launched



**2003**  
Butenalock<sup>®</sup> launched



Feitas<sup>®</sup> launched



**2008**  
Salonpas<sup>®</sup> Pain Relief Patch FDA approved (U.S.)



**2015**  
MOHRUS<sup>®</sup> Paps XR launched



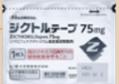
**2018**  
ALLESAGA<sup>®</sup> Tapes launched



**2020**  
SECUADO<sup>®</sup> launched (U.S.)



**2021**  
ZICHTORU<sup>®</sup> Tapes launched



Nobinobi<sup>®</sup> Salonsip<sup>®</sup> Fit<sup>®</sup> (Poke-Sip) launched



# Value Creation Model – Strive to Deliver a Better QOL to the

World and Contribute to Accomplishing a Sustainable Society

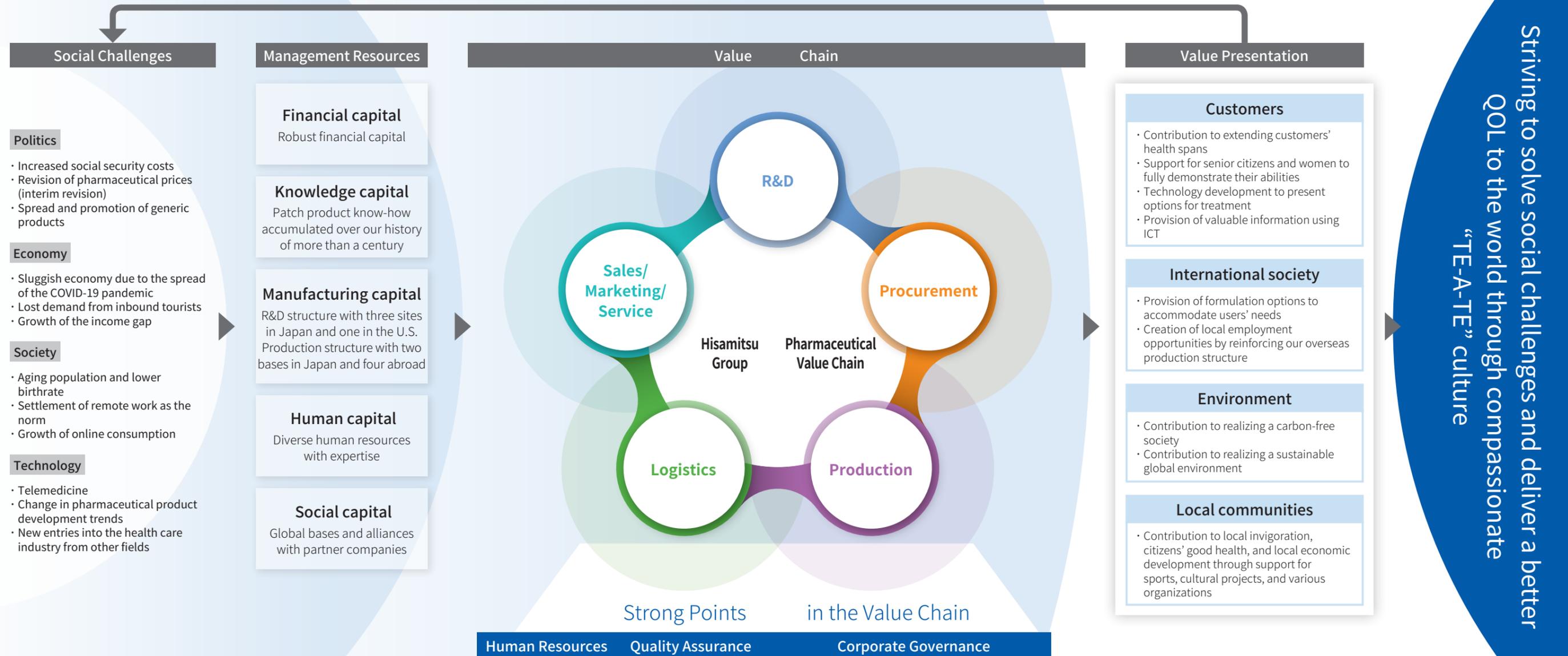
At the Hisamitsu Pharmaceutical Group, while leveraging our strong points, including long-accumulated know-how of patch agents, and our management resources, we would like to spread “TE-A-TE” culture throughout the world. By doing so, we will strive to realize our corporate philosophy “Delivering a Better QOL to the World” and contribute to accomplishing a sustainable society. Exceeding the boundary of pharmaceutical products, we will provide products and services that will properly meet

# World and Contribute to Accomplishing a Sustainable Society

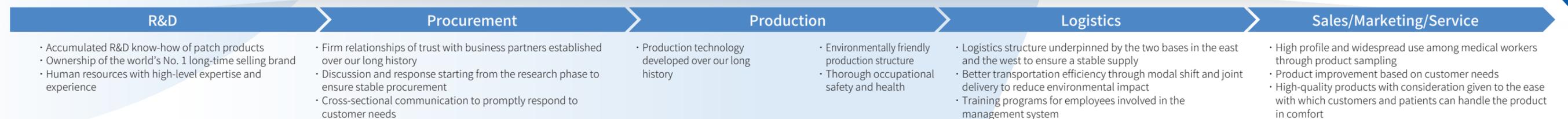
customer needs. At the same time, we will further proceed with our CSR efforts with an emphasis on ESG and the Sustainable Development Goals (SDGs), and thereby aim to enhance our corporate value and contribute to realizing sustainable social development.

**Corporate Philosophy** Delivering a Better QOL to the World **Company Mission**

Promoting “TE-A-TE” Culture Worldwide



## Foundation Underpinning the Value Chain



▶ Hisamitsu Pharmaceutical Group's Value Chain

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

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



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



## R&D

At the R&D Division, we are engaged in R&D and improvement of pharmaceutical products so that we can present items that are clearly distinguished from existing products and competitors' products. To do so, we mainly use the TDDS fundamental technology platform which we have consolidated over many years. We apply TDDS technology to pharmaceuticals that are difficult to be absorbed through the skin. We also make the maximum use of the advantages of TDDS technology, such as retention of stable efficacy and adequate concentration in the blood as well as reduced adverse drug reactions.

In addition, in order to launch new pharmaceutical products in the global market as quickly as possible, we are striving to consolidate our R&D efforts made at our domestic R&D sites and our overseas subsidiary (Noven Pharmaceuticals, Inc.) and shorten the development pipeline period.

Strength	Opportunities	Risks
<ul style="list-style-type: none"> <li>Accumulated R&amp;D know-how of patch products</li> <li>Ownership of the world's No. 1 long-time selling brand</li> <li>Human resources with high-level expertise and experience</li> </ul>	<ul style="list-style-type: none"> <li>Market growth due to patch treatment culture taking root worldwide</li> <li>Response to unmet medical needs</li> <li>Expansion through alliances with other companies</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in pharmaceutical prices due to the government's medical cost reduction policy</li> <li>Change in the business environment due to intensifying competition with generic products</li> <li>Reinforcement and revision of pharmaceutical regulations in Japan and abroad</li> </ul>

## Procurement

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



Strength	Opportunities	Risks
<ul style="list-style-type: none"> <li>Firm relationships of trust with business partners established over our long history</li> <li>Discussions starting in the research phase to ensure stable procurement</li> <li>Cross-sectional communication to promptly respond to customer needs</li> </ul>	<ul style="list-style-type: none"> <li>Enhancement of our competitive edge by ensuring further transparency in the procurement of raw materials</li> <li>Stable supply of environmentally friendly raw materials</li> <li>Enhancement of our reputation through appropriate responses</li> <li>Reinforcement of our management foundation by ensuring greater transparency</li> </ul>	<ul style="list-style-type: none"> <li>Impact from fluctuations in the cost of raw materials, packaging materials, etc. as well as exchange rates</li> <li>Dependence on external sources for the procurement of raw materials</li> <li>Malfunction in the procurement of raw materials due to climate change</li> <li>Changes in supply chain environment and the emergence of human rights related risks</li> </ul>

▶ Hisamitsu Pharmaceutical Group's Value Chain

## 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\* standards, so as to maintain a stable supply of products.

We are committed not only to ensuring such stable supply, but also increasing our productivity. We are raising the efficiency of the entire production process not only by carrying out *kaizen* (improvement) activities on a continual basis to raise quality, but also by consolidating and reorganizing production lines to review our production structure, improving individual processes, and increasing the operating rate.

Moreover, we have introduced an IoT-based production system, thereby proceeding with *kaizen* activities using big data accumulated in the production system and striving to further increase our 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 structure.

\*GMP (Good Manufacturing Practice): Standards for manufacturing products appropriately

Strength	Opportunities	Risks
<ul style="list-style-type: none"> <li>Production technology developed over our long history</li> <li>Environmentally friendly product design</li> <li>Technology to realize product improvement from the perspective of customers</li> </ul>	<ul style="list-style-type: none"> <li>Environmentally friendly production efforts</li> <li>Technology-based upgrade of production equipment</li> <li>Establishment of a global production structure</li> </ul>	<ul style="list-style-type: none"> <li>Appreciation in logistics costs, labor costs, and raw material costs</li> <li>Impact of large-scale disasters on production equipment</li> <li>Emergence of product accidents with impact on customers</li> <li>Emergence of problems related to the environment or human rights in the supply chain</li> </ul>

## Logistics



We have domestic logistics centers in eastern Japan (Kuki City, Saitama Prefecture) and in western Japan (Tosu City, Saga Prefecture), which underpin our logistics structure to maintain a stable supply of our pharmaceutical products. We ensure that the pharmaceutical products manufactured by our contractors also pass through these logistics centers as part of our supply chain.

Staffed by supervising pharmacists to manage the quality of our pharmaceutical products, each center shares information on its shipment volume together with relevant factories. This enables a wide variety of pharmaceutical products to be stored and managed properly and to be supplied to customers on a stable basis. For employees involved in the management of this system, we implement manual-based training in order to reduce human error and ensure a stable logistics structure.

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

Strength	Opportunities	Risks
<ul style="list-style-type: none"> <li>Logistics structure underpinned by the two bases in the east and the west to realize a stable supply</li> <li>Increase in transportation efficiency through modal shift and joint delivery to reduce environmental impact</li> <li>Training programs for employees involved in the management system</li> </ul>	<ul style="list-style-type: none"> <li>Higher efficiency and cost reduction by using technology</li> <li>Prompt and well-tuned response backed by the logistics network</li> <li>Innovation of the conventional business model through logistics reform</li> <li>Enhancement of our reputation through environmentally friendly efforts</li> </ul>	<ul style="list-style-type: none"> <li>Appreciation in logistics costs and labor costs</li> <li>Product price fluctuations and excessive inventory</li> <li>Impact of large-scale disasters on our supply chain</li> <li>Emergence of problems due to tightening of laws and regulations</li> <li>Emergence of problems related to the environment or human rights in the supply chain</li> </ul>

## Sales/Marketing/Service



At sales/marketing/service, we provide and collect information on the effectiveness and safety of our pharmaceutical products to enable medical workers and patients to use them without worry, and also to ensure appropriate use of the products. In addition, we share with related departments the requests gathered by our MRs from medical workers, in order to further improve the relevant products. Meanwhile, in the field of OTC pharmaceuticals, we conduct product sampling for the purpose of providing an experience of "treatment." We help not only patients in the medical field, but also other people around the world maintain and improve their good health.

Strength	Opportunities	Risks
<ul style="list-style-type: none"> <li>High profile and widespread use among medical workers through product sampling</li> <li>Prompt reflection of customer needs in product improvement</li> <li>High-quality products developed with attention to their use process and feel of use</li> </ul>	<ul style="list-style-type: none"> <li>Increased awareness of good health worldwide</li> <li>Increase in the number of those suffering from disorders due to changes in their lifestyles</li> <li>Increase in demand for patch products in response to medication adherence</li> </ul>	<ul style="list-style-type: none"> <li>Decline in profits due to reduction in medical expenses and pharmaceutical prices</li> <li>Change in the business environment due to intensifying competition with generic products</li> <li>Delay in going digital</li> <li>Decline in demand due to people's hesitation to see doctors during the COVID-19 pandemic</li> </ul>



## Quality Assurance

By producing pharmaceutical products with scientifically established methods based on the GMP standards, we ensure their quality, information reliability, and safety. Our quality assurance operations range extensively from preparing process charts related to production and quality, to inspecting, testing and evaluating products, analyzing defect trends, auditing and instructing business partners, and responding to customers (dealing with complaints) after shipment.

We also handle a wide variety of issues both internally and externally by, for example, establishing a structure enabling product formulation to be designed so that no defects will be generated, and managing and auditing business partners that purchase our OEM\* products. We have established an organization that monitors our strict compliance with laws, regulations, and self-standards, while our quality system is inspected by a public agency. As indicated by these examples, we are striving to raise the quality and safety of our pharmaceutical products within a strict quality management structure.

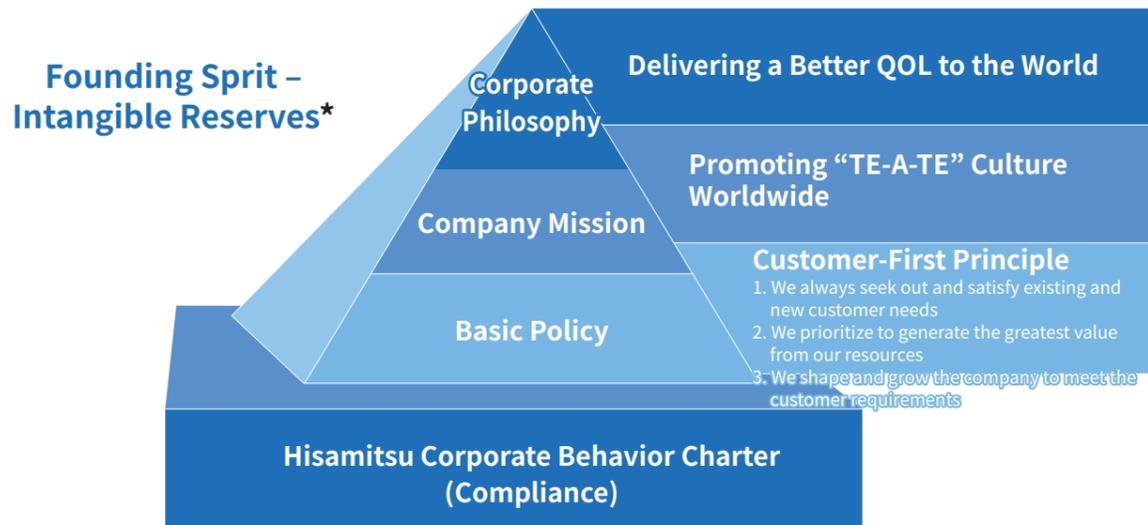
\*OEM: Original Equipment Manufacturer

Strength	Opportunities	Risks
<ul style="list-style-type: none"> <li>Quality assurance structure specializing in patch products</li> <li>Production of high-quality pharmaceutical products with scientifically established methods in accordance with the GMP</li> <li>Quality management structure designed for domestic and overseas suppliers</li> <li>Safety management structure enabling prompt, appropriate, cross-sectional responses</li> </ul>	<ul style="list-style-type: none"> <li>Horizontal spread of the quality assurance structure to the global bases</li> <li>Reflection of customers' requests for improvement identified through questionnaire surveys</li> <li>Reinforcement of our management foundation by ensuring greater transparency</li> <li>Enhancement of our reputation through appropriate responses</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty in ensuring human resources</li> <li>Response to the tightening and revision of laws and regulations in Japan and abroad</li> <li>Emergence of product accidents with impact on customers</li> <li>Emergence of quality problems in the supply chain</li> </ul>

# Hisamitsu Pharmaceutical Group's Commitment to Sustainability

## Corporate Philosophy and Company Mission

Since our establishment, we have been committed to delivering a better QOL to the world through R&D, manufacturing, and sales of patch products. Such commitment includes our dedication to "TE-A-TE," meaning to heal your loved ones by giving them your hand in the sincere hope that they will get better. From now on, we will spread "TE-A-TE" culture, which is full of compassion, across the world, not only through patch products, but also through a wide variety of other products and services. In this regard, we will make corporate efforts under the new company mission, "Promoting 'TE-A-TE' Culture Worldwide."



\*Intangible Reserves: The idea that corporate value represents trust in a company's concepts and the actions it takes based on these, and that we can obtain unwavering support and trust if we continue to maintain a strong sense of ethics

## Hisamitsu 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. 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 spread "patch treatment" culture, but our corporate responsibilities are not limited to that. It is our mission and responsibility as long as it is filled with enthusiasm for "TE-A-TE" and concerned with customer satisfaction, even if it is in the realm of non-profit operations or disease/injury prevention.

By contributing to creating happy smiles through a compassionate "TE-A-TE" culture, we will strive to achieve a favorable cycle of solving social problems and realizing our corporate group's growth.



## Hisamitsu Pharmaceutical Group's Materiality (Important Challenges)

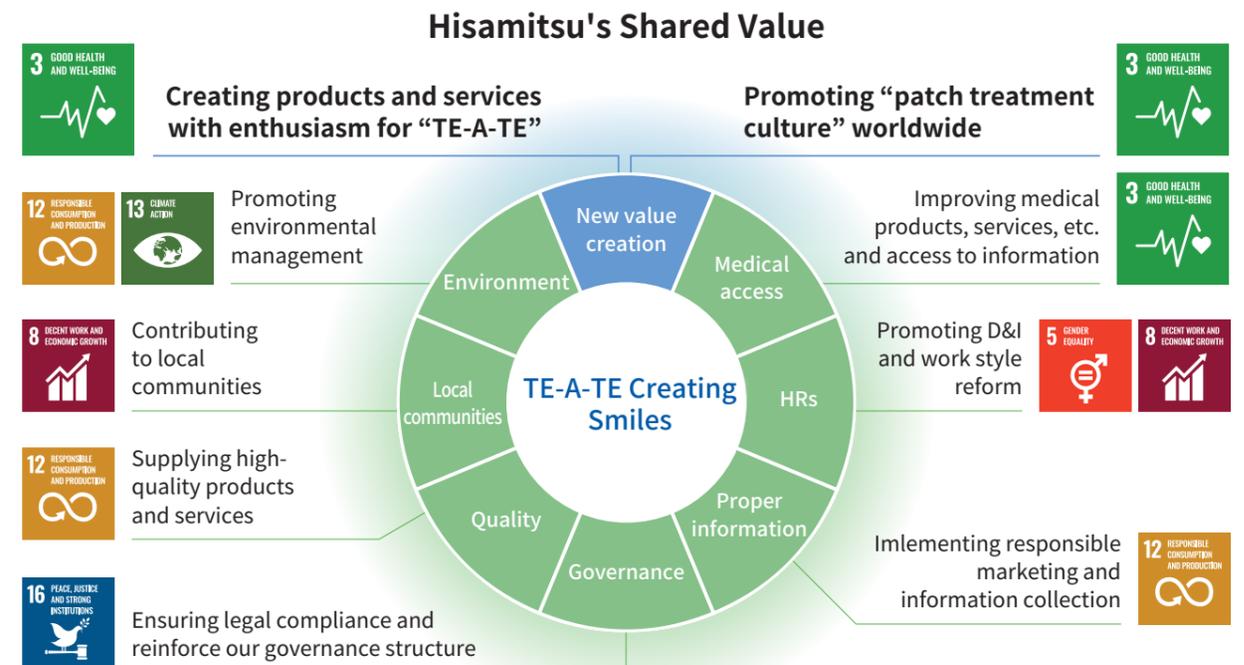
In 2021, we identified nine materiality points (important challenges) to create the common value "TE-A-TE Creating Smiles," presented in our sustainability policy.

These materiality points (important challenges) are divided into the following two categories:

① Materiality related to our contribution to solving social problems by creating new value

② Materiality related to the solution of social problems, social needs, and the foundation for our sustainable growth

While striving to create common value by focusing on these materiality points, we will contribute to establishing a sustainable society.



## Major SDGs related to our materiality

Materiality related to our contribution to solving social problems by creating new value			
<b>Creating products and services with enthusiasm for "TE-A-TE"</b>	<ul style="list-style-type: none"> <li>Develop and provide products in response to needs that are irrelevant to patch products</li> <li>Provide products and services that will contribute to expanding people's healthy life expectancy</li> </ul>	<b>Promoting "patch treatment culture" worldwide</b>	<ul style="list-style-type: none"> <li>Promote the benefits of TE-A-TE through patches</li> <li>Develop further-value-added patches</li> </ul>
Materiality related to the solution of social problems, social needs, and the foundation for our sustainable growth			
<b>Promoting environmental management</b>	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions coming from our business operations</li> <li>Reduce our use of plastic and waste generation</li> <li>Promote CSR procurement throughout our supply chain</li> </ul>	<b>Improving medical products, services, etc. and access to information</b>	<ul style="list-style-type: none"> <li>Provide products and services worldwide</li> <li>Provide various means of purchase depending on customers' needs</li> <li>Provide even more health-related information</li> </ul>
<b>Contributing to local communities</b>	<ul style="list-style-type: none"> <li>Support cultural, sports, and group activities</li> <li>Develop products based on the concept of local production for local consumption</li> </ul>	<b>Promoting D&amp;I and work style reform</b>	<ul style="list-style-type: none"> <li>Use a wide variety of HRs</li> <li>Establish a fulfilling work environment</li> </ul>
<b>Supplying high-quality products and services</b>	<ul style="list-style-type: none"> <li>Ensure the quality and safety of our products and services</li> <li>Improve our products using feedback from customers</li> </ul>	<b>Implementing responsible marketing and information collection</b>	<ul style="list-style-type: none"> <li>Conduct marketing in compliance with each country's guidelines</li> <li>Collect information on the proper use of medical products and other items</li> </ul>
<b>Ensuring legal compliance and reinforce our governance structure</b>	<ul style="list-style-type: none"> <li>Enhance the effectiveness of our board of directors</li> <li>Eliminate all forms of harassment</li> </ul>	<ul style="list-style-type: none"> <li>Increase the awareness of legal compliance</li> <li>Respond to a wide variety of risks</li> </ul>	



Corporate Governance — Toward Enhancing Our Corporate Value —

▶ **Directors & Corporate Auditors** (as of the end of May 2021)

**Directors**



**Kazuhide Nakatomi**  
President and CEO



**Kosuke Sugiyama**  
Senior Managing Director,  
Executive Officer  
Management of Human  
Resources and R&D



**Shinichiro Takao**  
Managing Director, Executive Officer  
Head of BU Division,  
And Management of Corporate  
Development,  
And Management of Public Relations  
& Investor Relations,  
And Management of Sustainability  
Promotion



**Kyu Saito**  
Director, Executive Officer  
Head of International Division



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



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

**Outside Directors**



**Isao Ichikawa**  
Outside Director  
(Part-time)



**Teiji Furukawa**  
Outside Director  
(Part-time)



**Yuichiro Anzai**  
Outside Director  
(Part-time)



**Tetsugo Matsuo**  
Outside Director  
(Part-time)

**Corporate Auditors**



**Nobuyuki Nakatomi**  
Corporate Auditor



**Munehiko Hirano**  
Corporate Auditor



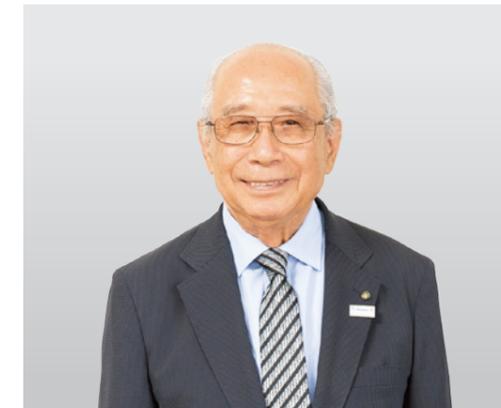
**Keinosuke Ono**  
Outside Corporate Auditor  
(part-time)



**Tetuo Tokunaga**  
Outside Corporate Auditor  
(part-time)

# Message from an Outside Director

## Take Advantage of the Experiences Accumulated in Different Industries and Strive to Realize Even Healthier Management and Enhance Corporate Value



**Isao Ichikawa**  
Outside Director (Part-time)

Jun. 1986: Senior Managing Officer and Representative Director, The Mitsubishi Bank, Ltd.  
Jun. 1989: Senior Executive Vice President and Representative Director, NIKON CORPORATION  
Jun. 1993: Vice Chairman of the Board and Representative Director, NIKON CORPORATION  
Oct. 2001: Financial Advisor, Keio University  
Apr. 2004: Director, National University Corporation Tokyo Gakugei University  
May 2004: Outside Corporate Auditor, Hisamitsu Pharmaceutical Co., Inc.  
Jan. 2008: Member, Tokyo Metropolitan Public Interest Corporation Council  
May 2015: Outside Director, Hisamitsu Pharmaceutical Co., Inc. (to the present)

In 2004, when I served as the financial advisor at Keio University, I was invited by Hisamitsu Pharmaceutical to serve as Outside Corporate Auditor. I think that what the Company wanted from me was the experience and expertise that I had accumulated as a director involved in overall management of listed companies both in the financial and manufacturing industries. I soon checked the Company's financial situation and found that it was truly excellent, leading me to accept the offer with great pleasure. In 2015, I began to serve as Outside Director, which I have continued to this day.

In 1986, I assumed the position of Senior Managing Officer at The Mitsubishi Bank, Ltd. (presently MUFG Bank, Ltd.), for which I had worked for many years. In 1989, three years later, I began to be involved in the management of NIKON CORPORATION as Vice President, and in 1993 I did so as Vice Chairman of the Board. Afterwards, I was involved in the operation of a school corporation and a national university corporation. These experiences provided opportunities for me to handle overall financial affairs in the financial and manufacturing industries. In addition, I was also involved in many overseas projects.

From early on, many companies in the West established a system for incorporating suggestions

from outside officers into their management. I first became conscious of the term "Outside Director" sometime from the mid-1950s to the mid-1960s, when The Mitsubishi Bank, for which I worked in those days, introduced an outside director system. If left in the same environment or conditions for a long period, people will tend to make decisions from a shortsighted viewpoint and have the same views as those around them. Problems arise when people ignore ideas and approaches different from theirs. To prevent such a risk, I and other Outside Directors monitor and supervise Hisamitsu Pharmaceutical's overall management from an outside, objective perspective. We provide necessary advice and recommendation to ensure management legitimacy and soundness, enhance corporate value, and protect shareholders' interests.

Hisamitsu Pharmaceutical is a company expected to grow considerably from now on. As an Outside Director, I would like to contribute to the Company's establishing an even sounder and transparent governance structure. At the same time, I would like to make further efforts so that the Company can further reinforce its various management resources that serve as the cornerstone for the Company to achieve greater success in the future.

# Environment – Toward Realizing a Sustainable Society –

At Hisamitsu Pharmaceutical, all employees 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 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.

## ▶ “HELLO! eco!”

Our commitments originate from each individual's determination to “start something good for ecology (eco)!” To maintain this determination on a perpetual basis, we have set “HELLO! eco!” as the slogan for our environmental activities.

Products that have met the ecology standards that Hisamitsu Pharmaceutical has established will display the “HELLO! eco!” mark sequentially with an explanation in accordance with the Environmental Labeling Guidelines laid down by the Ministry of the Environment.



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

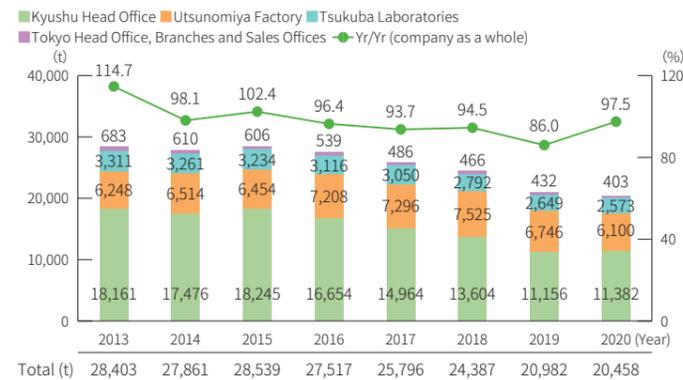
## Contribution to Achieving a Low-Carbon Society

### ▶ CO<sub>2</sub> Emissions

The Utsunomiya Factory reduced CO<sub>2</sub> emissions by approximately 10% between FY2020 and FY2019, thanks to the Kiyohara Industrial Park Smart Energy Project. The Tsukuba Laboratories, as well as the Tokyo Head Office, branches and sales offices, continued to implement thorough power-saving efforts, including adjusting the temperature of air conditioners, and managing lighting and information devices. Consequently, they reduced CO<sub>2</sub> emissions by approximately 3% and 6%, respectively, from the previous fiscal year.

The Kyushu Head Office, including the Tosu Factory, saw an increase in CO<sub>2</sub> emissions of approximately 2%, because of the launch of a new product and growth in the production of existing products, although Hisamitsu Pharmaceutical as a whole (on a non-consolidated basis) reduced CO<sub>2</sub> emissions by approximately 2.5%.

CO<sub>2</sub> Emissions (t-CO<sub>2</sub>) at Each Business Base



### ▶ CO<sub>2</sub> Emissions in Supply Chain (Scopes 1, 2, and 3)

Generated throughout the entire process from manufacturing to consumption, including raw material procurement, manufacturing, logistics, sales, and disposal, greenhouse gases are affecting the global environment. To realize a low-carbon society, we believe that it is critical to reduce CO<sub>2</sub> emissions not only at our company but also throughout our entire supply chain. In 2015, we began to calculate the CO<sub>2</sub> emissions generated throughout our supply chain, in accordance with the guidelines released by the Ministry of the Environment. In FY2020, we accomplished a reduction in CO<sub>2</sub> emissions of more than 10% from the previous fiscal year, due to a slowdown in our sales and production during the COVID-19 pandemic.

#### Emissions throughout Supply Chain

Category	FY2020 Emissions		Notes
	CO <sub>2</sub> (t)	Percentage	
Scope 1 Direct emissions	6,989	6.24%	Scope of calculation: Hisamitsu Pharmaceutical on a non-consolidated basis
Scope 2 Indirect emissions	15,578	13.92%	Scope of calculation: Hisamitsu Pharmaceutical on a non-consolidated basis
Purchased goods and services	51,179	45.73%	Obtained by multiplying the volume of raw materials, etc. purchased in Japan by emissions per unit*
Capital goods	5,340	4.77%	Obtained by multiplying the capital investment amount by emissions per unit*
Fuel- and energy-related activities not included in Scope 1 or 2	2,167	1.94%	Obtained by multiplying the purchased power volume by emissions per unit*
Transportation and delivery (upstream)	2,161	1.93%	Obtained by multiplying the ton-km from a primary raw material maker's factory to our factory and from our factory to our logistics center, a wholesaler, etc. by emissions per unit*
Waste generated in operations	2,095	1.87%	Obtained by multiplying the volume of each category of industrial waste generated at our domestic factories and laboratories by emissions per unit*
Business travel	473	0.42%	Obtained by multiplying the number of business travel days by emissions per unit*
Employee commuting	255	0.23%	Obtained by multiplying the amount of paid commuting fees in each transportation category by emissions per unit*
Scope 3 Leased assets (upstream)	—	—	—
Transportation and delivery (downstream)	32	0.03%	Obtained by calculating the ton-km based on the average delivery distance from a wholesaler and the volume, and multiplying this by emissions per unit*
Processing of sold products	—	—	—
Use of sold products	—	—	—
End-of-life treatment of sold products	25,651	22.92%	Obtained by multiplying the volume of used raw materials by emissions per unit*
Leased assets (downstream)	—	—	—
Franchises	—	—	—
Investments	—	—	—

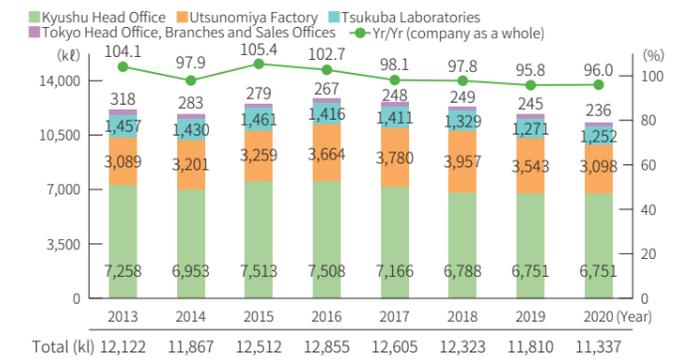
\*The values listed in the Database of Emissions per Unit for Calculating Each Organization's Greenhouse Gas Emissions throughout Its Supply Chain (Ver 2.6), Ministry of the Environment

## ▶ Energy Use (Crude Oil Equivalent)

The Utsunomiya Factory reduced energy use by approximately 12.5% in FY2020 from FY2019, thanks to the Kiyohara Industrial Park Smart Energy Project. The Tsukuba Laboratories, as well as the Tokyo Head Office, branches, and sales offices, continued to implement thorough power-saving efforts, including adjusting the temperature of air conditioners and managing lighting and information devices. Consequently, they reduced energy use by approximately 1.5% and 4%, respectively, from the previous fiscal year.

The Kyushu Head Office, including the Tosu Factory, made effective use of energy, but the amount used was similar to that of the previous fiscal year with no reduction achieved. However, Hisamitsu Pharmaceutical as a whole (on a non-consolidated basis) reduced energy use by approximately 4%.

Energy Use (Crude Oil Equivalent) at Each Business Base



## Reduction in Environmental Impact

### ▶ Reduction in Waste Generation and Recycling

We strive to reduce waste generation by ensuring that waste is separated and collected according to category throughout the Company and by recycling waste. Moreover, in order to reduce the number of products whose production process entails the generation of waste and which are discarded as waste after use, we make a wide variety of efforts, including changing such products' raw materials and improving the packaging. We aim to reduce resource use by improving products through, for example, reducing the size of packages and medicine bags, whether such products

are produced in Japan or abroad. We therefore proceed with environmentally friendly production.

Production waste generated in the manufacturing process is utilized in thermal recycling as a heat source for a cement factory. Ash generated after incineration is used as a resource to be mixed with cement, leading to the FY2020 recycling rate of 99.8%, the same as that of FY2019. Moreover, transportation materials after use are separated and collected by category and recycled as a raw material for recycled paper and as a cushioning material.

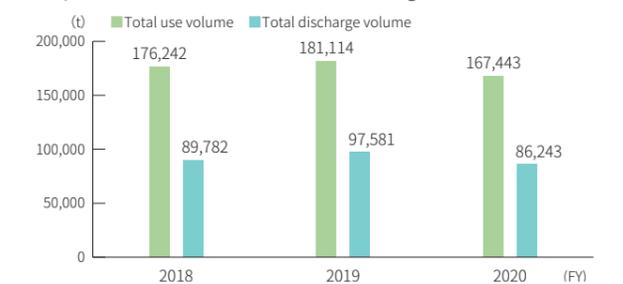
### ▶ Conservation of Water Resources

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

In FY2020, our water use volume decreased by approximately 7.5% as a result of a decline in our production volume, plus our efforts to recycle cooling water used at production facilities in our production sites and our continuous consideration of how to adjust the temperature of air conditioners according to the season. We will continue to make efforts for further reductions.

When discharging water outside our factories, we comply with our self-regulations, which are stricter than the water-quality standards set by the national and local governments, and regularly check the water quality. We always monitor COD\* and pH\* values to prevent harmful substances from resulting in negative effects.

Corporate Water Use Volume / Discharge Volume



#### Management of Water Pollutants (t)

	FY2018	FY2019	FY2020
BOD* discharge volume	11.6	12.6	10.3
SS* discharge volume	2.7	4.4	2.3

\*COD (chemical oxygen demand): Amount of necessary oxygen when organics in water are oxidized by an oxidizing agent

\*pH (hydrogen ion concentration): Representing water acidity, neutrality, and alkalinity

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

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

### ▶ Management of Air Pollutants

SO<sub>x</sub> (sulfur oxide) and NO<sub>x</sub> (nitrogen oxide), which are emitted when boilers and private power generators are turned on, cause air pollution. We comply with our self-regulations, which are stricter than the standards stipulated under the Air Pollution Control Act, and confirm that our emissions of SO<sub>x</sub> and NO<sub>x</sub> are below the levels set in the regulations.

SO<sub>x</sub> and NO<sub>x</sub> Emission Volumes (t)

	FY2018	FY2019	FY2020
SO <sub>x</sub>	1.8	1.4	0.7
NO <sub>x</sub>	4.3	3.7	2.9

### ▶ Management of Specified Chemical Substances

We manage chemical substances properly in compliance with the PRTR Act.<sup>1</sup> There are two chemical substances that we must report to the authorities: toluene and acetonitrile. In FY2020, we handled 3.4 t of toluene and 3.8 t of acetonitrile. We will continue to ensure appropriate use and management (storage and waste disposal<sup>2</sup>) of these substances and strive to reduce their emission into the environment (air, water, and soil).

\*1: The Act stipulates that the volume of a specified chemical substance emitted into the environment (air, water, and soil) must be identified and reported to the national government.

\*2: For the gases generated in our manufacturing process, including toluene, we process them using combustion equipment, rather than releasing them directly into the air.

Handling Volume of PRTR Substances (t)

Substance	Toluene			Acetonitrile		
	Handling volume	Emission into the air	Waste disposal	Handling volume	Emission into the air	Waste disposal
FY2018	3.8	0.2	3.6	3.0	0.0	3.0
FY2019	3.8	0.2	3.6	3.3	0.0	3.3
FY2020	3.4	0.2	3.2	3.8	0.0	3.8

# Society – Bonds with Stakeholders –

At Hisamitsu Pharmaceutical, in order to generate new value, we strive to establish an organizational environment in which we can generate innovation on a continual basis, by securing a wide variety of human resources, actively engaging in dialogue regarding career development, and fostering and developing human resources in a way that will increase the satisfaction level of employees. Moreover, we recognize the importance of ensuring our employees' safety and health, establishing a work environment where they can work vigorously, and developing as a corporate citizen together with local communities. Based on this recognition, we interact with local communities through sports and other various means.

## Bonds with Employees

### Diversity and Inclusion (D&I)

At Hisamitsu Pharmaceutical, we acknowledge the use of a wide variety of human resources as one of our important business strategies. We accept a wide variety of employees, ensuring diversity in terms of not only attributes such as nationality, gender, religion, age, and disability, but also values and lifestyles. By establishing a work environment where employees can

demonstrate their individuality and ability to the fullest extent possible, we can gain momentum toward global business expansion. If a wide variety of values are shared among employees, it will help create innovation, which will contribute to realizing a sustainable society.

### HR Development

Based on the belief that the growth of human resources comes from training, we provide training programs from a long-term perspective in order to enhance the ability of our employees, who serve as the driving force in realizing our corporate philosophy. Developing human resources in a well-organized and well-

planned manner, we pursue human resource management (HRM) linked with our business strategies. Moreover, we quantitatively collect and analyze the results of employee morale surveys (employees' satisfaction surveys) and reflect them in a wide variety of training programs.

### Many More Opportunities for Female Employees to Play Significant Roles

We believe that we cannot ensure sustainable growth or reinforce our competitive edge without providing many more opportunities for female employees to play significant roles. Based on this belief, we are creating an environment in which employees can easily strike the best balance between their work and life events. While providing support for employees on parental leave to return to work smoothly, we fully communicate such support by implementing training programs for managers and others designed according to job rank. We are thus continuing to enhance our employees' understanding and awareness of a wide

variety of work styles. To nurture female managers, we implement Hisamitsu Women Leader Training mainly for middle-level employees. Recommended from their departments, such employees join in the program to obtain knowledge and skills regarding communication, leadership, team management, self-management, career vision, etc. With the proportion of female managers in FY2020 standing at 5.7%, we are working to give female employees many more opportunities to demonstrate their ability.

#### Outcomes of Our Efforts

Based on the Act on Promotion of Women's Participation and Advancement in the Workplace, we have formulated a General Employers Action Plan (April 1, 2018 – March 31, 2021), which sets forth the target of increasing the proportion of female managers 1.5-fold from FY2017. As of the end of February 2021, the proportion of female managers increased 1.5-fold, meaning that we fulfilled the target. In addition, the average number of service years of female employees (13.3) is now almost equivalent to that of male employees (14.4). We will continue to provide many more opportunities for female workers to make their presence felt.

### Development of Global Human Resources

To strengthen our competitive edge both at home and abroad, we are pushing forward with the development of human resources who can work globally. We provide various training programs, such as language programs, cross-cultural communication

programs, and management skill programs. As part of such efforts, we actively support all employees with their self-study of English mainly through the Global Challenge, a support system launched in FY2018 for taking the TOEIC test.

### Personnel Assessment

We assess individual employees' performance from the two perspectives of their growth (management by behavior) and their contribution to the Company (management by objectives), in order to stimulate their motivation for their daily work and foster their voluntary growth. For management by behavior, we confirm, through interviews between employees and their supervisors, whether they constantly display behavior intended to generate high-quality results every fiscal year. We also ensure that points to be improved are shared between the employees and their supervisors. For management by

objectives, we have employees set objectives based on the results of interviews with their supervisors held at the beginning of the period subject to assessment. At the end of that period, the employees conduct a self-assessment, and then engage in interviews with their supervisors to discuss the level of achievement of their objectives and future efforts, and strive to generate further high-quality results. We ensure that the evaluation obtained through this process is reflected in the employee's treatment and eventually fed back to the employee, thereby enabling them to feel a sense of achievement in their work.

## Occupational Safety and Health

### Management Structure

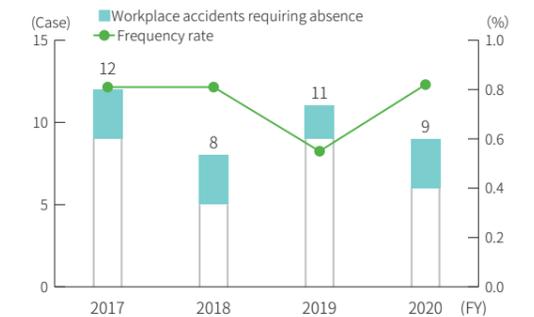
At Hisamitsu Pharmaceutical, we have established a Safety and Health Committee at each of our business bases, with consideration given to each base's scale and features, in order to ensure further safety and health for employees. Calling monthly meetings of the Safety and Health Committee, we deliberate and share problems identified through a workplace patrol conducted by a company

doctor and the causes of workplace accidents, thereby striving to prevent the reoccurrence of workplace accidents and health problems. Striving to form an environment in which all employees can work safely and securely, we ensure cooperation between labor and management in reinforcing our management structure. The Kyushu Head Office and the Utsunomiya Factory, certified under ISO45001, are operated in accordance with an EHS management system.

### Commitments by the Safety and Health Committee

While striving to prevent accidents by conducting risk assessments, we are also raising employees' awareness in order to reduce workplace accidents. We have a weekly workplace patrol conducted by members of the Safety and Health Committee in order to identify points to be improved from the perspectives of safety and health. Specifically, we measure the levels of noise, dust, luminous intensity, etc. on a regular basis to check our workplace environment, thereby managing the environment and making any necessary improvements. In addition, in the case of workplaces in which organic solvents are used, we seek to improve the operating environment, while instructing the operators to manage their protective gear appropriately. In FY2020, there were nine workplace accidents, with a frequency rate of 0.82%.

Workplace Accidents



## Supplier Audits

### Supplier Audits

For those who supply us with raw materials both within Japan and abroad, we conduct on-site and paper inspections. We do this for about 60 companies per year, checking the appropriateness of their raw material manufacturing and management, and their quality management. We have set audit items centered on the key part of each operation at facilities for manufacturing drug substances and raw materials,

facilities for manufacturing pharmaceutical products, testing facilities, etc. based on the GMP and other standards. If there are any quality changes, complaints, etc., we conduct a special audit. We also perform similar audits for our production and operation contractors and service suppliers in order to ensure the quality of the products and maintain a stable supply.

## Bonds with Society

### Support for the Japanese Red Cross Society

At Hisamitsu Pharmaceutical, we support the Japanese Red Cross Society mainly in terms of its on-the-street international charity drive, blood donation, and disaster support activities both in Japan and abroad. On January 31, 2020, Hisamitsu Pharmaceutical and the Japanese Red Cross Society concluded the Agreement of Support and Cooperation at the Time of a Disaster.

Support Efforts	Overview
On-the-street international charity drive	Since 1996, we have been a supporter of the on-the-street international charity drive organized every December by the Japanese Red Cross Society. In FY2019, 477 officers and employees of Hisamitsu in 13 cities in Japan participated in the drive, donating a total of 694,688 yen. In FY2020, when no fundraising activities could be carried out on the streets due to the COVID-19 pandemic, we set up donation boxes at our 12 bases in Japan, donating 284,936 yen to the Red Cross Society.
Blood donation	The Kyushu Head Office biannually organizes a blood donation drive, in which a total of 136 employees actively participate. Moreover, since FY2018, Hisamitsu Indonesia has also been involved in blood donation efforts.
Disaster support activities both in Japan and abroad	To support those affected by the torrential rains that hit Japan in July 2020, we donated 3 million yen, while the matching gift organization Hisamitsu Pharmaceutical Hot Heart Club donated 2 million yen, resulting in a total donation of 5 million yen from the Hisamitsu Pharmaceutical Group.
Conclusion of the Agreement of Support and Cooperation at the Time of a Disaster	To ensure smooth implementation of emergency measures and recovery efforts at the time of a disaster, such as an earthquake or typhoon, we provide available supplies free of charge to the Red Cross Society, depending on the needs of those affected by the disaster, Red Cross Society disaster response staff, Red Cross society volunteers, etc. In the case of the torrential rains in July 2020, we provided a total of 6,480 items free of charge.

### Hisamitsu Springs

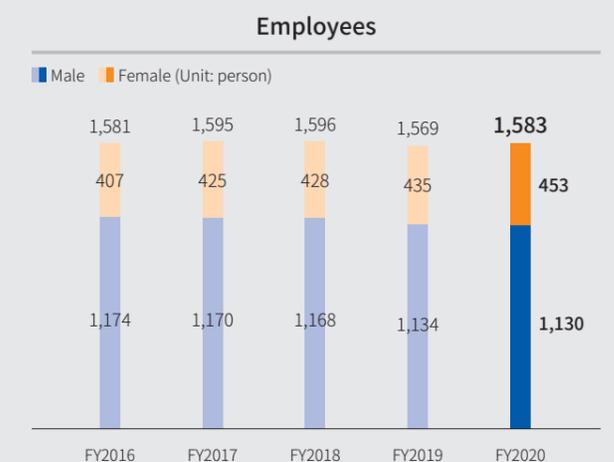
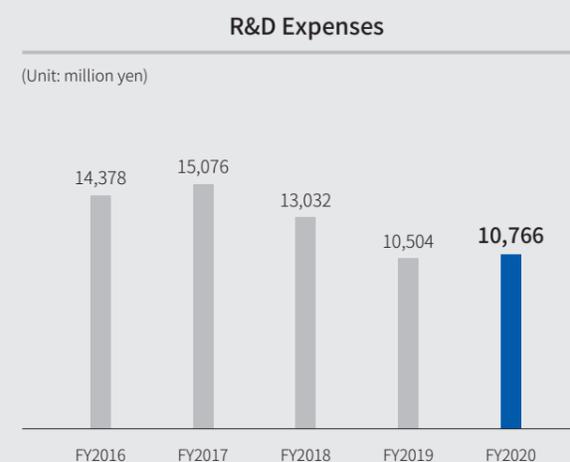
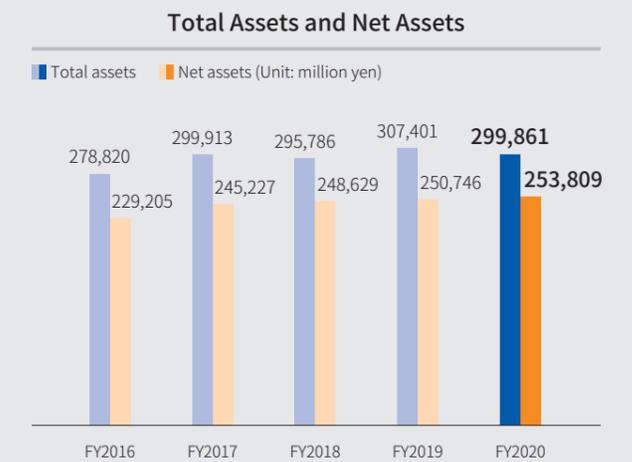
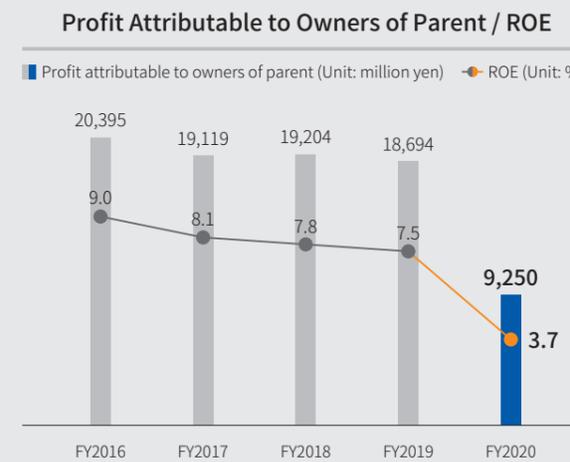
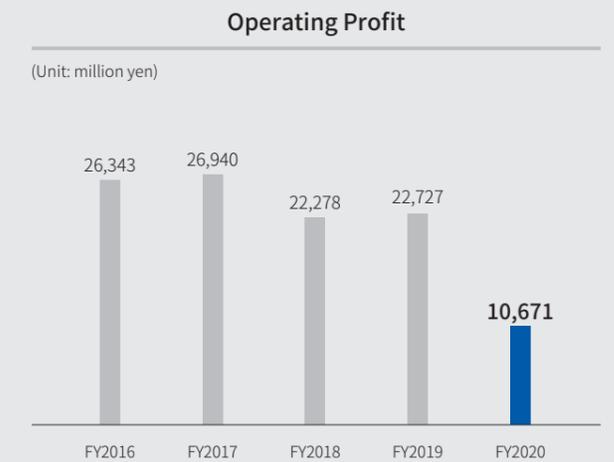
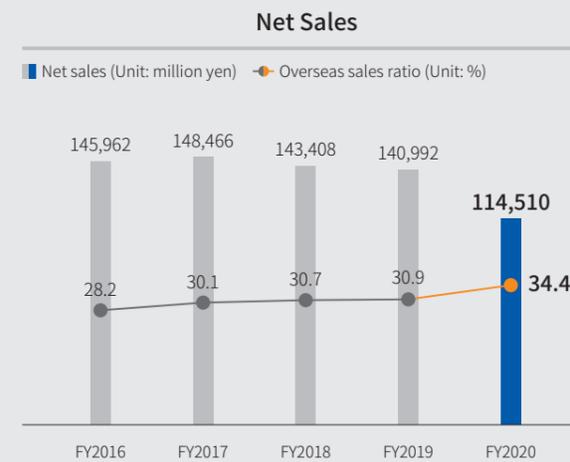
Established in 1948 as an in-house sports club, the female volleyball team Hisamitsu Springs currently belongs to the V1 League and participates in competitions both in Japan and abroad. In March 2020, we established SAGA Hisamitsu Springs Co., Ltd. as a new company mainly to manage the female volleyball team Hisamitsu Pharmaceutical Springs. In support of the Japan Sports Agency's initiative to turn sports into a growing industry, we founded the Company to further invigorate the local community and its economy through volleyball. In July, we changed the team's name to Hisamitsu Springs.



Celebrating the establishment of SAGA Hisamitsu Springs Co., Ltd.

# Financial and Non-Financial Highlights

		FY2016	FY2017	FY2018	FY2019	FY2020
<b>Financial Results</b>						
Net sales	(Million yen)	145,962	148,466	143,408	140,992	114,510
Sales growth rate	(%)	90.2	101.7	96.6	98.3	81.2
Overseas net sales	(Million yen)	41,142	44,666	44,047	43,589	39,340
Overseas sales ratio	(%)	28.2	30.1	30.7	30.9	34.4
Operating profit	(Million yen)	26,343	26,940	22,278	22,727	10,671
Operating margin	(%)	18.0	18.1	15.5	16.1	9.3
Ordinary profit	(Million yen)	28,179	28,245	24,647	25,628	11,829
Profit attributable to owners of parent	(Million yen)	20,395	19,119	19,204	18,694	9,250
Selling, general and administrative expenses	(Million yen)	66,464	65,836	66,401	64,875	58,501
R&D expenses	(Million yen)	14,378	15,076	13,032	10,504	10,766
R&D expenses to net sales	(%)	9.9	10.2	9.1	7.5	9.4
Depreciation	(Million yen)	6,438	6,005	5,742	4,251	4,079
Plant and equipment investment	(Million yen)	3,693	2,548	4,034	3,716	3,573
<b>Financial Position</b>						
Total assets	(Million yen)	278,820	299,913	295,786	307,401	299,861
Net assets	(Million yen)	229,205	245,227	248,629	250,746	253,809
<b>Cash Flows</b>						
Net increase (decrease) in cash and cash equivalents	(Million yen)	1,669	20,959	(37,786)	(1,786)	4,357
Free cash flow	(Million yen)	20,980	29,075	(23,530)	10,165	13,105
<b>Per-Share Information</b>						
Profit per share	(Yen)	241.27	228.52	230.08	227.58	113.22
Net assets per share (BPS)	(Yen)	2,724.00	2,912.83	2,987.29	3,046.45	3,083.98
Annual dividends per share	(Yen)	81.5	82.0	82.5	83.0	83.5
<b>Major Financial Indexes</b>						
Return on equity (ROE)	(%)	9.0	8.1	7.8	7.5	3.7
Shareholders' equity ratio	(%)	81.7	81.3	83.5	80.9	84.1
Payout ratio	(%)	33.8	35.9	35.9	36.5	73.8
<b>Non-Financial Data</b>						
Employees (*On a non-consolidated basis)	(person)	1,581	1,595	1,596	1,569	1,583
Male (*On a non-consolidated basis)	(person)	1,174	1,170	1,168	1,134	1,130
Female (*On a non-consolidated basis)	(person)	407	425	428	435	453
Domestic employees (*On a consolidated basis)	(person)	1,723	1,732	1,653	1,617	1,645
Overseas employees (*On a consolidated basis)	(person)	1,028	1,091	1,139	1,128	1,125
Average service years	(yr)	12.5	12.9	13.3	13.8	14.1
Female managers	(%)	3.07	4.20	4.40	4.40	5.70
Employees taking parental leave	(person)	28	27	34	25	40
Disabled employment	(%)	2.06	2.16	1.86	1.99	1.94
Paid leave uptake	(%)	52.0	52.7	61.7	69.0	60.2



\*On a non-consolidated basis as Hisamitsu Pharmaceutical Co., Inc.

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Unit: million yen)

	Prior Fiscal Year End (As of Feb. 29, 2020)	Current Fiscal Year End (As of Feb. 28, 2021)		Prior Fiscal Year End (As of Feb. 29, 2020)	Current Fiscal Year End (As of Feb. 28, 2021)
<b>Assets</b>			<b>Liabilities</b>		
Current assets			Current liabilities		
Cash and deposits	107,051	114,254	Notes and accounts payable - trade	10,488	7,672
Notes and accounts receivable - trade	49,232	39,546	Electronically recorded obligations - operating	8,536	7,127
Securities	34,878	21,743	Short-term loans payable	1,209	1,111
Merchandise and finished goods	8,816	11,359	Lease obligations	68	101
Work in process	505	465	Accounts payable - other	7,865	6,634
Raw materials and supplies	6,137	6,744	Income taxes payable	5,745	608
Other	2,952	4,290	Provision for sales returns	127	103
Allowance for doubtful accounts	-325	-343	Provision for bonuses	1,558	1,350
Total current assets	209,251	198,061	Other	5,456	5,346
Non-current assets			Total current liabilities		
Property, plant and equipment			41,055		
Buildings and structures	45,764	46,059	Non-current liabilities		
Accumulated depreciation	-30,824	-31,879	Long-term loans payable	368	296
Buildings and structures, net	14,939	14,180	Lease obligations	130	94
Machinery, equipment and vehicles	41,251	41,798	Deferred tax liabilities for land revaluation	1,660	1,660
Accumulated depreciation	-34,617	-35,636	Deferred tax liabilities	1,318	3,465
Machinery, equipment and vehicles, net	6,633	6,162	Net defined benefit liability	7,600	7,928
Tools, furniture and fixtures	11,774	11,838	Other	4,521	2,548
Accumulated depreciation	-9,796	-9,761	Total non-current liabilities	15,598	15,994
Tools, furniture and fixtures, net	1,978	2,077	Total liabilities		
Land	12,340	11,897	56,654		
Leased assets	498	598	<b>Net assets</b>		
Accumulated depreciation	-314	-384	Shareholders' equity		
Leased assets, net	184	214	Capital stock	8,473	8,473
Construction in progress	2,520	2,822	Capital surplus	2,272	2,352
Total property, plant and equipment	38,596	37,354	Retained earnings	230,929	233,376
Intangible assets			Treasury shares	-11,730	-11,495
Sales rights	48	27	Total shareholders' equity	229,945	232,707
Software	113	206	Accumulated other comprehensive income		
Other	1,308	944	Valuation difference on available-for-sale securities	12,047	16,165
Total intangible assets	1,469	1,178	Revaluation reserve for land	3,790	3,790
Investments and other assets			Foreign currency translation adjustment	2,700	-1,173
Investment securities	48,379	54,602	Remeasurements of defined benefit plans	299	575
Net defined benefit assets	3,653	3,895	Total accumulated other comprehensive income	18,838	19,359
Deferred tax assets	1,287	1,047	Share acquisition rights	491	232
Other	4,976	3,935	Non-controlling interests	1,470	1,510
Allowance for doubtful accounts	-214	-214	Total net assets	250,746	253,809
Total investments and other assets	58,083	63,267	Total liabilities and net assets	307,401	299,861
Total non-current assets	98,150	101,800			
Total assets	307,401	299,861			

## Consolidated Statements of Income

(Unit: million yen)

	Prior Fiscal Year (Mar. 1, 2019 - Feb. 29, 2020)	Current Fiscal Year (Mar. 1, 2020 - Feb. 28, 2021)
Net sales	140,992	114,510
Cost of sales	53,388	45,337
Gross profit	87,603	69,173
Selling, general and administrative expenses	64,875	58,501
Operating profit	22,727	10,671
Non-operating income		
Interest income	1,142	563
Dividend income	811	843
Share of profit of entities accounted for using equity method	786	133
Other	425	520
Total non-operating income	3,165	2,061
Non-operating expenses		
Interest expenses	19	10
Foreign exchange losses	149	542
Loss on cancellation of insurance policies	—	244
Other	95	106
Total non-operating expenses	264	903
Ordinary profit	25,628	11,829
Extraordinary income		
Gain on disposal of non-current assets	74	218
Gain on sales of investment securities	—	188
National subsidies	—	2
Settlement received	1,611	—
Total extraordinary income	1,685	408
Extraordinary losses		
Loss on disposal of non-current assets	28	40
Loss on valuation of investment securities	176	—
Impairment loss	953	—
Total extraordinary losses	1,159	40
Profit before income taxes	26,155	12,197
Income taxes - current	7,999	2,382
Income taxes - deferred	-755	381
Total income taxes	7,244	2,764
Profit	18,911	9,433
Profit attributable to non-controlling interests	217	182
Profit attributable to owners of parent	18,694	9,250

## Consolidated Statements of Comprehensive Income

(Unit: million yen)

	Prior Fiscal Year (Mar. 1, 2019 - Feb. 29, 2020)	Current Fiscal Year (Mar. 1, 2020 - Feb. 28, 2021)
Profit	18,911	9,433
Other comprehensive income		
Valuation difference on available-for-sale securities	-4,993	4,070
Foreign currency translation adjustment	-867	-3,901
Remeasurements of defined benefit plans, net of tax	398	277
Share of other comprehensive income of entities accounted for using equity method	30	46
Total other comprehensive income	-5,432	492
Comprehensive income	13,478	9,926
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,248	9,771
Comprehensive income attributable to non-controlling interests	230	154

# Consolidated Financial Statements

## Consolidated Statements of Changes in Shareholders' Equity

For the Fiscal Year Ended February 29, 2020

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 1, 2019	8,473	5,914	249,156	-40,886	222,657
Cumulative effects of changes in accounting policies			-55		-55
Restated balance	8,473	5,914	249,100	-40,886	222,602
Changes in items during period					
Dividends of surplus			-6,830		-6,830
Profit attributable to owners of parent			18,694		18,694
Purchase of treasury shares				-4,520	-4,520
Disposal of treasury shares					
Cancellation of treasury shares		-33,675		33,675	
Transfer from retained earnings to capital surplus		30,034	-30,034		
Net changes in items other than shareholders' equity					
Total changes of items during period		-3,641	-18,170	29,155	7,343
Balance at February 29, 2020	8,473	2,272	230,929	-11,730	229,945

	Accumulated other comprehensive income							Total net assets
	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	
Balance at March 1, 2019	17,009	3,790	3,581	-97	24,284	392	1,295	248,629
Cumulative effects of changes in accounting policies								-55
Restated balance	17,009	3,790	3,581	-97	24,284	392	1,295	248,574
Changes in items during period								
Dividends of surplus								-6,830
Profit attributable to owners of parent								18,694
Purchase of treasury shares								-4,520
Disposal of treasury shares								
Cancellation of treasury shares								
Transfer from retained earnings to capital surplus								
Net changes in items other than shareholders' equity	-4,961		-880	396	-5,445	99	175	-5,170
Total changes of items during period	-4,961		-880	396	-5,445	99	175	-2,172
Balance at February 29, 2020	12,047	3,790	2,700	299	18,838	491	1,470	250,746

For the Fiscal Year Ended February 28, 2021

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at March 1, 2020	8,473	2,272	230,929	-11,730	229,945
Cumulative effects of changes in accounting policies					
Restated balance	8,473	2,272	230,929	-11,730	229,945
Changes in items during period					
Dividends of surplus			-6,803		-6,803
Profit attributable to owners of parent			9,250		9,250
Purchase of treasury shares				-5	-5
Disposal of treasury shares		79		240	320
Cancellation of treasury shares					
Transfer from retained earnings to capital surplus					
Net changes in items other than shareholders' equity					
Total changes of items during period		79	2,447	234	2,762
Balance at February 28, 2021	8,473	2,352	233,376	-11,495	232,707

	Accumulated other comprehensive income							Total net assets
	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	
Balance at March 1, 2020	12,047	3,790	2,700	299	18,838	491	1,470	250,746
Cumulative effects of changes in accounting policies								
Restated balance	12,047	3,790	2,700	299	18,838	491	1,470	250,746
Changes in items during period								
Dividends of surplus								-6,803
Profit attributable to owners of parent								9,250
Purchase of treasury shares								-5
Disposal of treasury shares								320
Cancellation of treasury shares								
Transfer from retained earnings to capital surplus								
Net changes in items other than shareholders' equity	4,118		-3,873	276	520	-259	39	300
Total changes of items during period	4,118		-3,873	276	520	-259	39	3,062
Balance at February 28, 2021	16,165	3,790	-1,173	575	19,359	232	1,510	253,809

## Consolidated Statements of Cash Flows

(Unit: million yen)

	Prior Fiscal Year (Mar. 1, 2019 – Feb. 29, 2020)	Current Fiscal Year (Mar. 1, 2020 – Feb. 28, 2021)
<b>Cash flows from operating activities</b>		
Profit before income taxes	26,155	12,197
Depreciation	4,251	4,079
Impairment loss	953	—
Increase (decrease) in net defined benefit liability	119	336
Increase (decrease) in provision for bonuses	(62)	(182)
Increase (decrease) in allowance for doubtful accounts	26	28
Increase (decrease) in provision for sales returns	25	(24)
Interest and dividend income	(1,954)	(1,406)
Loss (gain) on cancellation of insurance policies	—	244
Interest expenses	19	10
Foreign exchange losses (gains)	(40)	84
Share of loss (profit) of entities accounted for using equity method	(786)	(133)
Loss (gain) on sales of investment securities	—	(188)
Loss (gain) on valuation of investment securities	176	—
Loss (gain) on disposal of non-current assets	(45)	(177)
Subsidy income	—	(2)
Decrease (increase) in notes and accounts receivable - trade	(9,422)	8,955
Decrease (increase) in inventories	232	(4,325)
Decrease (increase) in other current assets	1,742	(1,507)
Increase (decrease) in notes and accounts payable - trade	4,944	(3,812)
Increase (decrease) in other current liabilities	1,008	(1,864)
Other, net	970	(701)
Subtotal	28,315	11,609
Interest and dividend income received	2,041	1,734
Interest expenses paid	(19)	(9)
Income taxes paid	(2,941)	(7,320)
Payments of retirement benefits for directors (and other officers)	—	(724)
Net cash provided by (used in) operating activities	27,395	5,289
<b>Cash flows from investing activities</b>		
Decrease (increase) in time deposits	(3,128)	(178)
Decrease (increase) in long-term time deposits	676	—
Purchase of property, plant and equipment	(3,698)	(3,341)
Proceeds from sales of property, plant and equipment	74	642
Purchase of intangible assets	(28)	(47)
Decrease (increase) in short-term investment securities	(9,514)	9,715
Purchase of investment securities	(1,615)	(191)
Proceeds from sales and redemption of investment securities	—	258
Collection of loans receivable	6	2
Proceeds from cancellation of insurance funds	—	953
Subsidies received	—	2
Net cash provided by (used in) investing activities	(17,229)	7,815
<b>Cash flows from financing activities</b>		
Increase (decrease) in short-term loans payable	(150)	(100)
Repayments of long-term loans payable	(67)	(69)
Dividends paid to non-controlling interests	(54)	(115)
Purchase of treasury shares	(4,520)	(2)
Cash dividends paid	(6,836)	(6,806)
Other, net	(97)	(94)
Net cash provided by (used in) financing activities	(11,726)	(7,187)
Effect of exchange rate change on cash and cash equivalents	(225)	(1,559)
Net increase (decrease) in cash and cash equivalents	(1,786)	4,357
Cash and cash equivalents at beginning of period	88,782	86,996
Cash and cash equivalents at end of period	86,996	91,354

# Corporate Profile (As of February 28, 2021)

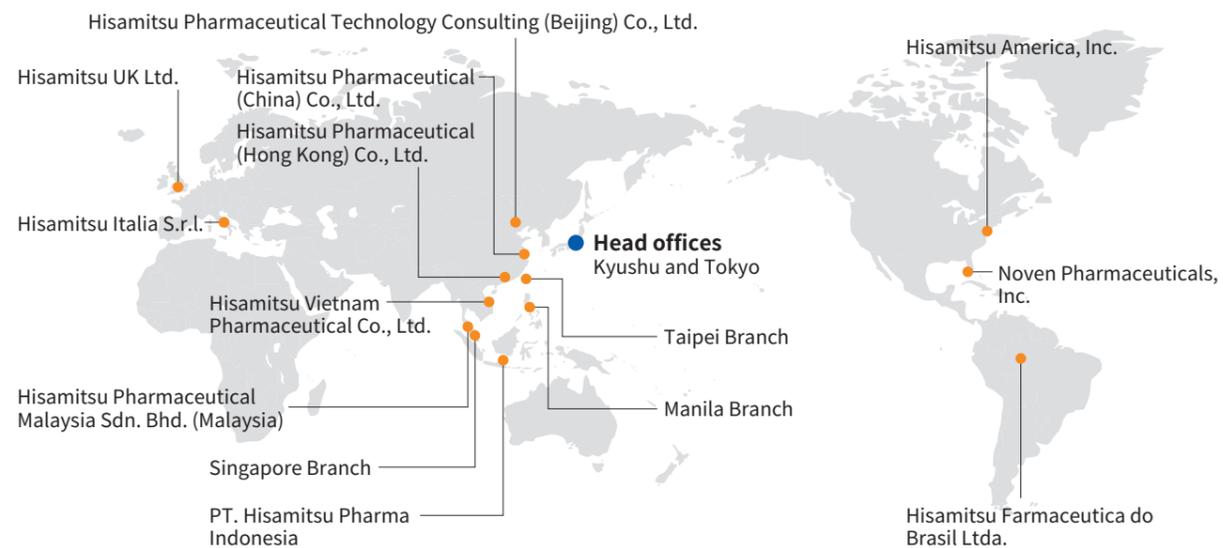
## ▶ Corporate Information

<b>Company name</b>	Hisamitsu Pharmaceutical Co., Inc.	<b>Branches</b>	Sapporo Branch, Sendai Branch, Tokyo First Branch, Tokyo Second Branch, Nagoya Branch, Osaka Branch, Hiroshima Branch, Fukuoka Branch, Taipei Branch, Singapore Branch, Manila Branch
<b>Founded</b>	1847	<b>Sales offices</b>	Kanazawa Sales Office, Takamatsu Sales Office
<b>Incorporated</b>	May 22, 1944	<b>Factories</b>	Utsunomiya Factory, Tosu Factory
<b>Capital</b>	8,473 million yen	<b>Laboratories</b>	Tosu Laboratories, Tsukuba Laboratories
<b>Employees</b>	2,770 (consolidated)/1,583 (non-consolidated)		
<b>Representative</b>	NAKATOMI, Kazuhide, President & CEO		
<b>Head offices</b>	Kyushu Head Office (main), Tokyo Head Office		

<b>Japan subsidiaries</b>	CRCC Media Co., Ltd. (Fukuoka)	Taiyo Co., Ltd (Saga)
	Saga City-Vision Co., Ltd. (Saga)	Hisamitsu Agency Co., Ltd. (Fukuoka)
	SAGA Hisamitsu Springs Co., Ltd. (Saga)	

<b>Overseas subsidiaries</b>	Hisamitsu U.S., Inc. (U.S.)	Hisamitsu Pharmaceutical Technology Consulting (Beijing) Co., Ltd. (China)
	Hisamitsu America, Inc. (U.S.)	Hisamitsu Pharmaceutical (China) Co., Ltd. (China)
	Noven Pharmaceuticals, Inc. (U.S.)	Hisamitsu Pharmaceutical (Hong Kong) Co., Ltd. (China)
	Hisamitsu Farmaceutica do Brasil Ltda. (Brazil)	PT. Hisamitsu Pharma Indonesia (Indonesia)
	Hisamitsu UK Ltd. (U.K.)	Hisamitsu Pharmaceutical Malaysia Sdn. Bhd. (Malaysia)
	Hisamitsu Italia S.r.l. (Italy)	And three other companies
	Hisamitsu Vietnam Pharmaceutical Co., Ltd. (Vietnam)	

## ▶ Hisamitsu Pharmaceutical Group's Operating Bases



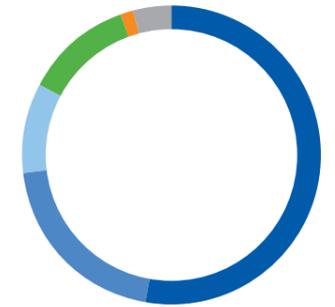
# Stock Situation (As of February 28, 2021)

## ▶ Stock Profile

<b>Total number of authorized shares</b>	380,000,000 shares
<b>Total number of shares outstanding</b>	85,164,895 shares
<b>Total number of shareholders</b>	4,788 shareholders

<b>Business year</b>	March 1 – end of February of the following year
<b>Regular shareholders' meeting</b>	Called every May
<b>Record dates</b>	Year-end dividend: end of February Interim dividend: end of August
<b>Shareholder registry administrator Account administration authority for special accounts</b>	Mitsubishi UFJ Trust and Banking Corporation
<b>Stock exchange</b>	Tokyo and Nagoya Stock Exchanges Section 1 at each stock exchange, plus Fukuoka Stock Exchange
<b>Security code</b>	4530

## ▶ Distribution by Owner



Financial Institutions	52.79%
Other Corporations	20.45%
Individuals	9.56%
Foreign Institutions and Individuals	11.80%
Securities Companies	1.40%
Held in own name	4.00%

## ▶ Principal Shareholders

Shareholders	Shares Held (thousand shares)	Shareholding Ratio (%)
Custody Bank of Japan, Ltd. (trust account)	7,395	9.05
The Master Trust Bank of Japan, Ltd. (trust account)	6,218	7.61
Custody Bank of Japan, Ltd. (as trustee for retirement benefit trust of The Nishi-Nippon City Bank re-entrusted by Resona Bank Ltd.)	4,370	5.34
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust account for MUFG Bank, Ltd.)	4,307	5.27
Nippon Life Insurance Company	3,910	4.78
The Bank of Fukuoka, Ltd.	3,371	4.12
The Bank of Saga Ltd.	2,356	2.88

The shareholding ratios have been calculated after the treasury shares (3,401,897 shares) are excluded.

## ▶ Website Information

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

**About Us**  
<https://www.hisamitsu.co.jp/company/index.html>

**Investor Relations**  
<https://www.hisamitsu.co.jp/ir/index.html>

**CSR**  
<https://www.hisamitsu.co.jp/company/csr.html>

**Sustainability**  
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 **Hisamitsu Pharmaceutical Co., Inc.**

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Kyushu Head Office: 408 Tashirodaikan-machi, Tosu, Saga, Japan, 841-0017  
Tokyo Head Office: 2-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan, 100-6330

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