



Promoting “TE-A-TE” Culture Worldwide

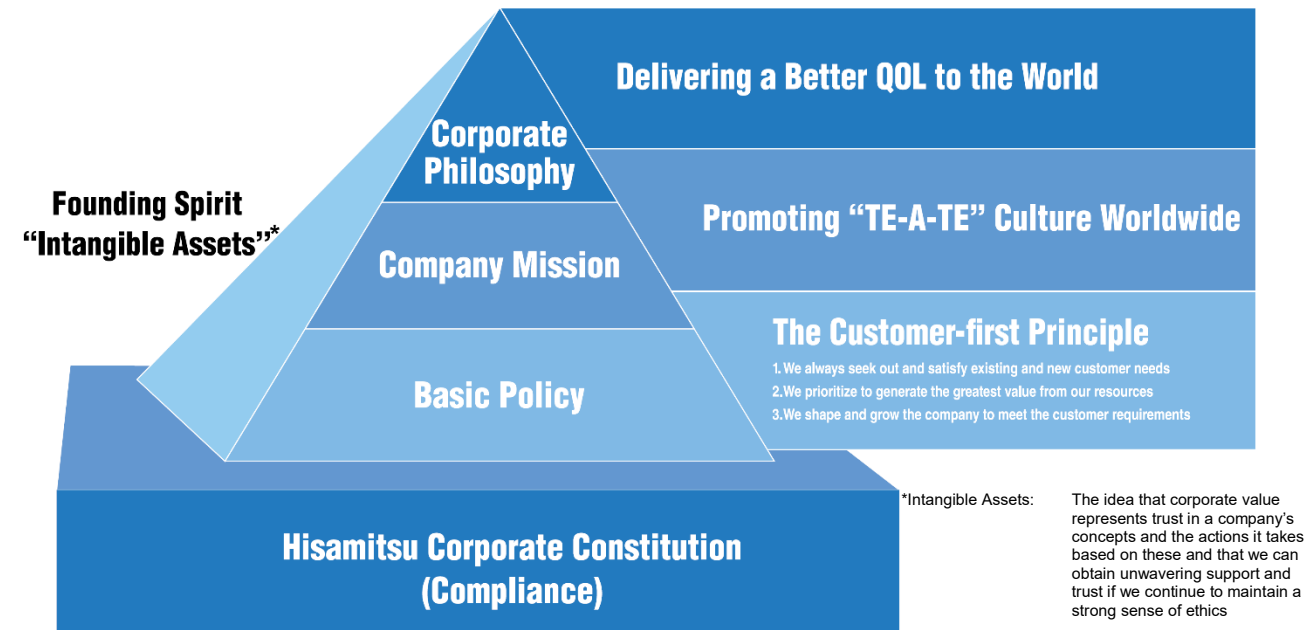
Hisamitsu Pharmaceutical Group Integrated Report 2022

 **Hisamitsu**[®]





Hisamitsu Pharmaceutical Management Guidelines



Our Philosophy and Mission

Delivering a Better QOL to the World

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

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

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

This is the origin of "patching" and the therapeutic culture of care that we have cherished since our founding.

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

Contents

Our Philosophy and Mission.....	1
Hisamitsu Pharmaceutical Group's Growth Strategy	
History of Value Creation.....	3
Message from the President and CEO.....	5
Value Creation Model.....	9
Financial Strategy.....	11
The Seventh Medium-term Management Policy.....	13
Business Strategies.....	15
Production Environment.....	18
R&D.....	19
Hisamitsu Pharmaceutical Group's Value Chain.....	21

Editorial Policy

In order to facilitate understanding of a wide range of stakeholders, including shareholders and investors, we have integrated our existing CSR Report into this Integrated Report, which comprehensively incorporates our E (Environment), S (Social), and G (Governance) initiatives besides financial information such as growth strategies and business overviews. The report also includes information on the Hisamitsu Pharmaceutical Group's history and approach to value creation with reference to the "International Integrated Reporting Framework" of the International Integrated Reporting Council (IIRC) and other sources. Besides the information in this report, detailed information and the latest information, including financial results announcements, are available on our website.
<https://global.hisamitsu/>

Scope of Reporting

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

Reporting Period

FY2021 (March 1, 2021, to February 28, 2022) *Some information is outside the period covered.

Hisamitsu Pharmaceutical Group's Commitment to Sustainability

Hisamitsu Pharmaceutical Group's Commitment to Sustainability.....	25
Environment.....	27
Society.....	31
Corporate Governance.....	41

Stakeholder Message (Third Party Opinion)..... 48

Corporate Data

Financial Highlights.....	49
Non-Financial Data Highlights.....	51
Consolidated Financial Statements.....	53
Corporate Profile.....	57
Stock Situation.....	58

Report Release: December 2022

Cautions Concerning Forecasts, etc.

This Report contains forward-looking statements regarding the Company's medium-term policies and performance. These forward-looking statements are based on information currently available to us but involve risks and uncertainties. Please note that actual results may differ from these forecasts due to changes in various factors. Although the Report contains information on drugs (including development items), such information is not intended for the purpose of promotion, advertisement, or medical advice.

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History of Value Creation

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

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

Management milestones








<p>1847 Komatsuya founded (Nihei Hisamitsu)</p> <p>1871 The company name, Komatsuya, changed to Hisamitsu Joeido (Yoichi Hisamitsu)</p> <p>1903 Hisamitsu & Co. established (Saburo Nakatomi; former name: Saburo Hisamitsu)</p>	 <p>1944 Hisamitsu & Co. plays a leading role in the incorporation of Miyaki Seiyaku Co.</p> <p>1951 Hisamitsu & Co. Incorporated established (Masayoshi Nakatomi)</p> <p>1965 The company is renamed Hisamitsu Pharmaceutical Co., Inc.</p>	<p>1971 Tosu Laboratories completed</p> <p>1987 Utsunomiya Factory completed</p> <p>1990 Tsukuba Laboratories completed</p> 	<p>2005 Hisamitsu acquires all issued shares of Bio Medics Co., Ltd., to which SSP Co., Ltd. had transferred its split prescription (Rx) drug business, and changes the trade name to Hisamitsu Medical Co., Ltd. (consolidated company)</p> <p>2007 Hisamitsu absorbs Hisamitsu Medical Co., Ltd. (consolidated company)</p>	<p>2009 Hisamitsu acquires all issued shares of the U.S. pharmaceutical company Noven Pharmaceuticals, Inc., through TOB and makes it a 100% owned subsidiary</p> 	<p>2020 SAGA Hisamitsu Springs Co. (consolidated company) established</p>
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1847 Established as a pharmaceutical company | 1980 - Overseas expansion accelerated | 2000- Business foundation consolidated | 2010- Toward sustainable growth

Overseas expansion

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

<p>1907 Asahi Mankinko® launched</p> 	<p>1934 Salonpas® launched</p> 	<p>1963 Air® Salonpas launched</p> 	<p>1971 Salonsip® launched</p> 	<p>1988 MOHRUS® launched</p> <p>1995 MOHRUS® Tapes launched</p> <p>1997 Lifecella® launched</p> 	<p>2000 ESTRANA® Tapes launched</p> <p>2003 Butenlock® launched Feitas® launched</p> <p>2005 KEPLAT® launched (Italy)</p> <p>2008 FDA approval for "Salonpas® Pain Relief Patch" acquired (U.S.)</p> 	<p>2010 FENTOS® Tapes launched</p> <p>2012 Allegra® FX launched</p> <p>2013 "Minivelle®" launched (U.S.); NEOXY® Tapes launched</p> <p>2015 MOHRUS® Paps XR launched</p> 	<p>2018 ALLESAGA® Tapes launched</p> <p>2019 HARUROPI® Tapes launched</p> <p>2020 SECUADO® launched (U.S.)</p> <p>2021 ZICTHORU® Tapes launched Nobinobi®, Salonsip® Fit® (Poke-Sip) launched</p> 
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CSR Activities

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

1990s

Donation/relief money

January 1995 : Donation of 30,000 sheets of fomentation and 70,000 heating pads to the city of Kobe for the damage caused by the Great Hanshin-Awaji Earthquake

January 1995 : Donated 5 million yen to the Japanese Red Cross Society as relief funds for the Great Hanshin-Awaji Earthquake

December 1997 : Started "Overseas Relief Volunteer Activities" sponsored by the Japanese Red Cross Society

Contribution to Local Communities

1999 Started co-sponsorship of Hisamitsu Culture Special

2000s

Donation/relief money

November 2005 : Donation of 610,000 yen to the Japanese Red Cross Society for the earthquake relief in Pakistan

August 2006 : Rented first and second floors of Ryuseikan (training facility) as a dormitory for Sagan Tosu players

December 2007 : Hisamitsu Vietnam donated 50 wheelchairs to the Vietnam Red Cross Society

Contribution to Local Communities

May 2005 : Start of co-sponsorship to the SALONPAS World Ladies' Golf Tournament

August 2006 : The First Tosu Public Lecture was held (conducted 26 lectures by 2021)

February 2007 : The First Hisamitsu Spring Tea Party (held 25 times by 2021)

2000s-

Donation/relief money

September 2017 : Donation of relief money to the Japanese Red Cross Society for the major U.S. hurricane Irma

October 2019 : Donation of relief money to the Japanese Red Cross Society for the August 2019 Torrential Rain Disaster

August 2021 : Donation of relief money to the Japanese Red Cross Society for the August 2021 Heavy Rain Disaster

Contribution to Local Communities

November 2014 : Start of co-sponsorship for the Fukuoka Marathon

February 2016 : Start of co-sponsorship for the Saga International Balloon Festa

August 2018 : Start of co-sponsorship for the Saga Sakura Marathon

Message from President and CEO



Guided by our steadfast Philosophy
 “Delivering a Better QOL to the World,”
 we shall bring about Hisamitsu
 Transformation in our business free from
 stereotypes and preconceptions.

President and CEO
Kazuhide Nakatomi

Offering New Products and Services by Valuing Voice of Customers

Two years have passed since the pandemic of COVID-19. Efforts to resume international human traffic have also begun, but during this period, the “With COVID” lifestyle has also become firmly established in society, with vaccine development progressing around the world and new products and services rooted in a new way of life.

As traditional values collapse and new lifestyles become more prevalent, we believe that in order for the Company to continue to exist as a member of society as it celebrates its 175th anniversary, we must adapt to changes in society, execute reforms, and continue to provide new products and services that meet customer needs while collaborating with companies with unique strengths for the realization of our Management Philosophy.

In September 2021, we underwrote a third-party allocation of new shares of GAIA Biomedicine Corporation (“GAIA Biomedicine”), a bio-venture originating from Kyushu University, and invested approximately 200 million yen in the company. “GAIA-102,” which is being developed by GAIA Biomedicine, is an allogeneic NK cell-like CD3 negative cell, and is expected to exhibit extremely high cytotoxicity against solid tumors.

In December 2021, we agreed to execute a license agreement for a novel sodium channel blocker discovered by RaQualia Pharma Inc.

RQ-00350215, a novel sodium channel blocker, selectively blocks the function of specific sodium channels involved in the transmission of pain signals and is expected to be a breakthrough drug for chronic pain that is not adequately relieved by existing drugs. By acquiring shares of AYM HD Corporation, the indirect 100% parent company of Ayumi Pharmaceutical Corporation, a specialty pharmaceutical company in the field of rheumatology and orthopedics, in March 2022, the Company will strengthen its relationship with Ayumi Pharmaceutical and consider collaboration and other opportunities in the field of orthopedics and other areas. In the over-the-counter (OTC) business in Japan, we launched in October 2021 a new mask product made of the stretchy nonwoven fabric used in the Company's patch medicines, “Mask Made of Non-Woven Fabric Used for Hydrogel Patch.” In January 2022, “La Salompas®,” an analgesic anti-inflammatory

plaster drug, was re-launched. As part of ESG promotion, we reduced the conventional package size to use less paper and widened the opening of the medicine bag to make it easier to take out the product. In October 2021, we began handling drugs through “Hisamitsu® IKIIKI Online,” a mail-order sales service focusing on health foods. The Company exists because customers buy our products. That is why it is important for us to always listen, consider, and respond to the voice of customers. And based on this belief, we are committed to management by considering what we can do to ensure that all employees continue to be willing to take on challenges without fear of failure. It is important to learn much from the failures that result from our challenges and to avoid repeating the same mistakes. Always looking forward, we will continue to grow and contribute to society more than ever with all employees working together as one.

Medium-term Management Policy

We have been committed to delivering a better QOL to the world through R&D, manufacturing, and sales of transdermal patches. This includes the “TE-A-TE” culture of caring for and healing precious people, which the Company has valued since its founding. In September 2021, Hisamitsu announced its Seventh Medium-term Management Policy, HX2025 (Hisamitsu Transformation 2025), which defines a new mission for the Company to fulfill while inheriting the culture it has nurtured. That is to develop not only transdermal patches but also various products and services aimed at “Promoting ‘TE-A-TE’ Culture Worldwide” of compassion for people all over the world. To achieve this Mission, we have established the following Action Policies: Expand—“Pillars of Growth,” Exceed—“Overcome Challenges,” and Enhance—“Strengthen Functions,” aiming for further growth and

improving profitability and establishing a foundation for sustainable growth with a minimum of sales growth rate at 5% CAGR, ROE at 8%, and overseas sales ratio at 50% as our Management Targets by FY2025. New projects, initiatives, and ideas are being generated under our renewed Mission. Conversely, geopolitical risks have recently emerged, and we are aware that the supply-demand balance in the world is currently disrupted, both globally and in Japan, and we have heard reports of price negotiations in the supply chain. Although new risks have emerged since the announcement of the Plan, we will continue to make concerted efforts, bearing in mind our Basic Policy of Customer-First Principle and striving hard to manufacture products and continue to make good products.

Business Segment Initiatives

Regarding the Rx drug business in Japan, as the population is rapidly aging, measures to curb medical expenses are expected to continue, such as strengthening measures to promote the use of generics and additional NHI price reductions for long-listed products. In this challenging management environment, the Company will further strengthen its academic information activities for healthcare professionals and aim to develop new formulations that meet the needs of healthcare professionals and patients. Additionally, we will strive for further growth by strengthening our sales, production, and R&D functions while aiming to further increase revenues.

Regarding the over-the-counter (OTC) business in Japan, amid the prolonged market slump and intensifying competition among companies, we will strive to increase sales of existing products, improve products, and develop new products to meet customer needs. With regard to overseas business development, we will establish the Company's brand, including intellectual property, manufacturing technology, and quality control technology, as well as further enhance our overseas production plants and strengthen clinical trials overseas.

Besides this initiative, the Company received the Energy Conservation Grand Prize 2021 for the "Minister of Economy, Trade and Industry Award (Joint implementation category)," in recognition of our contribution to improving resilience through stable energy supply and to regional revitalization through the construction of locally produced, locally consumed energy infrastructure. The Company has established the EHS Management Committee and the Safety and Health Committee to manage environmental matters/occupational safety and health and set up the Supervising EHS Officer position to oversee and manage these committees. The committee meets regularly to set mid-term targets, report on performance, identify risks and opportunities, and discuss management system operations, among other issues, in order to ensure the efficient operation of the EHS.



Positioning New Corporate Mission at the Core of Our Strategy

Our Group's Management Philosophy is "Delivering a Better QOL to the World" through the discovery, development, manufacture, and sales of pharmaceuticals and other products. Additionally, in order to adapt to discontinuous changes and meet the diversifying needs of our customers, the Company has revised its Corporate Mission to "Promoting 'TE-A-TE' Culture Worldwide" and will aggressively roll out activities to spread the "TE-A-TE" culture of compassion to people around the world through various products and services, not limited to transdermal patches.

In 2021, we have identified Materiality (priority issues) that will help us solve social issues and achieve sustainable growth for the Company. Through the Materiality initiative, we will promote ESG (Environment, Social, and Governance) and SDGs (Sustainable Development Goals) to fulfill our social responsibility as a corporate citizen and contribute to building a sustainable society.

In terms of the production environment, the Kyushu Head Office and Utsunomiya Factory are ISO 14001 certified for their environmental management systems and ISO 45001 certified for their occupational health and safety management systems. We are committed to creating a comfortable work environment that

considers the preservation of the global environment and the health and safety of our employees. The Utsunomiya Factory has launched Japan's first "Integrated Inter-Plants Energy Conservation Project," in which electricity and heat (steam and hot water) are jointly used among multiple plants in an inland industrial park and is expected to spread nationwide as a model of high-efficiency through the wide-area use of energy in the existing industrial parks. Based on the "Tochigi Energy Strategy" formulated by Tochigi Prefecture in March 2014, seven business sites of three companies, Calbee, Canon, and our Company, have collaborated with Tokyo Gas Co., Ltd. and Tokyo Gas Engineering Solutions Co., Ltd. ("TGES"), which have a proven track record in the installation of gas cogeneration systems, for the realization of the Project. By using electricity and heat (steam and hot water) efficiently generated at the Kiyohara Smart Energy Center, which was newly established by TGES, through networked power lines and heat pipes, the plant has achieved significant energy savings (approximately 20%, 11,500 kL/year) and CO₂ emissions reduction (approximately 20%, 23,000 t/year), which would have been difficult for a single plant to achieve.

To Our Stakeholders

Founded in 1847, the Company celebrates its 175th anniversary and has been able to continue our corporate activities to this day thanks to the support of our customers and many other stakeholders. We believe that the future raison d'être of the Company is to continue to create value while making changes toward the realization of a sustainable society based on our enduring Management Philosophy "Delivering a Better QOL to the World."

The Company's role in society is to contribute to the improvement of the quality of life of people around the world by promoting the "TE-A-TE" culture throughout the world with our superior products and services. In order to realize this goal, all employees are expected to have high ethical standards and act with integrity, beyond laws and ordinances, and this will not change in the future.

At the same time, while carefully protecting the foundation that has been built up over the long history of the Company, we are committed to bringing about Hisamitsu Transformation in our business by breaking away from the conventional and by generating innovative ideas. We would therefore like to deepen our interaction with our 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.

Value Creation Model

The Hisamitsu Pharmaceutical Group has established "Delivering a Better QOL to the World" as its Management Philosophy and strives to create value for all stakeholders, including customers and society, through its business activities. In order to adapt to the recent rapid changes in the external environment and to meet the diversifying needs of our customers, we have established the "Seventh Medium-term Management Policy" and Materiality (priority issues) under our Corporate Mission "Promoting 'TE-A-TE' Culture Worldwide" and have been working on our business activities accordingly.

While focusing on ESG and Sustainable Development Goals (SDGs), we will proactively take on the challenge of unprecedented initiatives and realize change, with the aim of increasing corporate value and realizing a sustainable society.



Financial Strategy



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

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

Executive Officer
Head of BU Division, And General Manager of Finance Division
Yasuyuki Masuya

Results and Challenges in Year 1 of Medium-term Management Policy

I have been appointed as Executive Officer, Head of BU Division, And General Manager of Finance Division at the end of May 2022 accompanying the executive appointment. Although there are no major changes to the financial strategy of the Medium-term Management Policy formulated in 2021, I consider it my mission to ensure that the financial strategy is executed in accordance with the Policy and to properly execute measures to achieve the targets.

COVID-19 has expanded on a global scale since 2020, and the impact has not subsided as of present. The Medium-term Management Policy was established, redefining the Mission to “Promoting ‘TE-A-TE’ Culture Worldwide” based on the understanding that people’s lifestyles and values have irreversibly changed under the impact of COVID-19.

While the end of COVID-19 expansion is not in sight, we are strengthening and continuing our traditional activities as well as activities in new areas such as “investment in GAIA Biomedicine,” “execution of license agreement with RaQualia Pharma,” and “Acquisition of shares in AYM HD.” Traditionally, our business remained within the scope of “transdermal patches,” but we have broadened the scope and concept of our business in the direction of how we perceive the “TE-A-TE culture” and are developing business to meet the needs of our customers by utilizing the accumulated management resources.

Additionally, our Company aims to realize a virtuous cycle between the resolution of social issues and the growth of our Group while proactively addressing the SDGs, and as a specific example, we have launched a new product adopting “Eco & Compact” packaging (Poke-Sip).

In September 2021, the “Hisamitsu Transformation 2025 (HX2025): The Seventh Medium-term Management Policy” was announced, in which we plan to invest a cumulative 150 billion yen in growth over the next 5 years. First, we plan to make strategic investments such as M&A and alliances. Second, we plan to make growth investments to strengthen our sales, production, R&D, and other functions by promoting overseas operations and to improve labor productivity, especially profit per hour. Third is facility renewal and expansion. Particularly overseas, we must promote local production besides maintaining and renewing production facilities. Fourth, investment shall be made to enhance our capital efficiency, with our FY2025 targets set as follows: sales growth rate (CAGR) at 5% or higher, overseas sales ratio at 50% or higher, and return on equity (ROE) at 8% or higher.

Current Issues and Measures to Achieve Target ROE

We have set “ROE at 8.0% or higher” as our management target for FY2025. Additionally, the sales growth rate targets CAGR at 5% or higher from FY2020. The ROE for the fiscal year ended February 2022, which completes Year 1, was 3.8%, a somewhat challenging result. The factor contributing to a decline in the operating profit margin is increased costs associated with changes in the way business activities are conducted under the impact of COVID-19. Specific factors contributing to the increase in costs include a temporary decline in production efficiency due to the introduction of new products with “Eco & Compact” packaging (Poke-Sip) and increased expenses for digital marketing activities, among others.

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

	ROA (%)	ROE (%)	Operating profit ratio (%)	Shareholders' equity ratio (%)
FYE Feb. 2022	3.2	3.8	7.8	83.5
Mean value over the past five years	5.1	6.2	13.4	82.9

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

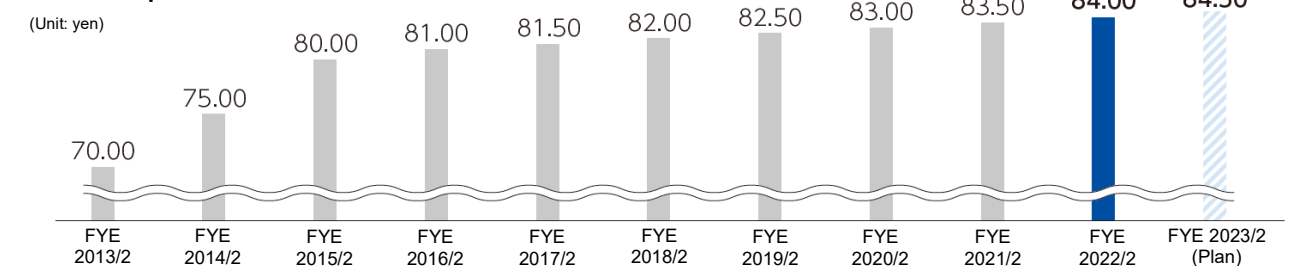
Policy for the Distribution of Dividends

The Company considers the continuation of stable dividends to shareholders as the basis of shareholder return. We have continued to increase dividends per share since the fiscal year ended February 28, 2014. For the annual dividend per share for the fiscal year ended February 2022, the Company distributed 84 yen, up 0.5 yen, considering our financial position and business performance. For the year-end dividend for the fiscal year ending February 2023, we plan to pay 84.5 yen, including the 175th anniversary dividend of 0.5 yen, as an annual dividend per share considering our current financial position and a stable dividend for shareholders. This will result in an increase in the dividend per share for the tenth straight fiscal year.

While considering an appropriate balance between the business environment, business results, strategic investment, growth investment, etc., we will continue to enhance efficiency of shareholders’ equity and return our profits to shareholders on a mid- to long-term basis. Additionally, we will take appropriate and agile financial measures such as share repurchases with a view to achieving a ROE of 8%.

As a result of comprehensive deliberation of the above perspectives, the Company has repurchased 2 million shares of its own stock in the first year of this 5-year Medium-term Management Plan.

Dividends per Share



The Seventh Medium-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.

"Hisamitsu Transformation 2025 (HX2025)" represents our determination to actively take on unprecedented challenges in these 5 years and accomplish our reforms so that we will develop into a new Hisamitsu Pharmaceutical.

New Company Mission

Promoting "TE-A-TE" Culture Worldwide

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. In order to expand the culture of compassionate "TE-A-TE" to people across the world through various products and services, not limited to transdermal patches, we will continue to develop our corporate activities under our new Mission "Promoting 'TE-A-TE' Culture Worldwide."

"HX2025" Action Policies (3Es)

[1] Expand - "Pillars of Growth"

Overseas expansion of Salonpas®: Concentration of resources on priority regions, expansion of new Salonpas®

Pain management: Diclofenac patch, nondrinking cancer pain treatment

New activities: Awareness raising of palmar hyperhidrosis, business utilizing management resources

[2] Exceed - "Overcome Challenges"

Overseas expansion of Rx: Increasing the revenue of Noven, horizontal expansion of Rx

Microneedles: Development of applications beyond treatment, large volume, and low cost supply

Eco activities: Reduction of CO₂ emissions, development of environmentally friendly products

[3] Enhance - "Strengthen Functions"

R&D capabilities: Formulation development, restructuring of the research system

Manufacturing capabilities: Restructuring of plants in Japan, strengthening of overseas production systems

Sales capabilities: Sales promotion × digital, orthopedics × locomotion products

Management Targets

Improve profitability and establish a foundation for sustainable growth

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

* Based on the business results for FY2020

Progress of the Seventh Medium-term Management Policy

Progress of Action Policies

[1] Expand - "Pillars of Growth"

Overseas Expansion of Salonpas®	:	Sales growth in seven countries/regions, where we have local subsidiaries
	:	May 2022, Salonpas® was recognized as the world's No. 1 brand* for 6 years in a row in sales share
	:	* Results of the transdermal patch category of Euromonitor's annual global market survey of topical analgesics and anti-inflammatory drugs conducted between March and April
Pain Management	:	August 2021 : FENTOS® Tapes extended indication to pediatric cancer pain patients
	:	December 2021 : License agreement signed for a new sodium channel blocker
	:	June 2022 : Indication added for ZICTHORU® Tapes (Analgesia and anti-inflammation in low back pain, periarthritis of the shoulder joint, cervicobrachial syndrome, and tendonitis)
New Activities	:	September 2021 : Launched functional food product "Hisamitsu® ARU-KANTO®"
	:	October 2021 : Launched "Mask Made of Non-Woven Fabric Used for Hydrogel Patch"
	:	November 2021 : Fixpace®, a product that solves problems in space/ground life, will aboard the International Space Station
	:	November 2021 : Launched "ORAVI® Mucoadhesive Tablets 50 mg" for oropharyngeal candidiasis
	:	April 2022 : Applied for marketing approval of HP-5070 (treatment drug for primary palmar hyperhidrosis) in Japan

[2] Exceed - "Overcome Challenges"

Rx Overseas Development	:	March 2022 : XELSTRYM™ (Attention Deficit Hyperactivity Disorder (ADHD) treatment, development code: ATS) approved in the U.S.
Microneedle	:	Wide range of development items including drugs, quasi-drugs, cosmetics
Eco Activities	:	March 2021 : Established "HELLO! eco!" mark and launched "HELLO! eco!" website
	:	August 2021 : Development and launch of a new package (Poke-Sip)
	:	January 2022 : Kiyohara Industrial Park's SmartEnergy Project won the FY2021 Energy Conservation Grand Prize for the Minister of Economy, Trade and Industry Prize (Joint implementation category)
	:	May 2022 : Endorsed the TCFD Recommendations and disclosed information accordingly

[3] Enhance - "Strengthen Functions"

R&D Capability	:	Development of long-term and topical formulations
	:	September 2022 : Announcement of construction of a new research institute and restructuring of research bases
Manufacturing Capability	:	Reinforcement of the quality control system and thorough implementation of education and training
	:	Upgrade of domestic factories / reinforcement of their functions
	:	Reinforcement of overseas production capacity
Sales Capability	:	Launched mail order of Hisamitsu® IKIIKI Online drugs
	:	Reinforcement of Digital Transformation promotion system
	:	Strengthening of the system for providing nonpharmaceutical products and services

Progress of Management Targets

	Targets	FY2021 Results (changes from the previous year)
Sales growth rate	≥5% (CAGR)	120.2 billion yen (+5.0%)
ROE	≥8%	3.8% (+0.1%)
Overseas sales ratio	≥50%	34.5% (+0.1%)

Business Strategies

Japan: Rx business



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

Executive Officer
Head of Sales & Marketing Division, Ethical Drug

Mitsutoshi Tsuruta

Japan: Rx Drug Business Strategy

We will focus on maximizing sales of ZICHTORU® Tapes, which was granted an additional indication in June 2022 for the treatment of low back pain, periarthritis of the shoulder joints, cervicobrachial syndrome, and tendinitis. As a result of our efforts to gain adoption by hospitals since its launch in May 2021, it is already being adopted by major hospitals, and we will work to expand prescriptions, especially in the field of orthopedics, where there are many opportunities for prescription of the drug. The number of members of "Hisamitsu® Support Web," which aims to provide information to healthcare professionals online, is growing steadily, and we will strengthen the provision of value-added information by integrating digital and MR activities. Additionally, we will continue to pursue improvement of products considering the global environment, beyond "Eco & Compact" products, to reduce the amount of plastics and other materials used.

<p>Strength</p> <ul style="list-style-type: none"> High recognition and market share among medical professionals Product improvement process that responds quickly to customer needs Possession of Japan's No. 1 brand of analgesic anti-inflammatory patches High-quality products that take into consideration the use process and even more pleasant feel of use 	<p>Weak Points</p> <ul style="list-style-type: none"> Need to reinforce efforts to go digital Product lineup centered on long-term listed items
<p>Opportunities</p> <ul style="list-style-type: none"> Change in consumers' health conditions due to changes in their lifestyles, such as working from home Possible growth in the need for patch products for improving medication adherence in the aging society Expand reach to healthcare professionals through online presence 	<p>Threats</p> <ul style="list-style-type: none"> Decrease in revenues due to reduction measure in medical expenses (NHI price revisions, promotion of generic drug use, and changes in per-prescription caps for poultices) Delays in the dissemination of new drugs and reduction in medical consultations associated with COVID-19

Challenges to be addressed

- Expand revenues:** Maximize sales of new products and the product value through drug development to realize revenue growth.
- Increase the value of TDDS products:** We will increase the value of our TDDS products by raising awareness of patch and TDDS products.
- Improve products to meet environmental challenges and 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 promote Digital Transformation and provide valuable information through diverse means in order to respond to the needs and circumstances of medical institutions.

Business Strategies

Japan: OTC business



Through digital sales promotion, we will respond to the needs of New Normal era by effectively communicating the role and effectiveness of transdermal patches in self-medication.

Executive Officer
Head of Sales & Marketing Division, OTC

Masaya Okuno

Japan: OTC Business Strategy

Amidst the growing infection of COVID-19, we are strengthening our activities to create new customers by utilizing both in-store and digital marketing. Since the Company's products generate a large amount of packaging waste as pharmaceutical products, we have been pioneering the industry in the development of new environmentally friendly products and product improvements, and we are now recognized by drugstores as a company that is proactive about ethical practices. We would like to promote not only new products but also the appeal of ethical products to our loyal customers through digital sales promotion activities utilizing applications and SNS. Additionally, to address the issue of returned goods, we will lead the efforts of retailers, wholesalers, and manufacturers to work in unison to curb returned goods.

<p>Strength</p> <ul style="list-style-type: none"> Accumulated R&D, manufacturing and sales know-how specializing in patch products Ownership of the world's No. 1 brand in terms of sales of topical analgesic patch products Marketing strategy implemented by human resources with expertise in the field of sales Strengthening the content of our e-commerce site 	<p>Weak Points</p> <ul style="list-style-type: none"> Development of digital marketing talents Product development and launch in light of "TE-A-TE" in new categories other than the topical analgesic anti-inflammatory category
<p>Opportunities</p> <ul style="list-style-type: none"> Increased awareness of good health worldwide Rise in consumer interest in the SDGs and ethical consumption Expansion of the patch market due to the spread of self-medication Change in consumers' health conditions due to changes in their lifestyles, such as working from home 	<p>Threats</p> <ul style="list-style-type: none"> Changes in the business environment due to intensifying competition between us and existing/new market players Reinforcement of the major drug stores' buying power resulting from increasing monopolization

Challenges to be addressed

- Develop products to address environmental issues:** 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 resource conservation 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 Salonpas® and bring added value to them.
- Increase our presence in the domestic, OTC drug market:** We will establish an unwavering presence in the market by expanding our market scale in both new and existing fields.

Business Strategies

Overseas: Rx Drugs and OTC Drugs



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

Director, Executive Officer
Head of International Division

Kyu Saito

Overseas: Business Strategy for Rx Drugs and OTC Drugs

With a focus on our main product Salompas®, we are expanding our operations to increase our market share in the global fields of Rx and OTC drugs and transdermal patches. In FY2021, the Chinese market struggled due to activity restrictions imposed by COVID-19, but in other regions, our Company Group was able to expand its market share despite the declining market, thanks to our early focus on online product presentations and sales floor development for the purpose of capturing the domestic demand. Conversely, progress in Rx drugs has been delayed due in part to the fact that it took more than expected to obtain approval. A review of the sales structure is also necessary, and we will take immediate measures to address this issue. We will promote efforts to strengthen the revenue structure of the U.S. Noven Pharmaceuticals.

<p>Strength</p> <ul style="list-style-type: none"> Accumulated know-how regarding patch products Ownership of the world's No. 1 brand in terms of sales of topical analgesic patch products Expansion of the brand equity fostered in Japan into more than 40 countries 	<p>Weak Points</p> <ul style="list-style-type: none"> Speed at which patch treatment culture is taking root in countries where oral agents are mainly used Cultivate businesses other than Salompas® (cooling gel sheet, Rx drug business)
<p>Opportunities</p> <ul style="list-style-type: none"> Further market growth due to patch treatment culture taking root worldwide Inroads into the highly promising field of Rx drugs Entry into new markets through E proliferation 	<p>Threats</p> <ul style="list-style-type: none"> Inroads by competitors and generic products Change in overseas regulations Aggravation of the market environment due to the pandemic

Challenges to be addressed

- Launch and improve transdermal patches:** We will actively launch transdermal patches 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.
- Horizontal rollout of Rx drugs approved in Japan and the U.S. to other countries:** While reanalyzing overseas pharmaceutical regulations and research findings on the market environment, as well as our own data, we will strengthen activities to bring prescription drugs approved in Japan and the U.S. to market in other countries.
- Establish a structure that will enable U.S. Noven Pharmaceuticals to generate profits on a sustainable basis:** Strengthen manufacturing of products for the U.S. market, establish a structure that will generate profits, and prepare for the marketing of development items.
- Realize a global contribution to generating profits:** We will reinforce alliances to accelerate the speed of our overseas expansion for Rx drugs and strengthen the development of human resources who can support this growth.
- Contribution to SDGs:** In addition to contributing to the reduction of environmental impact through the provision of "Eco & Compact" (compact boxes and containers) products, we will actively engage in activities that can contribute to solving social issues.

Production Environment



"TE-A-TE" is a treatment culture of "Care" valued since our founding. We will strengthen our ESG and SDGs initiatives to achieve our Mission, "Promoting 'TE-A-TE' Culture Worldwide" on a global basis.

Executive Officer
Head of Production Division

Taro Ozaki

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

The roles of the Production Division in the Seventh Medium-term Management Policy are extensive. Material issues include a wide range of initiatives to address the SDGs, ESG initiatives such as the workplace improvement. The role of the Production Division, which is at the heart of this effort, is to "ensure a stable supply of safe, secure, high-quality products to customers" in order to spread the culture of "TE-A-TE." And there is a basic premise for fulfilling these roles. That is compliance with Good Manufacturing Practice (GMP). In FY2021, an administrative action was imposed on the Company, for which we apologize to our customers for causing inconvenience. We must not let that be a thing of the past but must instill the approach of de-conventionality and new proposals and strengthen our production system on a global basis. Beyond that, we are confident that the realization of "Promoting 'TE-A-TE' Culture Worldwide" will be realized.

Progress in Eco-activities and Measures to Achieve Carbon Neutrality by 2050

The concept of SDGs is a material issue for our business activities. In order to realize Carbon Neutrality by 2050, we have created a specific roadmap to reduce CO₂ emissions by at least 46% from the 2013 level by 2030. Plants consume the most energy and emit the largest amount of CO₂. In order to promote activities to reduce CO₂ emissions, the EHS Management Committee has been working to set targets for the reduction. At the Kyushu Head Office, we have executed measures such as increasing the efficiency of energy-consuming air conditioners (absorption chillers, etc.), expanding solar power generation, and converting lightings to LED, and these measures are gradually having an effect. We are also planning a fuel conversion from heavy oil to LNG for our boilers and will continue to strengthen our efforts in this area. Utsunomiya Factory has realized CO₂ reduction through participation in the Kiyohara Industrial Park SmartEnergy Project since 2019 and will continue to contribute to the reduction of our environmental impact. Toward 2050, from a long-term perspective, we believe that we must actively utilize renewable energy sources instead of fossil fuels and collaborate with energy companies.

Human Resource Development and Safety Measures to Maintain Production System

"People" are the primary management resource. There are many proprietary technical know-how and facilities in our plants, but it is "people" who cultivate and nurture them. That is why employee training is a priority task. We have established a section responsible for GMP education and human resource development in our plants to provide education that instills GMP awareness and promotes the development of multiskilled workers to build a flexible production system. In terms of safety measures, we are also working to create a safe workplace, having obtained ISO 45001 (Occupational Health and Safety) certification in 2019. Furthermore, we will continue to create a safe and secure work environment for all employees by holding monthly meetings of the Health and Safety Committee to discuss and share information on measures to prevent health hazards and work-related accidents, as well as the causes and countermeasures to identify and eliminate sources of hazards.

R&D



We will achieve “Promoting ‘TE-A-TE’ Culture Worldwide” through the development of topical and long-term formulation technologies, the promotion of environmentally friendly drug development, and the challenge of entering new fields, in order to develop new Transdermal Drug Delivery System (TDDS) formulations that cannot be realized with conventional transdermal patches.

Executive Officer
Head of R&D Division **Takaaki Terahara**

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

The mission of R&D Division is to bring new products into the market and to develop existing products (additional indication, product improvement). During the period of the Seventh Medium-term Management Policy, we are working on technological development with the themes of controlling the amount of drug that enters the body while applying it directly to the disease site and realizing long-term formulation.

In the area of drug development, we are not limited to adding efficacy to our formulations but are also working to improve our environmentally friendly products by considering the use of plant-derived and recycled raw materials. Additionally, for global development, it is necessary to comply with the regulations of each country in order to increase the number of countries in which the product is newly rolled out. We are working on the development of formulations and data acquisition that will ensure stability in all newly expanded countries.

Promoting “TE-A-TE” Culture Worldwide: Challenges in New Fields

Microneedles are a new technology in TDDS that realize drug delivery, which was not possible with conventional transdermal patches. This technology can also be used for cosmetics, and we are preparing for its commercialization in collaboration with other companies. In December 2021, we executed a license agreement for a novel sodium channel blocker discovered by RaQualia Pharma and are developing a new transdermal formulation for chronic pain.

At the same time, we are considering the development of various products and services that embody the spirit of “TE-A-TE” and have begun to take on the challenge of entering new areas such as health foods and therapeutic apps. We will share ideas with various divisions, discuss commercialization, and collaborate with them to realize the creation of products and services that are uniquely of Hisamitsu.

Consolidation of Research Bases and Strengthening Cooperation with Production Division

The new research center will consolidate research functions currently located at two bases, one in Tosu City, Saga Prefecture, and the other in Tsukuba City, Ibaraki Prefecture, into a single base to further strengthen cooperation and collaboration among researchers, thereby maximizing R&D functions and accelerating the process. Additionally, we will strengthen the collaboration between the CMC* research and production divisions, which will be concentrated in the new research center, and promote the strengthening of its functions as a technology base for the development of new Transdermal Drug Delivery System (TDDS) formulations, which cannot be realized with conventional transdermal patches.

* CMC: Abbreviation for Chemistry, Manufacturing, and Control; development of optimal production processes and test methods for quality assessment when manufacturing drugs. Formulation Research Center, Health Care Research Center, Analytical Research Center, and TDDS Research Center apply at our company.



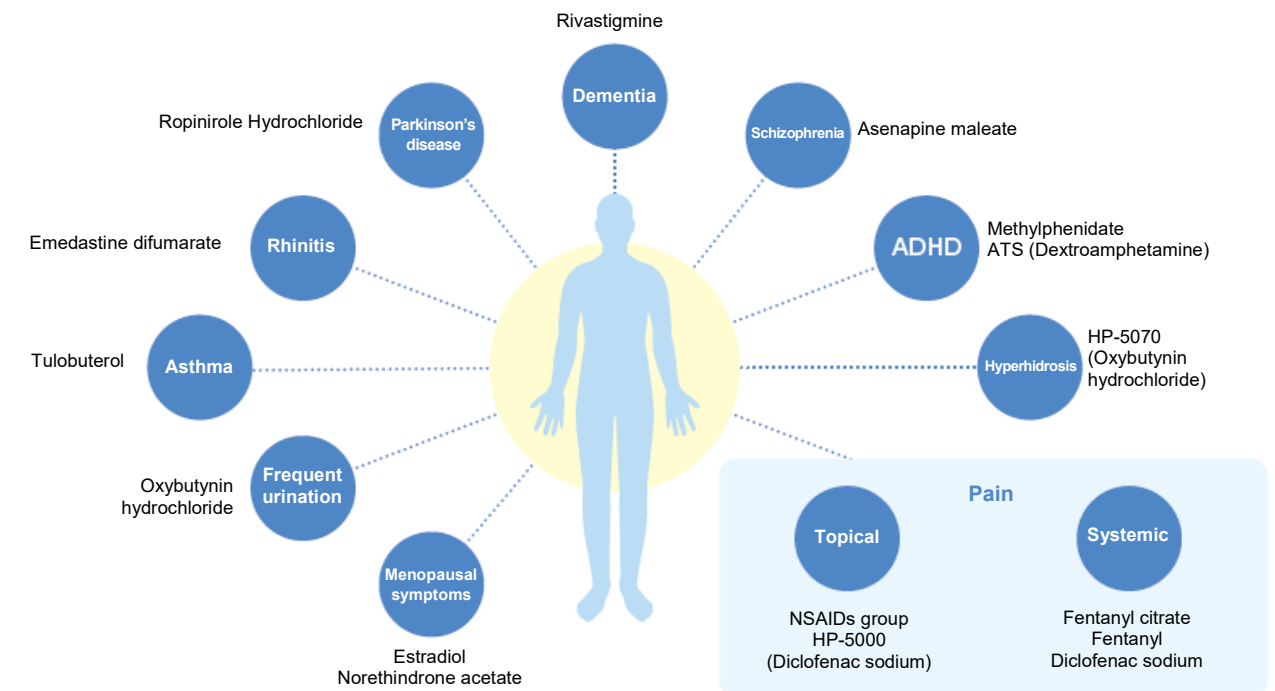
Completion image of the new research center

Research & Development Pipelines

	Stage	Theme	Target	Dosage Form	Characteristics	Next Step
1	Approved	XELSTRYM (ATS)	USA	Patch	Attention Deficit Hyperactivity Disorder (ADHD)	To be launched in FY22
2	Filed	HP-5070	JPN	Transdermal	Primary palmar hyperhidrosis	To be approved in FY23
3	Phase3	HP-5000	USA	Patch	Osteoarthritis of the knee	Under consideration

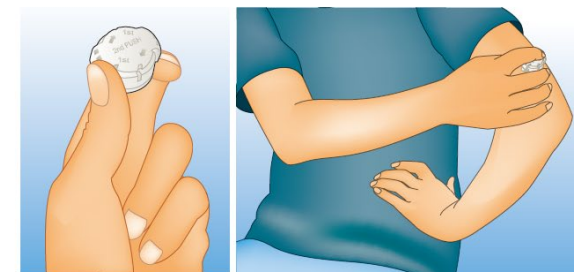
as of October, 2022

Expansion of Target Diseases for Hisamitsu TDDS

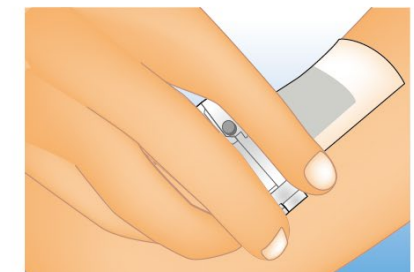


Microneedle Technology

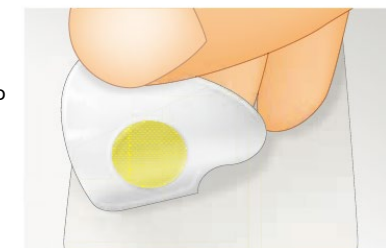
HalDisc® Technology (Pinhead-shaped microneedle technology)
Realization of macromolecular drugs that are treated as injectable drugs such as vaccines, offering easy self-medication by anyone



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



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



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

Rich in moisture and cosmetic ingredients
Providing moisture and beautifying effects

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

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



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



R&D

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

Additionally, 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

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

Opportunities

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

Risks

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

Procurement

At our procurement departments, not only do we strive to maintain a stable procurement of quality raw materials, reduce costs, and ensure that delivery deadlines are strictly met (and cope with natural disasters), but we also improve our supply chain, collect information from suppliers, and share such information with other in-house departments. From the phases of product planning and research, our procurement departments engage in discussions on raw materials in cooperation with related departments in order to establish a stable supply structure. At the same time, we strive to promptly reflect customer needs in our product development.

Based on our global strategies, we select appropriate raw materials so that people in many countries can use our products without worry, for example, in terms of human rights risks in our supply chain and conformity with Halal standards. We also procure items in light of their environmental friendliness, such as their contribution to reducing resource use, reducing waste generation, and increasing the use of recovered paper.

In December 2021, in response to the growing importance of sustainable procurement, the Company established the "Sustainability Procurement Basic Policy," and the "Sustainability Procurement Standards for Suppliers," which suppliers are required to understand and comply with, as the "Sustainability Procurement Guidelines."

► **Sustainability Procurement Guidelines** https://global.hisamitsu/sustainability/pdf/supplychain_E.pdf

* See p. 36 for more information on Sustainable Procurement.

Strength

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

Opportunities

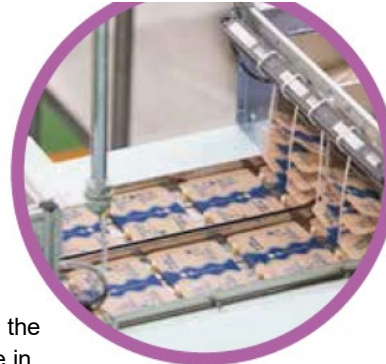
- Enhancement of our competitive edge by ensuring further transparency in the procurement of raw materials
- Stable supply of environmentally friendly raw materials
- Enhancement of our reputation through appropriate responses
- Reinforcement of our management foundation by ensuring greater transparency

Risks

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



Production



While ensuring cooperation with manufacturing contractors, our domestic production is centered on the Tosu Factory (Saga Prefecture) and the Utsunomiya Factory (Tochigi Prefecture), both of which are in compliance with the GMP^(*), so as to maintain a stable supply of products.

In addition to ensuring a stable supply, we are also working to improve productivity.

We are raising the efficiency of the entire production process not only by carrying out KAIZEN (improvement) activities on continual basis, but by reviewing the production system through consolidation and elimination of production lines, improving individual processes, and increasing operating rates.

Moreover, we have introduced an IoT-based production system, thereby promoting KAIZEN activities using big data accumulated in the production system and further improve productivity.

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

* GMP: Good Manufacturing Practice

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

Logistics



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

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

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

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

Sales/Marketing/Service



At sales/marketing/service, we provide and collect information on the effectiveness and safety of our products to enable medical workers and patients to use them with peace of mind and also to ensure appropriate use of the products. Additionally, requests from healthcare professionals collected by MRs are shared with related departments to further improve products, and the OTC business also promotes "Jissen" in which samples are distributed to directly communicate the superiority of products to consumers.

We help not only patients in the medical field, but also other people around the world maintain and improve their good health.

Strength	Opportunities	Risks
<ul style="list-style-type: none"> High level of recognition and dissemination to medical professionals through "Jissen," distribution of sample to consumers Prompt reflection of customer needs in product improvement High-quality products that take into consideration the use process and even more pleasant feel of use 	<ul style="list-style-type: none"> Increased awareness of good health worldwide Increase in the number of those suffering from disorders due to changes in their lifestyles Increase in demand for patch products in response to medication adherence 	<ul style="list-style-type: none"> Decline in profits due to reduction in medical expenses and pharmaceutical prices Change in the business environment due to intensifying competition with generic products Reduced medical examinations and slow penetration of new products in the with COVID-19 era

Quality Assurance



Quality is assured through GMP-compliant and scientifically established methods of production to ensure the reliability and safety of drugs.

Our quality assurance operations range extensively from "preparing process charts related to production and quality," to "inspecting, testing and evaluating products," "analyzing defect trends," "auditing and instructing business partners," and "correspondence with customers after shipment." Furthermore, we carry out a wide range of internal and external quality assurance, including the creation of a smooth transition from the formulation development stage to the production stage to ensure quality assurance structure and management and auditing of the production system of contractors that manufacture OEM (*) products.

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

* OEM: Original Equipment Manufacturer

Strength	Opportunities	Risks
<ul style="list-style-type: none"> Integrated quality assurance framework from research and development to manufacturing and marketing Production of high-quality pharmaceutical products with scientifically established, GMP-compliant methods Quality audit framework designed for Japan and overseas suppliers Safety management structure enabling prompt, appropriate, cross-sectional responses 	<ul style="list-style-type: none"> Expansion of quality assurance and safety control frameworks to global bases Improvement of quality reflecting customer requests Reinforcement of our management foundation by ensuring greater transparency Enhancement of our reputation through appropriate responses 	<ul style="list-style-type: none"> Difficulty in ensuring human resources Response to the tightening and revision of laws and regulations in Japan and abroad Emergence of product accidents with impact on customers Emergence of quality problems in the supply chain

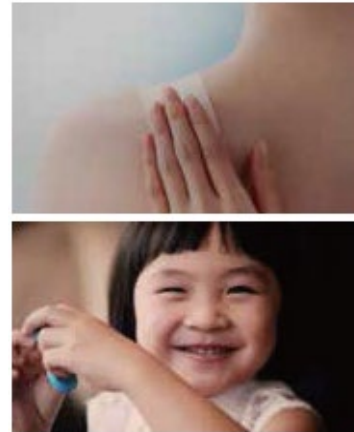
Hisamitsu Pharmaceutical Group's Commitment to Sustainability

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

Hisamitsu Pharmaceutical Group's Sustainability Policy

"TE-A-TE" Creates Smiles

Hisamitsu cherishes the "TE-A-TE" culture. What lies beneath "TE-A-TE" is your compassion for your loved ones. Such compassion is the starting point of our "patch treatment culture," which we have emphasized since our establishment.

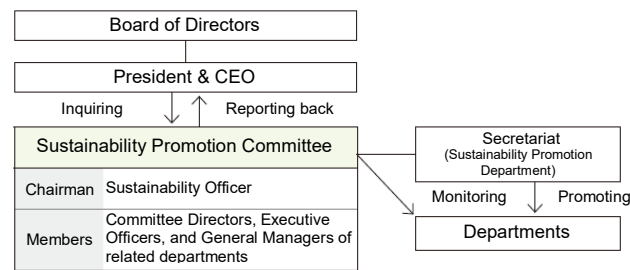


One way to spread "TE-A-TE" culture throughout the world is to promote "patch treatment culture," but our corporate responsibilities are not limited to that. It is our mission and responsibility as long as it is filled with enthusiasm for "TE-A-TE" and concerned with customer satisfaction, even if it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

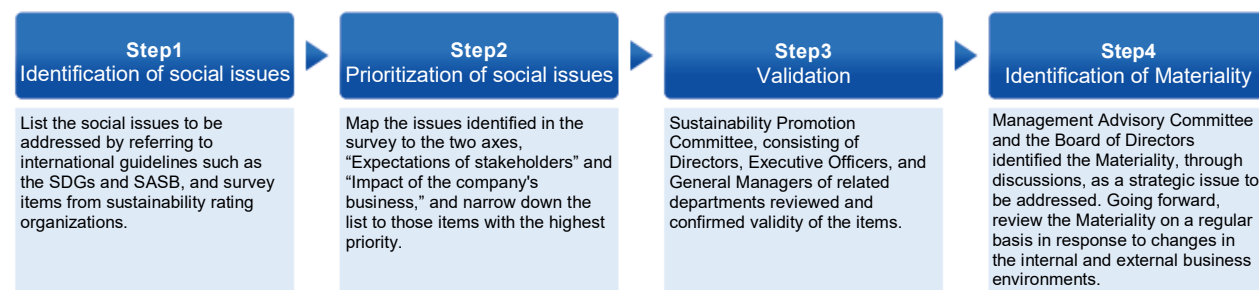
By contributing to creating happy smiles through a compassionate "TE-A-TE" culture, we will strive to achieve a favorable cycle of solving social problems and realizing our corporate group's growth.

Sustainability Promotion Structure

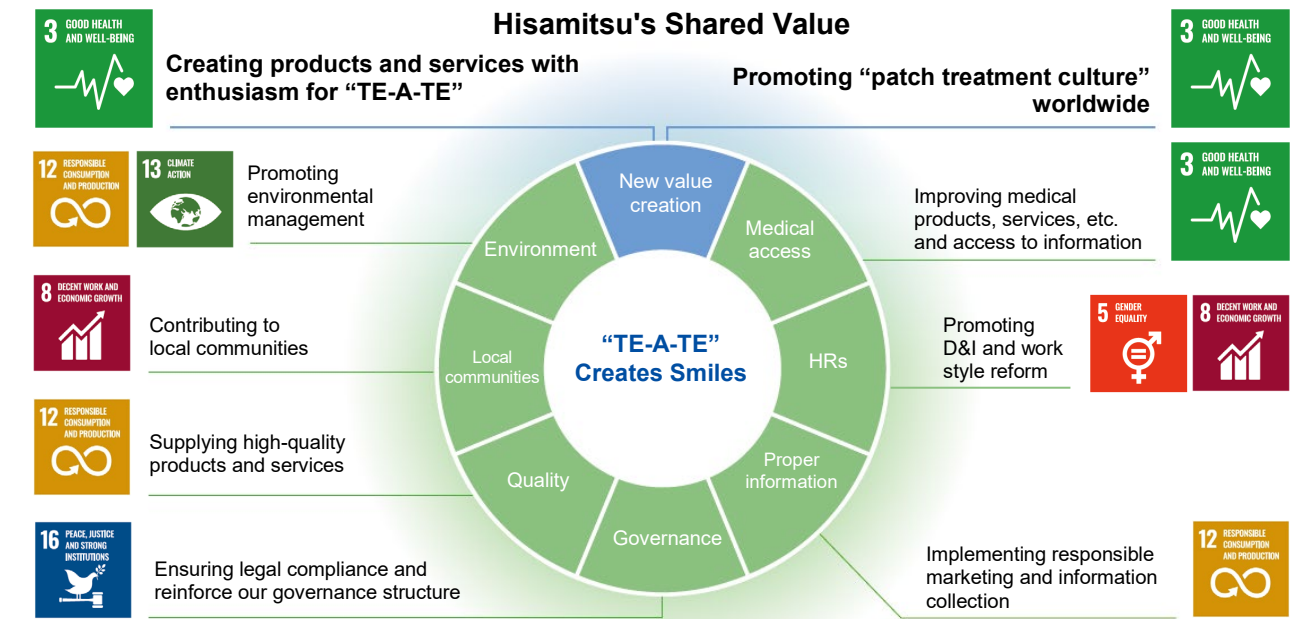
In January 2021, we upgraded the CSR Promotion Committee and renamed it the Sustainability Promotion Committee. Chaired by our officer in charge of promoting sustainability, the new committee consists of each department's sustainability promotion members. In light of the social challenges surrounding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



Identification Process of Materiality



Hisamitsu Pharmaceutical Group's Materiality (Priority Issues)



Major SDGs related to our materiality

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

KPI Setting and FY2021 Progress

For Materiality, which is particularly important for solving social issues and for the sustainable growth of our Company Group, we have established Key Performance Indicators (KPIs) to evaluate our progress over the medium to long term. Progress in FY2021 was as follows:

Materiality (Priority Issues)	KPI	FY2021 Results	Scope
Creating products and services with enthusiasm for "TE-A-TE" and promoting "patch treatment culture" worldwide	Creating products and services that embody the spirit of "TE-A-TE" (Transdermal patches and products and services that embody the spirit of "TE-A-TE")	<ul style="list-style-type: none"> • Launch of six new products • Launched mail order of Hisamitsu® IKIKI Online drugs 	Hisamitsu Non-consolidated, overseas subsidiaries
	Expand the number of countries and regions where our products are sold	<ul style="list-style-type: none"> • OTC pharmaceuticals/Others: 32 countries and regions including Japan • Rx drugs: Nine countries and regions including Japan 	Hisamitsu Non-consolidated, overseas subsidiaries
	Environment- and user-friendly drug development (Drug development: product improvement, additional indications, etc.)	<ul style="list-style-type: none"> • Additional indication: FENTOS® Tapes • Product improvements: 66 products 	Hisamitsu Non-consolidated, overseas subsidiaries
Promoting environmental management	Reduction of CO₂ emissions (Scopes 1 and 2) Reduce by 46% compared to FY2013 by FY2030. Scope: All bases in Japan	Reduce CO ₂ emissions by 28.5% (compared to FY2013)	Hisamitsu Non-consolidated
	Reduction of waste 1) Reduction of industrial waste generated from factories Reduce industrial waste rate by 1.5% by FY2025 compared to FY2020. *Waste rate = Industrial waste volume/Total production volume 2) Reduction of "household waste" related to the Containers/Packaging Recycling Act 10% reduction compared to FY2020 by FY2030 *Not including impact of increase/decrease in sales volume.	1) 1.0% increase in industrial waste disposal rate (compared to FY2020) 2) Reduce household waste by 10.2% (compared to FY2020)	Hisamitsu Non-consolidated
	Sustainability Procurement Survey Response Rate To achieve 100% response rate to the Sustainability Procurement Survey by FY2025. Scope: Primary and secondary suppliers • Primary suppliers: Suppliers of raw materials used for manufacturing by the Company • Secondary suppliers: Manufacturers of raw materials for Company products without a direct contractual relationship with the Company	Response rate 90% (FY2021 survey) Primary suppliers: 100% Secondary suppliers: 79%	Hisamitsu Non-consolidated
Supplying high-quality products and services	Zero product recalls Zero product recalls each year.	Product recalled: 0	Hisamitsu Non-consolidated
	Product complaint incidence Reduce product complaint incidence to 0.001% or less by FY2025. Scope: Product-related complaints for all products manufactured and sold by the Company	Product complaint incidence: 0.0012%	Hisamitsu Non-consolidated
Promoting D&I and work style reform	Morale Survey Score (8 items: Rewarding + Good workplace) Raise the average value of 8 items to 5.0 points or more by FY2025.	Average of 8 items: 4.66 points	Hisamitsu Non-consolidated
	Female managers By March 31, 2024, increase to 1.5 times the ratio as of March 31, 2021.	Ratio of women in management positions: 7.1%, 1.13 times the ratio at the end of March of 2021 (as of March 31, 2022)	Hisamitsu Non-consolidated
	Continuous employment ratio of women employees in their 9th to 11th years of employment Increase the continuous employment ratio to 45% or more by March 31, 2024.	Continuous employment ratio: 40.7% (as of March 31, 2022)	Hisamitsu Non-consolidated

Environment

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

Action to climate change

“HELLO! eco!”

The starting point of our environmental efforts is the desire of each and every one of us to “start doing something good for the environment (eco)!” To keep this spirit alive, we have adopted the slogan “HELLO! eco!” for our environmental activities.

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



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

Contribution to Decarbonized Society

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

Our FY2021 performance was a 28.5% reduction compared to FY2013, and we will continue activities to steadily reduce our environmental impact toward the FY2030 target through further measures and efficient operations. In May 2022, the Company endorsed the Task Force on Climate-related Financial Disclosure (TCFD), and based on its Recommendations, the Company conducted a scenario analysis of the items that climate change could bring to the business, identified risks (5 items) and opportunities (3 items), and conducted a business impact assessment and disclosed the result thereof. Going forward, we will disclose indicators and targets for assessing the identified items, and formulate and work on our action plan.

Scenario Analysis

Sustainability Promotion Committee took the lead in conducting scenario analysis of risks and opportunities related to climate change, as well as in discussing short-, medium-, and long-term business impact (transition risk, physical risk, and financial impact of the opportunities), and policies and strategies for addressing these business impacts. As a result, although there are risks associated with the carbon tax and natural disasters, opportunities were identified in terms of increased demand for environmentally friendly products.

► Disclosure in accordance with the TCFD <https://global.hisamitsu/sustainability/environment/environment-01.html>

Strategy (Scenario analysis: Risks)

Risk item	Evaluation	Importance Evaluation		Time Axis
		Business Impact		
Impact of the introduction of a carbon tax	Large	To reduce CO ₂ emissions in Scope 1 and 2 by 46% by FY2030 compared to FY2013 and achieve net zero CO ₂ emissions by FY2050, it is necessary to switch to renewable energy sources and renew air conditioning equipment, resulting in an increase in costs.		Long term
	Large	A carbon tax is imposed on the main raw materials (derived from petroleum), resulting in an increase in procurement costs.		Long term
Impact on raw materials in association with a rise in temperature	Large	Raw material prices rise due to restrictions on the amount of paper used, shortage of raw materials, and poor plant growth.		Long term
Natural disasters (Impact on the supply chain)	Large	An increase in the number and severity of natural disasters causes damage to suppliers of raw materials for our main products and disrupts the transportation network. As a result, we are unable to manufacture our main products, leading to a decrease in sales.		Medium term
Response to decarbonization technology	Large	The lack of progress in environmentally friendly product development makes us unable to respond to changes in consumer needs. As a result, our market share declines with a decrease in sales.		Medium term

Strategy (Scenario analysis: Opportunities)

Opportunity Item	Evaluation	Importance Evaluation		Time Axis
		Business Impact		
Expansion of demand for environmentally friendly products	Large	The development of new environmentally friendly products increases demand for our products, leading to an increase in sales.		Long term
Resilience	Large	By switching from fossil fuels to renewable energy sources, we can avoid the impact of rising fossil fuel prices on costs.		Long term
	Large	We can increase our resilience by working to develop energy-saving equipment in cooperation with production equipment manufacturers, thereby reducing energy costs.		Long term

Changes in CO₂ Emissions

1. Hisamitsu Pharmaceutical Group*

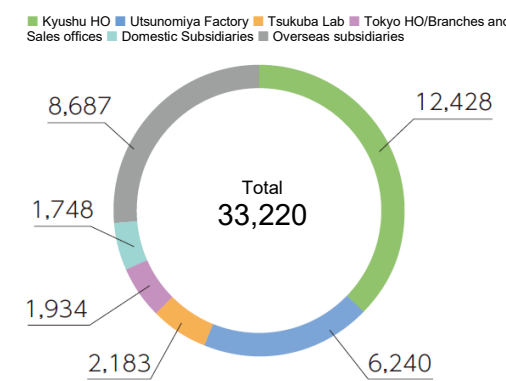
The total CO₂ emissions were 33,220 t. For breakdown, 22,785 t for Hisamitsu Pharmaceutical on a non-consolidated basis in Japan, 1,748 t for domestic subsidiaries, and 8,687 t for overseas subsidiaries. Since overseas subsidiaries account for 26.1% of total emissions, we will share and promote CO₂ reduction measures with subsidiaries abroad and in Japan and verify and disclose the results, including reduction outcome.

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

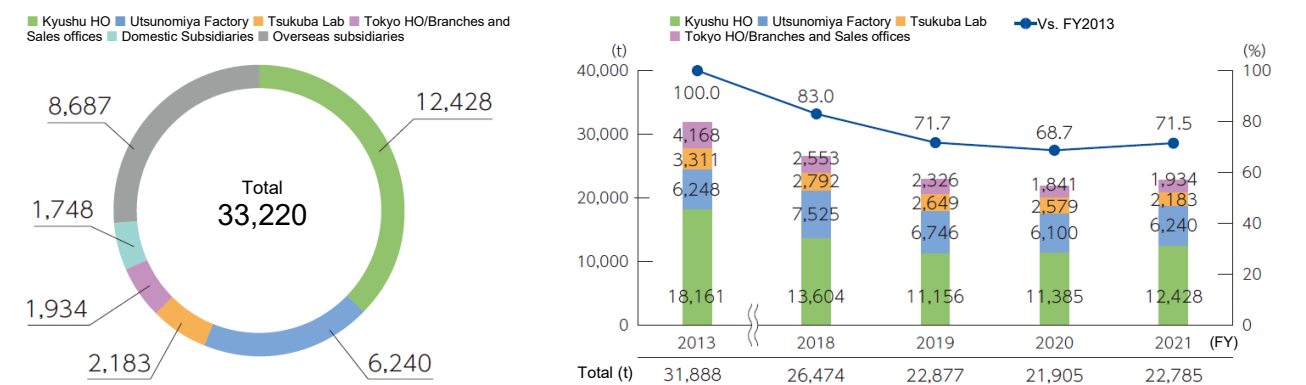
2. Hisamitsu Non-consolidated (in Japan)

At the Tsukuba Laboratories, the air conditioning temperature settings, lighting, and testing and information equipment were thoroughly managed to save energy, resulting in non-consolidated reduction of 15.4% compared to the previous year. The Kyushu Head Office, including the Tosu Factory, and the Utsunomiya Factory took energy-saving measures (including capital investment) in response to the launch of new products and increased production of existing products, but non-consolidated CO₂ emissions increased 9.2% and 2.3% from the previous fiscal year, respectively and overall CO₂ emissions increased by 4.0% (880 t). We will continue our efforts to reduce CO₂ emissions by installing solar panels, shifting to energy-saving equipment for manufacturing and air-conditioning facilities, and switching fuels actively.

CO₂ emissions from Hisamitsu Pharmaceutical Group (t)



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



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

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

Emissions throughout Supply Chain

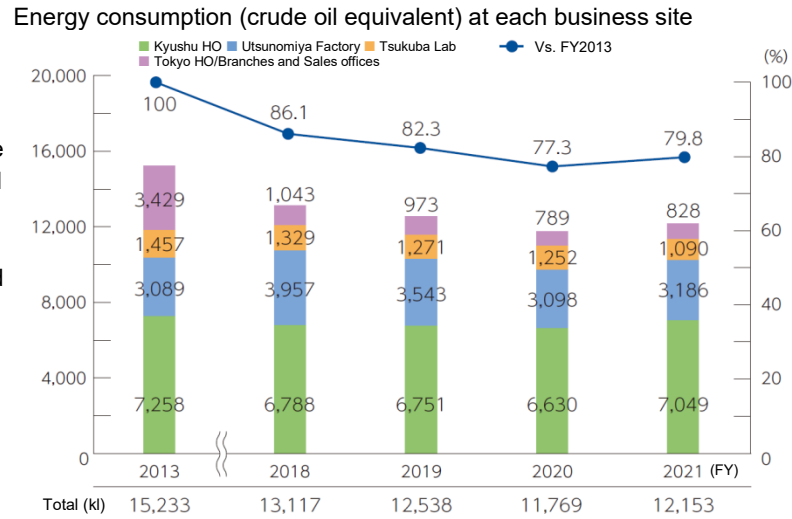
Category	FY2021 Emissions		Notes
	CO ₂ (t)	Percentage	
Scope 1 Direct emissions	6,923	5.94%	Scope of calculation: Hisamitsu Pharmaceutical on a non-consolidated basis
Scope 2 Indirect emissions	15,862	13.60%	Scope of calculation: Hisamitsu Pharmaceutical on a non-consolidated basis
Purchased goods and services	48,284	41.41%	Obtained by multiplying the volume of raw materials, etc. purchased in Japan by emission intensity
Capital goods	9,605	8.24%	Obtained by multiplying the capital investment amount in pharmaceutical business by emission intensity
Fuel- and energy-related activities not included in Scope 1 or 2	4,723	4.05%	Obtained by multiplying purchased electricity and other energy by emission intensity
Transportation, delivery (upstream)	2,039	1.75%	Obtained by multiplying the ton-km from a primary raw material manufacturing site to our factory and from our factory to logistics centers, wholesalers, etc. multiplied by emission intensity
Waste from business	2,317	1.99%	Obtained by multiplying the volume of each category of general/industrial waste from our factories and laboratories in Japan by emission intensity
Scope 3 Business travel	281	0.24%	Obtained by multiplying the number of business travel days by emission intensity
Employee commuting	315	0.27%	Obtained by multiplying the amount of paid commuting fees in each transportation category by emission intensity
Leased assets (upstream)	-	-	
Transportation and delivery (downstream)	30	0.03%	Obtained by calculating the ton-km based on the average delivery distance from a wholesaler and the volume and multiplying this by emission intensity
Processing of sold products	-	-	
Use of sold products	-	-	
End-of-life treatment of sold products	26,222	22.49%	Obtained by multiplying the volume of used raw materials by emission intensity
Leased assets (downstream)	-	-	
Franchises	-	-	
Investments	-	-	
Total	116,601	100.00%	

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

Environment

Reduction in Energy Consumption

The amount of energy used was calculated in accordance with the Energy Saving Act (Act on Rational Uses of Energy, etc.) In FY2021, Tsukuba Laboratories reduced by 12.9% from the previous fiscal year, but Kyushu Head Office and Utsunomiya Factory increased by 6.3% and 2.8%, respectively, with an overall increase of 3.3% (Hisamitsu Pharmaceutical on a non-consolidated basis). This is due to the increased operating hours of our plants as a result of expanded production of products. We will continue to reduce energy consumption by setting air conditioning temperatures, managing lighting to save energy, and ensuring efficient operation of manufacturing equipment.



Reduction in Environmental Impact

Environmental Accounting

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

Environmental Conservation Costs

(Thousands of yen)

Category	FY2019	FY2020	FY2021		
			Facilities	Expenses	Total
Pollution prevention	32,490	36,342	1,330	26,992	28,322
Global environmental protection	88,749	65,899	102,929	68,127	171,056
Resource recycling	152,173	430,151	190,800	150,744	341,544
Upstream/Downstream	11,893	11,409	0	15,185	15,185
Management activities	69,059	63,573	0	67,912	67,912
Social activities	6,894	7,446	0	7,914	7,914
Environmental damage response	699	547	0	523	523
Other	6,511	0	0	0	0
Total	368,468	615,367	295,059	337,397	632,456

Scope: Hisamitsu Pharmaceutical on a non-consolidated basis

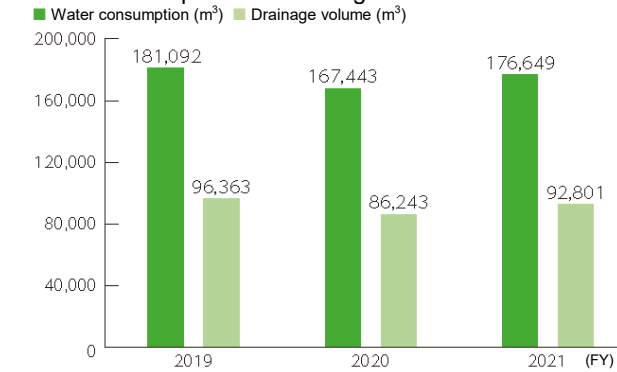
Conservation of Water Resources

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

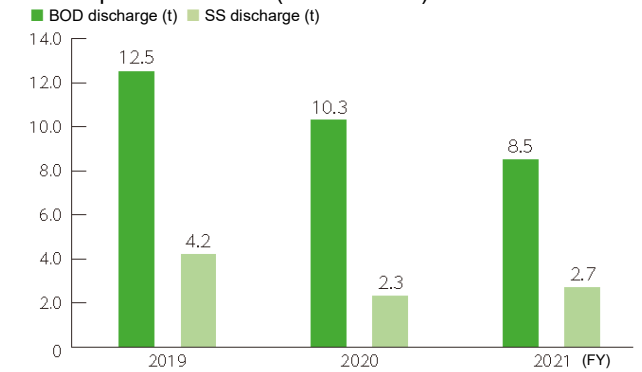
In FY2021, our water consumption increased by 5.5% as a result of the increase in our production volume, although continuously improved the use of circulating cooling water for production facilities and the cooling method of air conditioning equipment according to the season. Further reduction measures (capital investment and operation) will be promoted in the future. In addition, when discharging wastewater, we have established voluntary standards that are stricter than the water quality standards set by the national and local governments, and the water quality is checked before discharging wastewater. We always monitor COD* and pH* values to prevent harmful substances from resulting in negative effects.

* 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

Water consumption and drainage volumes



Water pollutant control (BOD and SS)

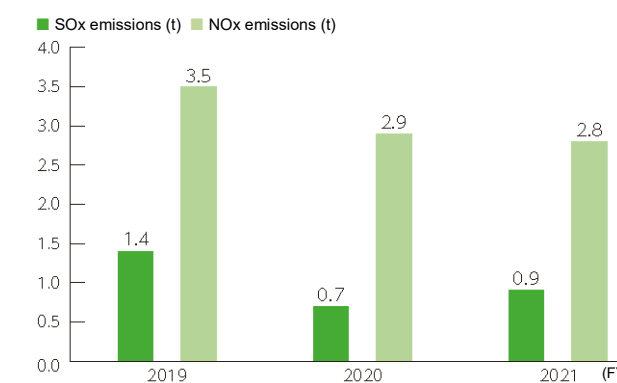


Management of Air Pollutants

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

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

Management of air pollutants (SO_x and NO_x)



Management of Specified Chemical Substances

Hisamitsu Pharmaceutical manages chemical substances properly in compliance with the PRTR Act¹. There are two chemical substances that we must report to the authorities: toluene and acetonitrile. In FY2021, we handled 3.2 t of toluene and 4.3 t of acetonitrile. We will continue to strive for appropriate use and management (storage and disposal²) to reduce environmental impact. Acetonitrile is used in the analysis of raw materials and products. In this regard, we will also investigate new analytical methods that do not use acetonitrile.

¹ PRTR Act: A law that requires the release amounts of certain chemical substances into the environment to be monitored and reported to the government

² Waste disposal
 • Waste liquid treatment
 After use, the waste liquid is entrusted to a waste disposal contractor for proper disposal.
 • Combustion treatment
 Some manufacturing processes generate gases containing toluene. The gas is cooled and not collected as liquid waste but combusted using a gas combustion system (oxidative decomposition method).

Handling Volume of PRTR Substances (t)

Substance	Handling volume	FY2019 FY2020 FY2021			
		FY2019	FY2020	FY2021	
Toluene	Handling volume	3.8	3.4	3.3	
	Emission into the air	0.2	0.2	0.2	
	Waste disposal	Waste liquid treatment	0.1	0.1	0.1
Acetonitrile	Waste disposal	Combustion treatment	3.5	3.1	3.0
		Handling volume	3.3	3.8	4.3
	Emission into the air	0	0	0	
	Waste disposal	Waste liquid treatment	3.3	3.8	4.3
		Combustion treatment	0	0	0

Society

Bonds with Customers

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

Commitment to Product Reliability Assurance

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

Drug Development and Improvement

Development

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

Improvement

In the improvement of drugs, we have continuously worked to reduce the size, shape, and frequency of use of drug products in order to improve quality of life of our customers, mainly based on customer opinions (needs), the latest manufacturing technologies, and our research and development outcomes.

Until now, the focus has been on the perspectives of manufacturers and users, but it is important to proactively consider new perspectives as the Hisamitsu Pharmaceutical Group works to promote ESG and the SDGs. We will continue to consider the environmental impact of our products and actively work to improve them into ECO products with the purpose of reducing CO₂ emissions. In addition, the “standardization of product specifications” is being promoted as one of our measures to reduce environmental impact through a joint project among R&D, Production, and Sales divisions. Furthermore, from the perspective of open innovation, collaboration is promoted with suppliers, utilizing a broad range of technology information.

- * Environmentally friendly products: “Eco & Compact” packaging reduces the amount of packaging materials used.
- 1. “Feitas® Shippu” “Poke-Sip
- 2. “Feitas® Shippu Onkan” “Poke-Sip
- 3. “La Salonpas®”: Reduction of packaging material usage



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



Drugs developed with TDDS technology

MOHRUS® Tapes

A topical transdermal analgesic anti-inflammatory drug (patch formulation) with ketoprofen as the active ingredient. It is effective for pain such as lumbago, local joint pain in rheumatoid arthritis, and swelling and pain after trauma. The effect is realized immediately after application. It is applied once a day.



Pain Size: 140 cm² (10 cm × 14 cm)

HARUROPI® Tapes

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

(Marketed by Kyowa Kirin Co., Ltd.)



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

ZICTHORU® Tapes

A systemic transdermal analgesic for persistent pain (patch formulation) with Diclofenac Sodium (NSAIDs) as the active ingredient. With once-daily transdermal treatment, the drug migrates directly into the systemic bloodstream without passing through the gastrointestinal tract, maintaining a stable drug concentration in the blood for 24 h, thereby ensuring a sustained effect. It can also be administered to patients who have difficulty taking medication orally due to nausea, vomiting, difficulty swallowing, or gastrointestinal obstruction, and the patient's medication status can be visually monitored by family members and caregivers.



Pain Size: 70 cm² (7 cm × 10 cm)

ESTRANA® Tapes

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



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

Ethical Drug Development

Ethical and Scientific Clinical Studies

To ensure human rights and safety of patients participating in clinical studies, clinical trial protocols are prepared in compliance with the PMD Act and the GCP^{*1} while obtaining informed consent from the patients. Additionally, the Internal Institutional Review Board is established to assess the ethical and scientific validity of studies with outside medical experts as members. When conducting clinical studies outside Japan, we observe the ICH^{*2}-GCP and comply with the regulatory requirements and guidelines of each country.

*1: GCP (Ministerial Ordinance on Good Clinical Practice for Drugs): Criteria for proper conduct of clinical studies of pharmaceutical products

*2: ICH (International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use): International council formulating guidelines to ensure the harmonization of approval and review criteria for pharmaceutical products

Ethical Accommodation for Animal Welfare

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

Society

Bonds with Employees

In order to create new value, Hisamitsu Pharmaceutical is committed to securing and training a diverse workforce and developing human resources with the aim of improving employee satisfaction, thereby creating an organization that will continue to generate innovation on an ongoing basis. In addition, we are striving to create a workplace where each and every employee can maximize their abilities and improve productivity by developing internal systems and enhancing benefit packages.

Promotion of D&I
Diverse Workforce

Hisamitsu Pharmaceutical recognizes that the foundation of a company lies in its people, and believes that it is important for employees to demonstrate their abilities and achieve self-realization through business activities. By respecting the individuality of employees with different career and cultural backgrounds and life stages, and by promoting the utilization of diverse human resources, we are building an organization that can quickly adapt to future changes in the business environment. Furthermore, the importance of utilizing diverse human resources is emphasized in management training and other internal training programs to deepen understanding of Diversity.

Employment of the Disabled

As part of our efforts to utilize diverse human resources, the employment of people with disabilities is promoted. Besides light-duty work on the manufacturing floor, employment has been expanded to include planning divisions and research laboratories to create jobs that allow people to play an active role according to their abilities. It is our aim to create a comfortable workplace environment by installing multipurpose restrooms and eliminating steps, as well as by maintaining close communication in the workplace. We will continue to actively work on creating a workplace environment where employees can play an active role according to their individuality and abilities.

Personnel Evaluation

Individual employees' performance is evaluated from the two perspectives, their growth (management by behavior) and contribution to the Company (management by objectives), in order to motivate them for their daily work and foster their voluntary growth. For behavior management, supervisors annually interview to confirm whether employees "consistently demonstrate behaviors that produce high results." Regarding goal management, goals are set based on interviews with supervisors at the beginning of evaluation period. A self-evaluation will be conducted at the end of the period, and employees will meet with their supervisors to discuss the degree to which they have achieved goals and future initiatives, with the aim of further improving their performance. We ensure that the evaluation obtained through this process is reflected in the employee's treatment and eventually fed back to the employee, thereby enabling them to feel a sense of achievement in their work.

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

		FY2019	FY2020	FY2021
Employees	Male	1,134	1,130	1,119
	Female	435	453	468
	Total	1,569	1,583	1,587
Female managers		5.2%	6.3%	7.1%
Employees taking parental leave		26	38	39
% of the elderly employed		2.96%	3.00%	3.18%
Disabled employment		1.99%	1.94%	1.99%

* As of March 31 each fiscal year

Many More Opportunities for Female Employees to Play Significant Roles

The promotion of women's activities is essential for the company's sustainable growth and enhancement of our competitiveness. It is our aim to create an environment in which each employee, regardless of gender, can realize a work style that suits their life events and continue to play an active role in the company. In addition to creating an environment that allows employees to balance work and life events such as marriage, childbirth, childcare, and long-term care, we are working to improve understanding and awareness of diverse work styles by informing employees of the work-life balance support system through management and hierarchical training and other internal training programs.

Employment of the Elderly

"Life Plan Training" is conducted for employees who have reached the age of 57 as an opportunity for them to consider life planning and lead a fulfilling second life. As a support system for employees to work with a sense of assurance, the reemployment system is established for employees who have reached the retirement age of 60 and wish to remain employed until a maximum age of 65.

Human Resources Development

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

Moreover, the results of employee morale surveys (employees' satisfaction surveys) are quantitatively collected and analyzed and reflected in our various training programs.

Management Development

In order to develop human resources to achieve performance targets, which is one of the roles that managers are expected to fulfill, our curriculum emphasizes the importance of raising awareness and motivating the managers themselves. Our capacity building aims not only to manage the organization but also to realize the management strategy of bringing the issues of each business area down to the field level as more advanced skills to lead the organization while accurately assessing the situation. Training programs are offered tailored to the purpose and their needs, including training for newly appointed managers, as well as training for all managers and selective training.

In addition, as part of our efforts to develop and promote women to management positions, the Hisamitsu Women's Leadership (HWL) training program has been conducted since 2013. Employees recommended by their divisions will acquire knowledge and skills in communication, leadership, team management, and self-management through training. As of March 2022, the percentage of women in management positions was 7.1%.

New Employee Development

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

Development of Global Human Resources

In order to develop our global business, we promote global communication by deepening understanding of Japanese culture and employees through personnel transfers and training of local hires overseas. The ratio of overseas employees in Hisamitsu Pharmaceutical Group was approximately 40% as of February 2022. Additionally, to strengthen the international competitiveness, the Company promotes development of human resources who can work globally, providing training opportunities to acquire and improve English proficiency, cross-cultural communication, management skills, and so forth. We support our employees' self-study of English through, for example, the "Global Challenge" program, which supports all employees to take the TOEIC exam, and conducts activities to uncover future global human resources.

Moral Survey (Employee Satisfaction Survey)

We conduct a morale survey as part of our employee satisfaction survey. The purpose of the survey is to identify the strengths and challenges of the organization. By linking employee feedback to management and workplace improvements, we promote the creation of a comfortable work environment in which employees can continue to work. The results are also intentionally reflected in the curriculum of company-wide training programs.

Training Programs

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

Society

Life Event Programs

We have established a system to enable employees, regardless of gender, to continue to demonstrate their abilities as they face various life events. It is our aim to create a workplace environment that allows employees to balance work with life events such as childbirth, childcare, and long-term care and to continue working with motivation.

Work Style Reform

Hisamitsu Pharmaceutical promotes a healthy and vibrant workplace where each employee can balance work and private life while maintaining good mental and physical health. In March 2021, a work from home system was established to increase productivity by offering more work style options. In addition, it is our aim to improve the ratio of employees taking annual paid leave through measures such as "Family/Self-Education Day" (every Wednesday) to encourage employees to leave the office on time, "Family Bonding Day" (twice a year including the month of birthday) to encourage employees to take annual paid leave, and "WAKUWAKU consecutive leave" (at least 3 consecutive business days).

Hourly Paid Leave System

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

Staggered Work Hours System

Employees are allowed to work within a range of one hour before to 2 h after their starting time, depending on their work schedule.

Welfare Package

Recreation Facilities

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

Hisamitsu Club

As part of our welfare activities, "Hisamitsu Club" offers facilities and financial support. The Club has more than 100 sports and cultural clubs throughout Japan, where employees deepen exchanges regardless of age or division through common hobbies. The Club also conducts annual sports event and company retreats to promote employee health and communication.

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

Human Rights

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

Basic Concept on Human Rights

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

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

▶ **Hisamitsu Pharmaceutical's Human Rights Policy**
https://global.hisamitsu.company/pdf/Human_rights_Policy_E.pdf

Executing our obligations for human rights

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

Halal Certified

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

* Halal: What is legal under Islamic law



Launched on January 14, 2022, Indonesia

Compliance with U.K. Modern Slavery Act

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

▶ **Statement on the UK Modern Slavery Act**
https://global.hisamitsu.company/pdf/Statement_E.pdf

Sustainability Procurement

In December 2021, the Self-Assessment Questionnaire (SAQ) was conducted with our primary and secondary suppliers to confirm the current status, including human rights and labor environment. The Company will cooperate with such suppliers to control risks and conduct preventive measures in order to promote sustainability initiatives throughout the supply chain, including human rights and labor environment.

Society

EHS Management

EHS Policy

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

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

[Environmental Policy]

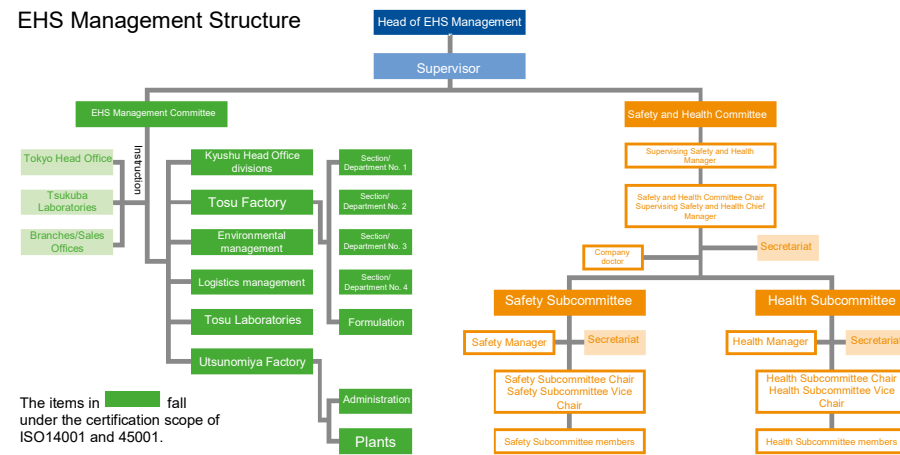
1. Reduce resource use, energy use, and waste generation actively and aggressively;
2. Purchase raw materials, equipment, and facilities in full consideration of their impact on the environment;
3. Strive to achieve environmental friendliness when developing and improving products;
4. Comply with all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

[Safety and Health Policy]

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

EHS Management Structure

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



EHS Commitments

Environmental Commitments

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

Occupational Safety and Health Commitments

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

EHS Targets and FY2021 Results

EHS Policy	FY2024 Mid-term Target	FY2022 Annual Target	FY2021 Major Results
Reduce resource use	[1] Reduce resource use based on the KAIZEN activity themes. [2] Promote efficient use of water resources.	[1] Proceed with at least one theme that will lead to reduction in resource use (with at least 80% of the theme[s] achieving the targets) [2] Promote efficient use of water resources.	[1] Activities were carried out in accordance with 20 themes that lead to resource conservation, such as reduction of product loss. [2] Changed how to operate heat sources and achieved a reduction of about 25% from before (FY2016)
Reduce energy use	[1] Reduce specific energy consumption at the Kyushu Head Office and the Utsunomiya Factory by at least 3% from the FY2021 results. [2] Reduce CO ₂ emissions by 35% from the FY2013 result. [3] Promote enhancement of energy efficiency.	[1] Reduce specific energy consumption at the Kyushu Head Office and the Utsunomiya Factory by at least 1% from the FY2021 results. [2] Reduce CO ₂ emissions by 28% from the FY2013 result. [3] Promote enhancement of energy efficiency.	[1] Reduced 16% at the Utsunomiya Factory from FY2018 result. [2] Reduced 23.5% from the FY2013 result [3] Installed 25 highly efficient air conditioners at the Tosu Factory.
Reduce waste generation	Reduce waste in accordance with the loss reduction theme of KAIZEN activities.	Carry out activities in accordance with this fiscal year's loss reduction theme of KAIZEN activities.	Activities were carried out in accordance with 19 themes that lead to waste reduction, including loss reduction in plants.
Green procurement	Use raw materials, building materials and equipment, and transportation services with less environmental impact	[1] Use raw materials, building materials and equipment with less environmental impact [2] Use transportation services with less CO ₂ emissions [3] Select environmentally friendly raw material suppliers	[1] Achieved at least 90% of the green procurement rate for office supplies [2] Increased the modal shift rate by 3.9% at Utsunomiya Factory from the previous fiscal year [3] Inspected whether our manufacturing contractors operated in consideration of the environment, safety, and health and thereby confirmed their circumstances
Compliance with laws and regulations related to the environment/occupational safety and health and prevention of environmental pollution	Comply with laws and regulations related to the environment/occupational safety and health, and maintain zero violation of voluntary criteria in environmental assessment data	Comply with laws and regulations related to the environment/occupational safety and health, and maintain zero violation of voluntary criteria in environmental assessment data	There were no violations of voluntary criteria in environmental assessment data.
Development of environmentally friendly products	[1] Assess environmental impact in the process of product R&D, and develop environmentally friendly products [2] Promote environmentally friendly product specifications (HELLO! ecol)	[1] Assess environmental impact in the process of product R&D (reduction of resource use, sorting waste, use of no hazardous materials, etc.), and promote development of environmentally friendly products [2] Promote environmentally friendly product specifications (HELLO! ecol)	[1] Conducted nine assessments during the R&D process of products that led to reduce environmental impact. [2] Designed and commercialized eco-friendly & compact specifications and reduced the amount of raw materials used.
Conserve environment in local communities	Conserve environment and biodiversity in local communities	[1] Carry out environmental conservation activities in local communities. [2] Continue to conserve biodiversity and promote development of environmentally friendly products [3] Donate to environmental organizations through the Hisamitsu-Hot-Heart Club (for at least five cases)	[1] Organized clean-up campaigns in the areas around our business sites and participated in clean-up campaigns by local governments [2] Continued to conserve iris rossii, designated as a 1A threatened species, at one of our business sites [3] Donated to eight environmental organizations through the Hisamitsu-Hot-Heart Club
Continuously improve environment safety and health management systems	Improve our EHS management operations and increase their efficiency	[1] Continue to improve the EHS management system and increase its efficiency [2] Conduct EHS periodic review to improve the operations	[1] Passed the periodic review for ISO14001 and ISO45001 with zero non-conformities [2] Conducted EHS audit twice a year (in May and September)
Prevent occupational accidents	Prevent occupational accidents by identifying risk factors, conducting risk assessments, and promote risk management (zero lost time accidents of 4 days or more)	[1] Conduct regular patrols and interviews with workers based on unified safety rules, and promote activities to reduce occupational accidents. [2] Continue to identify risk factors and conduct risk assessments, thereby reducing risks (Zero Level IV accidents under the risk assessment)	[1] Conducted risk assessment once a year and identified new risk factors. Safety and Health Committee: Safety Subcommittee carried out safety patrols. Promoted risk mitigation activities. [2] Conducted weekly workplace patrols in relation to reduce occupational accidents
Ensure employees' good health and establish a safe workplace environment	Promote mental and physical health of employees, and create a workplace environment with a sense of assurance	[1] Improve workplace and work environment. [2] Reduce overtime work and promote the use of paid holidays.	Broadcasted "No Overtime Day" every Wednesday. Ensured holidays in three consecutive days and encouraged those who had not taken them
Promote education and training on environment and health and safety	Conduct EHS education and awareness programs in a proactive and systematic manner to raise employee awareness.	[1] Conduct training on safety and health management in a systematic manner. [2] Conduct environmental education in a systematic manner.	Conducted training on 10 themes related to safety and health management. Disaster drills were conducted twice a year for evacuation and emergency response in the event of a disaster, and emergency response drills on operations were also conducted at each workplace.

Auditing

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

External audit

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

Internal audit

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

Society

Bonds with Society

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

Support for Sports Events

We co-sponsor various sporting events for the purpose of promoting sports and people's health. We are a special sponsor of the World Ladies Championship Salonpas Cup, an official golf tournament in Japan, as well as supporting citizen marathons, sports climbing, etc. In 2021, D.LEAGUE 21-22 SEASON, Black Rams Tokyo Rugby Host Game, and Tohoku Rakuten Golden Eagles Salonpas Day 2021 were co-sponsored.

Collaboration Agreement with Saga Prefecture and Saga Sports Association

In May 2021, Hisamitsu Pharmaceutical executed a collaboration agreement with Saga Prefecture and the Saga Sports Association for the purpose of promoting the SAGA Sports Pyramid Initiative ("SSP Initiative"). The SSP Initiative aims to promote human and community development utilizing the "power of sports" through the development of top athletes who will challenge the world from Saga Prefecture. We have executed this agreement in support of the SSP Initiative fostering world-class athletes from Saga Prefecture and in the hope of contributing to the promotion of sports and regional revitalization in Saga Prefecture. Based on this agreement, we shall collaborate on our partnership.

Collaboration Items and Specific Actions

- (1) Establishment of dormitories for junior high/high school athletes
- (2) Other items deemed necessary
Use of dormitories owned by Hisamitsu Pharmaceutical for junior high/high school athletes attending schools in Tosu City, Saga Prefecture, etc.

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 tournaments held both in Japan and abroad.

Moreover, in fostering next-generation athletes, the team organizes volleyball classes, the Spring Academy, for children.

Prior to completion of the new practice base "Salonpas® Arena" in Tosu City, Saga Prefecture in the spring of 2023, the "Hisamitsu Springs Tosu Satellite Office" was opened in Tosu City.

Going forward, we will continue to contribute to the creation of a prosperous and vibrant city by participating in events and promoting volleyball in Saga Prefecture and Tosu City. Please look forward to our future activities.

Communication through SNS by Hisamitsu Indonesia

Under the slogan, "Let's Move Forward Together, Make New Salonpas Package a Success, and Celebrate the Hisamitsu Solidarity Festival!," all Hisamitsu Indonesia employees used their own SNS to quickly inform customers of the new Salonpas package, which began shipping in August 2021.



Hisamitsu-Hot-Heart Club

In 2007, as part of a project commemorating the 160th anniversary of our founding, we established the matching gift organization Hisamitsu-Hot-Heart Club. The Club operates funds based on contributions from our officers and employees who agree to the purpose of the Club and supports NPOs and civic organizations both in Japan and abroad with matching contributions from the Company. Fifteen years from its establishment up to FY2021, the Club supported a total of 524 organizations. In FY2021, 44 organizations received a total of 4.4 million yen.

FY2021 Donation Recipients (example)

Recipient	Main Activity
NPO Oku-unzen Nature Preservation Association	Environmental conservation, community development
NPO Seed of Tomorrow	Disaster volunteer, disaster prevention awareness raising
NPO Shirakami Nature Association	Forestation of beech trees around the World Heritage area
NPO Association for Supporting Children Orphaned by Traffic Accidents	Support for bereaved families of traffic accident
NPO Association for Protecting the Earth's Greenery	Environmental conservation
NPO Food Bank SAGA	Food bank and food drive projects
NPO Mottainai Japan	Food bank project
NPO HANDS	Support for developing countries
Foreigner Support Club	In-kind support to poverty-stricken areas in the Philippines
NPO Ailand	Support for the disabled

Improvement of Medical Welfare

Hisamitsu Pharmaceutical donated 10 million yen to the public interest incorporated foundation of SAGA Heavy Ion Medical Accelerator in Tosu (SAGA HIMAT, Tosu City, Saga Prefecture) in August 2022 for the purpose of contributing to the improvement of medical treatment and welfare, the progress and development of cancer treatment, and the eradication of cancer in Japan and abroad through cancer treatment using heavy ion beams, as well as to improve patients' quality of life.

Disaster Relief Activities

On January 31, 2020, Hisamitsu Pharmaceutical and the Japanese Red Cross Society executed the Agreement on Support and Cooperation in Disaster. We provide support in the form of relief supplies and donations in the event of a disaster.

In FY2021, we donated 2 million yen for the August 2021 heavy rain disaster. Furthermore, 5,040 refreshing body sheets were delivered as relief supplies to be used in the disaster areas.

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 FY2021, no fund-raising activities were carried out on the streets in light of preventing the spread of COVID-19, and instead, donation boxes were set up at our 12 bases in Japan, donating 231,236 yen to the Red Cross Society.
Blood donation	Twice a year, the Kyushu Head Office and Utsunomiya Factory invite a blood donation bus from a blood center to conduct blood drives. Although there was a shortage of blood due to COVID-19, many employees actively participated in FY2021.
Disaster Relief Activities in Japan and Overseas	In FY2020, the Company donated 5 million yen together with the "Hisamitsu-Hot-Heart Club" to support victims of the July 2020 torrential rain disaster.
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 free supplies 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 FY2020, Hisamitsu® Ice Towel, Air® Salonpas® Icing Spray, etc. were donated for the July 2020 torrential rain disaster.

Support by Foundations

The Nakatomi Foundation

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

In FY2021, 97 researchers were supported with financial support totaling 132.5 million yen.

Nakatomi Memorial Foundation

Since 2010, this foundation has been operating the Nakatomi Memorial Museum of Pharmaceutical Science and Industry (Tosu City, Saga Prefecture), established in 1995 to commemorate the 145th anniversary of Hisamitsu Pharmaceutical. The museum is popular as a facility to hand down to the next generation the industrial culture of drugs underpinning the evolution of pharmaceutical industry of Saga Prefecture, as well as a place to know more about pharmaceuticals and learn about their history and culture. The museum exhibits materials related to the "Tashiro-Baiyaku" (*name of Drug Retailer), which developed in the eastern area of Tosu City and Kiyamacho in Saga Prefecture, as well as historic materials related to both domestic and overseas drugs. In 2016, some of these materials were designated as the "important tangible folk-cultural properties of Saga Prefecture." In April 2021, the museum was reopened after completing renovations for a new design enabling visitors to tour the facility even in a wheelchair or with a baby stroller.

Nakatomi Sports Promotion Foundation

This foundation provides financial support for various efforts by sports organizations, sports tournaments, and the development of athletes, coaches, etc. The foundation aims to contribute to the sound growth of athletes' mental and physical health and rich personalities by promoting sports and also improving athletic performance. The foundation was established in July 2019 as a general incorporated association and then certified in March 2020 as a public interest incorporated association. In FY2021, the foundation provided financial support totaling 10,866,000 yen to 16 organizations in Saga Prefecture for 17 projects.

Product Development based on Concept of Local Production for Local Consumption

Lifecella® Saga Bijin®

The "Saga Bijin®" series of Hisamitsu Pharmaceutical cosmetics brand Lifecella® is a Saga Prefecture brand cosmetic based on the concept of "local production for local consumption" in Saga, the place where the company was founded. In our aim to use the blessings of Saga with no waste, spread the good ingredients produced in Saga, and have people living in and visiting Saga experience the benefits, the products were developed in cooperation with the prefecture, municipalities, and companies in Saga Prefecture and are currently sold at souvenir shops and Rest Stop stores in the Saga area.

Saga Bijin® Asparagus (gel sheet mask/lotion) and Saga Bijin® Ariake Seaweed (gel sheet mask/lotion), which were launched in March 2022, are eco-friendly cosmetics, effectively utilizing scraps of asparagus and Ariake Seaweed, which are usually discarded at the time of shipment.



Saga Bijin® Asparagus (Gel sheet mask/lotion)

Saga Bijin® Ariake Seaweed (Gel sheet mask/lotion)

Corporate Governance

Board Members (as of October 12, 2022)

Directors



President and CEO
Kazuhide Nakatomi



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



Director, Executive Officer
Head of International Division
Kyu Saito



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



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



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

Outside Director



Outside Director
(Part-time)
Isao Ichikawa



Outside Director
(Part-time)
Yuichiro Anzai



Outside Director
(Part-time)
Tetsugo Matsuo

Corporate Auditor



Corporate Auditor
Nobuyuki Nakatomi



Corporate Auditor
Munehiko Hirano



Outside Corporate Auditor
(part-time)
Keinosuke Ono



Outside Corporate Auditor
(part-time)
Tetsuo Tokunaga

Message from Outside Director

Contribute to sustainable evolution as a time of change



Outside Director
Yuichiro Anzai

Born on August 29, 1946
Apr 1988 Professor, Faculty of Science and Technology, Keio University and Graduate School of Science and Technology
Oct 1993 Chair, Faculty of Science and Technology, Keio University and Graduate School of Science and Technology
May 2001 President of Keio Gijuku (Chancellor and President of Keio Gijuku Educational Corporation)
May 2009 Academic Adviser to Keio Gijuku (current position)
Apr 2010 Director of Nakatomi Foundation (current position)
Jun 2011 President of Japanese Association of University Physical Education and Sports (current position)
Oct 2011 President of Japan Society for the Promotion of Science
Apr 2012 Professor Emeritus, Keio University (current position)
Feb 2018 President of Kojunsha (current position)
Apr 2018 Advisor to Japan Society for the Promotion of Science (current position)
Apr 2018 Director of Academic Information Analysis Center, Japan Society for the Promotion of Science
May 2020 Appointed Director of our company (current position)
Jul 2020 Managing Director of The Tokyo Foundation for Policy Research
Dec 2020 Managing Director and Head of The Tokyo Foundation for Policy Research (current position)

In May 2020, I was appointed as the Outside Director to enhance the corporate value by applying the knowledge of IT/Digital Transformation and management cultivated at the university, and my experience in human resource development. In my second year as Outside Director, I attended all nine (9) Board of Directors meetings held in FY2021. Some the agendas that left a lasting impression on me was the endorsement of TCFD and disclosure according to the Recommendations. Originally, as part of our CSR activities, the policies, measures, and achievements were disclosed on environmental actions, human resource development, and human rights, etc., and the voluntary disclosure materials were not left to the field to present the contents. In disclosing information in accordance with the system, I was once again able to recognize the information required by the market and reconfirm the scope of the Board of Directors' responsibilities and the role of Outside Directors. Hisamitsu Pharmaceutical has achieved unique growth as a pharmaceutical company. A new Corporate Mission was established to promote this growth, and the Medium-term Management Policy was announced last year. In other words, we have set a new goal and embarked on a journey of growth.

In order to implement Sustainable Management, it is essential to constantly stay alert to new information, exchange opinions with many stakeholders, and identify issues that need to be addressed as a company. As Outside Director, I would like to contribute to the sustainable growth of Hisamitsu Pharmaceutical by actively making comments and examining whether the path Hisamitsu Pharmaceutical is on is moving toward its aspired vision that will lead to further growth from an objective perspective. I understand that I am expected to convey my experience and thoughts on human resource development and IT/Digital Transformation as well, as stated in my skills matrix. At the university, I have focused on developing human resources who deeply understand the social issues of the future and strive to solve them. During my time in university management, I have also been involved in Digital Transformation initiatives. My experience at the university can speak to the areas of Hisamitsu Pharmaceutical's human capital management and Digital Transformation investments, both of which require further change for the future.

Corporate Governance

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

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

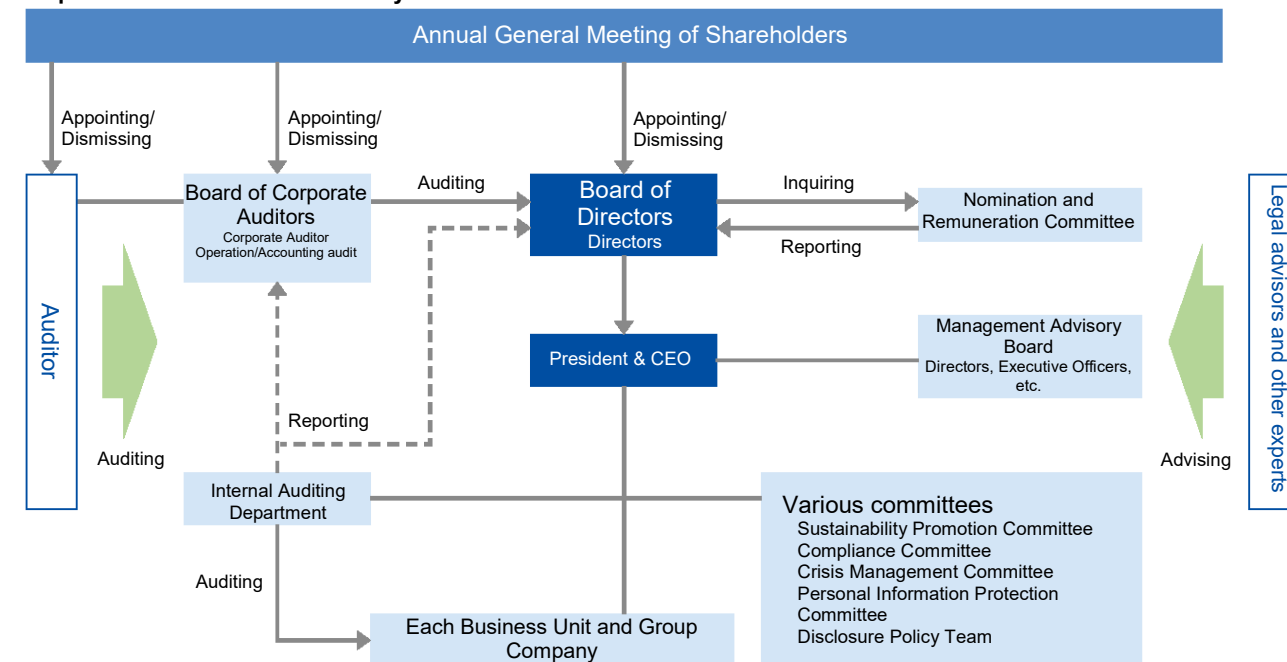
We shall continue to enhance the relationship of trust with our stakeholders as a good corporate citizen by improving transparency, observing compliance, and upholding corporate ethics in our activities.

Governance Structure

Corporate Governance Structure

At Hisamitsu Pharmaceutical, we are striving to further improve our corporate governance structure as a mechanism for making transparent, fair, prompt, and decisive decisions. As a company with Corporate Auditors, we have nine Directors (including three Outside Directors) and four Corporate Auditors (including two Outside Corporate Auditors), constituting the Board of Directors and the Board of Corporate Auditors, respectively. The Board of Directors is composed in consideration of diversity and each member's ability, experience, and insight. Each term is set as one year for the purpose of further clarifying directorial management responsibility and creating a management structure that enables appropriate responses to changes in the business environment. Management decisions are made based on discussions by the Management Advisory Board, comprising the main Directors, Executive Officers, etc. as needed, whereas particularly important agendas are deliberated and decided by the Board of Directors. Additionally, the Executive Officer system is introduced in order to enhance the speed, transparency, and strategic quality of management decisions. Moreover, the Nomination and Remuneration Committee has been established as an advisory body for the Board of Directors. With Outside Directors accounting for half of the membership, the committee has been designed to make management even more transparent and objective. To perform even fairer audits, our Corporate Auditors attend board meetings, hold meetings of the Board of Corporate Auditors on a regular basis, and conduct audits in cooperation with the Internal Auditing Department and an accounting auditor, thereby striving to reinforce the entire corporate group's audit structure.

Corporate Governance Structure System



Management Advisory Board

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

Skill matrix

	Name	Corporate management	Sales/Marketing	Global Business	Manufacture/R&D	IT/Digital Transformation	HR/HR development	Sustainability Management/ESG
Directors	Kazuhide Nakatomi	•	•	•	•			
	Kosuke Sugiyama	•		•	•		•	
	Kyu Saito	•	•	•				
	Nobuo Tsutsumi				•			•
	Shinichi Murayama	•		•				•
	Koji Takiyama	•				•		•
	Isao Ichikawa	•		•			•	
	Yuichiro Anzai	•			•	•	•	
	Tetsugo Matsuo	•	•					
Corporate Auditor	Nobuyuki Nakatomi	•						
	Munehiko Hirano				•			
	Keinosuke Ono	•			•		•	•
	Tetuo Tokunaga	•					•	•

Decision Policy on Remuneration, etc. of Individual Directors

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

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

The Nomination and Remuneration Committee shall consider the proportion of remuneration for each type of executive Director based on the remuneration levels of companies of similar business and employee sizes to the Company and enterprises in relevant industries.

The standard ratio for each type of remuneration, etc. shall be 50%:30%:20% for Basic Remuneration: Performance-linked Remuneration, etc.: Non-monetary remuneration, etc. (when 100% is achieved for the performance indicators).

FY2021 Total amount of remuneration, etc. for Directors and Corporate Auditors

Category	Total Remunerations, etc. (Unit: 1 million Yen)	Total Remuneration, etc. by Type (Unit: 1 million yen)			No. of Officers Applicable (Persons)
		Basic remuneration	Performance-linked remuneration, etc.	Non-monetary remuneration, etc.	
Directors (Outside Directors)	221 (32)	134 (32)	49 (-)	38 (-)	11 (4)
Corporate Auditor (Outside Corporate Auditors)	57 (15)	57 (15)	- (-)	- (-)	4 (2)
Total (Outside Officers)	279 (47)	191 (47)	49 (-)	38 (-)	15 (6)

Note 1: As of the end of the current fiscal year, there were ten (10) Directors and four (4) Corporate Auditors.

Note 2: Performance-linked remuneration, etc. is cash remuneration reflecting performance indicators to raise awareness of the need to improve performance for each fiscal year, and is paid as a bonus at a certain time each year in an amount calculated based on the degree of annual achievement, etc. of performance targets.

Note 3: Non-monetary remuneration, etc. is allocated in the form of stock acquisition rights as stock option for the purpose of sharing the benefits and risks of stock price fluctuations with shareholders and further motivating them to contribute to the increase in stock price and corporate value.

Corporate Governance

Effectiveness Assessment of the Board of Directors

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

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

Promotion of Compliance

Corporate Charter

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

Hisamitsu Corporate Behavior Charter	To continue to help improve quality of life worldwide, we shall respect human rights in and outside Japan in accordance with the following provisions, comply with all applicable laws, regulations and standards, and act in accordance with high ethical standards.
<p>1 Corporate behavior as a pharmaceutical company</p> <p>[1] We will actively conduct research and development of medical products that will help promote human health and provide a stable supply of effective, safe, and high-quality medical products. We will also endeavor to improve the efficiency of medical costs by developing medical products with high medical-economic efficiency.</p> <p>[2] In the performance of our clinical trials, we will gain the cooperation of the medical institutions, respect the study subjects' human rights, give consideration to safety, and ensure scientific accuracy. In the performance of our animal experiments necessary as nonclinical trials, we will give full consideration to animal welfare.</p> <p>[3] In order to ensure the proper use of medical products, we will provide scientifically based accurate information, from domestic and overseas sources, on quality, efficacy, and safety of medical products and will promptly collect, analyze, evaluate, and convey post-marketing information.</p> <p>[4] We will engage in fair, transparent and free competition that is appropriate for a pharmaceutical company and strive to improve the ethical standards of our employees in order to maintain sound, normal relationships with political and administrative officials, healthcare professionals, and other parties concerned.</p> <p>2 Corporate behavior as a corporate citizen</p> <p>[5] In light of the development of advanced IT technologies, we will give full consideration to and take every possible measure for the proper protection of personal and customer information.</p> <p>[6] We will control internal corporate information in an appropriate manner, communicate generally with stakeholders surrounding us, and disclose our corporate information in a timely and appropriate manner through PR and other activities.</p> <p>[7] We will respect and acknowledge the value of intellectual property rights, including patents and copyrights. We will not obtain or use any intellectual property in an unauthorized manner.</p> <p>[8] We will respect the diversity, personality and individuality of our employees, provide them with comfort and welfare, and secure a safe, positive working environment for them. We will also strive to improve the sense of ethics and the qualities of our employees.</p> <p>[9] We will stand firm against antisocial forces and organizations, such as corporate racketeers and crime syndicates, which pose a threat to the order and safety of civil society.</p> <p>[10] Based on the understanding that coping with environmental issues is a common challenge to the human race, we will spontaneously and actively work on environmental protection by making efficient use of natural resources and energy.</p> <p>[11] Whether in or outside of Japan, we will manage our business in a manner that will contribute to the development of the local community not only by complying with local laws and codes of conduct but also by respecting local culture and custom.</p> <p>[12] As a good corporate citizen, we will actively work on activities that contribute to the community.</p> <p>3 Behavior of senior management</p> <p>[13] Our senior management shall take the lead by setting a good example in realizing the spirit of this Charter and shall ensure that this Charter is known to all persons concerned. The senior management shall also monitor opinions in and outside the company, shall develop effective internal systems, and shall ensure compliance with corporate ethics.</p> <p>[14] In the event of a violation of the spirit of this Charter, the senior management shall be responsible for solving the problem and shall strive to determine the cause and prevent the same problem from recurring.</p> <p>[15] In the event of a violation of the spirit of this Charter, the senior management shall disclose relevant information and provide an explanation to the community in a prompt, appropriate manner.</p>	

Compliance Committee and Compliance Office

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

Business Operations with Transparency

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

Whistle-Blowing System and Whistleblower Protection

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

Regulations on Prevention of Bribery and Corruption

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

Cross-shareholdings Policy

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

Corporate Governance

Risk Management and Information Disclosure

Business Risk Management

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

Information Security

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

Business Continuity Plan (BCP)

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

* BCP: Business Continuity Plan

Examples of Disaster and Information Security Measures

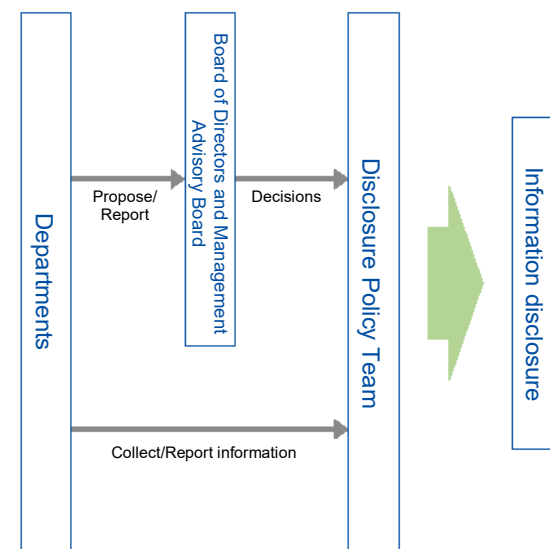
Disaster simulation drill	Each business site has established own response team, and conducts drills in preparation for disasters by establishing an action plan in cooperation with the Disaster Response Task Force, which oversees these teams.
Regular drills for an emergency contact system for safety confirmation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

Information Disclosure

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

As an internal structure, the Disclosure Policy Team, chaired by the President and CEO, has been established to determine, manage, review and supervise the content of Disclosure Policy Regulations, determine Material Disclosure Information, confirm the announcement of such information, and control risks.

The Disclosure Policy Regulations are applicable to all officers and employees, who are required to report necessary information to the Disclosure Policy Team as needed according to the scope of their duties based on the segregation of duties. Members of the Disclosure Policy Team are designated as information disclosure staff, and material disclosure information shall, in principle, be made through the information disclosure staff.



Stakeholder Message (Third Party Opinion)



Professor,
Professional Discipline, Strategic Management
Graduate School of Business Administration, Keio University

Kiichiro Kobayashi (Ph.D)

This year has been turbulent for the world. Russia's invasion of Ukraine in February not only posed a major threat to the global security order since the end of the Cold War but also triggered an energy and food crisis on a global scale, making us aware once again of the necessity of sustainable national and corporate management.

Even in the midst of such severe changes in the environment at the global level, the Hisamitsu Pharmaceutical Group advocates sustainability and has positioned Creating Shared Value (CSV)^{*1} as one of its corporate strategies, aiming to "solve social issues" and "achieve sustainable growth" through its business activities. In order to promote sustainable management, the company has set Materiality (priority issues). In identifying Materiality (priority issues), based on the SDGs and the guidelines of international rating agencies, the Sustainability Promotion Committee that consists of Directors to executive officers and division heads, also including those responsible for the front lines of business activities, confirms validity of the issues. After the Committee's confirmation and deliberation by the Board of Directors and the Management Advisory Committee, the Materiality is finally identified. The fact that the policy was determined using such an organized and systematic review method is highly commendable, not only because it led to the identification of issues that were convincing to the company but also because it showed transparency in the decision-making process and commitment on the part of management to the external parties. In fact, looking at the four key items of Materiality, the items for practicing Sustainable Management are well balanced, starting with "Promoting 'TE-A-TE' Culture Worldwide," which is a culture that Hisamitsu Pharmaceutical values, to "Promoting environmental management," setting targets for reducing CO₂ emissions and waste, "Supplying high-quality products and services," which is the pursuit of value as a drug manufacturer's core business, and "Promoting D&I and work style reform," which sets targets for the way people work toward a society that accepts diversity. Furthermore, quantified targets and actual outcome indicators are disclosed, and the PDCA cycle of strategy, priority targets, effectiveness measurement, and assessment is clear. I look forward to continued promotion of Sustainable Management in accordance with this fundamental policy.

Of these, perhaps the most significant advances achieved this year have been the strengthening of environmental initiatives and information disclosure. The Hisamitsu Pharmaceutical Group endorsed the Recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) in May 2022 and conducted a scenario analysis of the impact of climate change on corporate management, and it is truly significant that the Group identified five risk factors and three opportunity factors. I expect that these eight items will be quantified and assessed in the future and that information will be disclosed on an ongoing basis. As for CO₂ emissions, the company has achieved a 28.5% reduction in FY2021 (compared to 2013), and I hope that this trend will be accelerated in the future.

In terms of product policy, it is also highly commendable that under the banner of "Eco & Compact," the company has promoted the development of ECO products for the purpose of reducing CO₂ emissions, and has made effort to reduce the amount of packaging through a compact wrapping material with Poke-Sip. Furthermore, with regard to D&I promotion and work style reforms, the actual figures for diversity and the ratio of women managers are improving, albeit gradually, and it would be good to expedite this further in the future. Perhaps a measure to indicate numerical targets and deadlines could be considered for this purpose. As proof that Hisamitsu's promotion of Sustainable Management has been rated highly by an external organization, the company has been selected as a brand for the FTSE Blossom Japan Sector Relative Index^{*2}. I have heard that the Government Pension Investment Fund (GPIF) has adopted this index as one of the key ESG-related indicators when selecting stocks. I would like to request that Materiality continues to be promoted to gain the trust and rating of third-party organizations. Once a company has declared its commitment to Sustainable Management, there is no turning back. I sincerely hope that Hisamitsu Pharmaceutical will continue to execute its plan and disseminate information in order to set an example of Sustainable Management in the pharmaceutical industry.

*1 Michael Porter and Mark Kramer, in their article "Creating Shared Value" Diamond Harvard Business Review, June 2011, pp. 8-31, argue that the approach of creating economic value by addressing social issues will lead to competitive edge, drawing attention as a new concept of capitalism that goes beyond CSR.

*2 The FTSE Blossom Japan Sector Relative Index was created by FTSE Russell, a global index provider. Here, Japanese companies that excel in ESG (Environment, Social and Governance) in each industry sector are being selected. This Index is used as one of the ESG indicators managed by the General Pension Investment Fund (GPIF). Source: <https://global.hisamitsu/sustainability/>

Financial Highlights

		FY2017	FY2018	FY2019	FY2020	FY2021
Financial Results						
Net sales	(Unit: 1 million yen)	148,466	143,408	140,992	114,510	120,193
Sales growth rate	(%)	101.7	96.6	98.3	81.2	105.0
Overseas net sales	(Unit: 1 million yen)	44,666	44,047	43,589	39,340	41,463
Overseas sales ratio	(%)	30.1	30.7	30.9	34.4	34.5
Cost of sales	(Unit: 1 million yen)	55,688	54,727	53,388	45,337	50,126
Gross profit	(Unit: 1 million yen)	92,777	88,680	87,603	69,173	70,067
Selling, general and administrative expenses	(Unit: 1 million yen)	65,836	66,401	64,875	58,501	60,730
SG&A to sales ratio	(%)	44.3	46.3	46.0	51.1	50.5
Operating profit	(Unit: 1 million yen)	26,940	22,278	22,727	10,671	9,337
Operating profit ratio	(%)	18.1	15.5	16.1	9.3	7.8
Ordinary profit	(Unit: 1 million yen)	28,245	24,647	25,628	11,829	12,638
Profit attributable to owners of parent	(Unit: 1 million yen)	19,119	19,204	18,694	9,250	9,658
R&D Expenses	(Unit: 1 million yen)	15,076	13,032	10,504	10,766	10,613
Depreciation	(Unit: 1 million yen)	6,005	5,742	4,251	4,079	4,321
Capital investment amount	(Unit: 1 million yen)	2,548	4,034	3,716	3,573	4,729
Financial Position						
Total assets	(Unit: 1 million yen)	299,913	295,786	307,401	299,861	302,858
Net assets	(Unit: 1 million yen)	245,227	248,629	250,746	253,809	254,885
Statements of Cash Flows						
Net cash provided by (used in) operating activities	(Unit: 1 million yen)	30,453	15,772	27,395	5,289	19,199
Net cash provided by (used in) investing activities	(Unit: 1 million yen)	△1,378	△39,302	△17,229	7,815	△13,060
Net cash provided by (used in) financing activities	(Unit: 1 million yen)	△7,153	△13,347	△11,726	△7,187	△15,189
Net increase (decrease) in cash and cash equivalents	(Unit: 1 million yen)	20,959	△37,786	△1,786	4,357	△5,106
Free cash flow	(Unit: 1 million yen)	29,075	△23,530	10,165	13,105	6,139
Index, etc. per share						
Earning per share (EPS)	(Yen)	228.52	230.08	227.58	113.22	118.92
Book value per share (BPS)	(Yen)	2,912.83	2,987.29	3,046.45	3,083.98	3,171.83
Dividend per share	(Yen)	82.0	82.5	83.0	83.5	84.0
Major Financial Indexes						
Return on equity (ROE)	(%)	8.1	7.8	7.5	3.7	3.8
Shareholders' equity ratio	(%)	81.3	83.5	80.9	84.1	83.5
Payout ratio	(%)	35.9	35.9	36.5	73.8	70.6



Non-Financial Data Highlights

Environmental Data

CO₂ Emissions (t-CO₂) at each Business Site

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Kyushu Head Office	16,654	14,964	13,604	11,156	11,385	12,428
Utsunomiya Factory	7,208	7,296	7,525	6,746	6,100	6,240
Tsukuba Laboratories	3,116	3,050	2,792	2,649	2,579	2,183
Tokyo Head Office, Branches and Sales Offices	3,300	2,806	2,553	2,326	1,841	1,934
Total	30,278	28,116	26,474	22,877	21,905	22,785
Vs. FY2013 (%)	95.0	88.2	83.0	71.7	68.7	71.5

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

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Scope 1						
Direct emissions	11,944	11,137	9,880	8,762	6,986	6,923
Scope 2						
Indirect emissions	18,334	16,979	16,594	14,115	14,919	15,862
Scope 3						
Purchased goods and services	68,761	68,543	64,960	65,046	51,179	48,284
Capital goods	8,221	4,330	6,730	4,729	5,340	9,605
Fuel- and energy-related activities not included in Scope 1 or 2	1,821	1,825	2,750	2,494	2,167	4,723
Transportation, delivery (upstream)	3,284	3,518	2,466	2,312	2,161	2,039
Waste generated in operations	2,482	2,579	2,447	2,308	2,095	2,317
Business travel	947	1,331	1,088	1,009	473	281
Employee commuting	259	259	251	254	255	315
Leased assets (upstream)	—	—	—	—	—	—
Transportation and delivery (downstream)	114	101	36	34	32	30
Processing of sold products	—	—	—	—	—	—
Use of sold products	—	—	—	—	—	—
End-of-life treatment of sold products	36,526	35,204	30,736	30,398	25,651	26,222
Leased assets (downstream)	—	—	—	—	—	—
Franchises	—	—	—	—	—	—
Investments	—	—	—	—	—	—

Energy Consumption (Crude Oil Equivalent) at each Business Site

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Kyushu Head Office	7,508	7,166	6,788	6,751	6,630	7,049
Utsunomiya Factory	3,664	3,780	3,957	3,543	3,098	3,186
Tsukuba Laboratories	1,416	1,411	1,329	1,271	1,252	1,090
Tokyo Head Office, Branches and Sales Offices	1,328	1,140	1,043	973	789	828
Total	13,916	13,497	13,117	12,538	11,769	12,153
Vs. FY2013 (%)	91.4	88.6	86.1	82.3	77.3	79.8

Changes in water consumption and drainage volumes

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Water consumption	167,006	176,678	176,242	181,092	167,443	176,649
Drainage volume	83,255	92,496	89,782	96,363	86,243	92,801

Management of Water Pollutants

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
BOD* discharge volume	14.0	11.7	11.6	12.5	10.3	8.5
SS* discharge volume	4.0	4.0	2.7	4.2	2.3	2.7

*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

SO_x and NO_x Emission Volumes

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
SO _x	2.0	2.2	1.8	1.4	0.7	0.9
NO _x	5.2	4.5	4.3	3.5	2.9	2.8

Management of Specified Chemical Substances

Handling Volume of PRTR Substances

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Toluene						
Handling volume	3.4	3.5	3.8	3.8	3.4	3.3
Emission into the air	0.2	0.2	0.2	0.2	0.2	0.2
Waste disposal	3.2	3.3	3.6	3.6	3.2	3.1
Acetonitrile						
Handling volume	3.8	3.4	3.0	3.3	3.8	4.3
Emission into the air	0.0	0.0	0.0	0.0	0.0	0.0
Waste disposal	3.8	3.4	3.0	3.3	3.8	4.3

Social Data

Employee Data

		FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Domestic employees	(Persons)	1,723	1,732	1,653	1,617	1,645	1,644
Overseas employees	(Persons)	1,028	1,091	1,139	1,128	1,125	1,140
Employees	Male	1,174	1,170	1,168	1,134	1,130	1,119
	Female	407	425	428	435	453	468
	Total of men and women	1,581	1,595	1,596	1,569	1,583	1,587
Average age	(Years old)	36.3	36.7	37.1	37.6	37.8	38.0
Average service years	(Year)	12.5	12.9	13.3	13.8	14.1	14.4
% of women in management positions	(%)	3.9	4.5	4.3	5.2	6.3	7.1
* As of March 31 each fiscal year							
Employees taking parental leave	(Persons)	28	24	33	26	38	39
% of the elderly employed	(%)	2.86	2.52	2.50	2.96	3.00	3.18
Disabled employment	(%)	2.06	2.16	1.86	1.99	1.94	1.99
% of mid-career hires	(%)	21	8	11	29	11	5
No. of new employees	Male	46	47	41	35	50	45
	Female	28	32	26	18	32	27
	Total of men and women	74	79	67	53	82	72

Health and Safety Data

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	
Paid leave uptake	(%)	49.4	49.6	61.7	69.0	60.2	60.6
No. of occupational accidents	(Cases)	16	12	8	11	9	7
No. of lost time accidents	(Cases)	3	3	3	2	3	2
Frequency of occupational accidents	(%)	0.81	0.81	0.81	0.55	0.82	0.55

Consolidated Financial Statements

Consolidated Balance Sheets

	Prior Fiscal Year (As of Feb. 28, 2021)	Current Fiscal Year (As of Feb. 28, 2022)
Assets		
Current assets		
Cash and deposits	114,254	129,290
Notes and accounts receivable - trade	39,546	38,505
Securities	21,743	13,141
Merchandise and finished goods	11,359	8,919
Work in process	465	438
Raw materials and supplies	6,744	7,055
Other	4,290	3,219
Allowance for doubtful accounts	△343	△393
Total current assets	198,061	200,176
Non-current assets		
Property, plant and equipment		
Buildings and structures	46,059	47,182
Accumulated depreciation	△31,879	△33,276
Buildings and structures, net	14,180	13,905
Machinery, equipment and vehicles	41,798	43,177
Accumulated depreciation	△35,636	△36,905
Machinery, equipment and vehicles, net	6,162	6,272
Tools, furniture and fixtures	11,838	11,822
Accumulated depreciation	△9,761	△9,681
Tools, furniture and fixtures, net	2,077	2,140
Land	11,897	11,956
Leased assets	598	1,645
Accumulated depreciation	△384	△497
Leased assets, net	214	1,147
Construction in progress	2,822	3,646
Total property, plant and equipment	37,354	39,069
Intangible assets		
Sales rights	27	442
Software	206	156
Other	944	726
Total intangible assets	1,178	1,326
Investments and other assets		
Investment securities	54,602	52,519
Net defined benefit assets	3,895	5,112
Deferred tax assets	1,047	1,153
Other	3,935	3,714
Allowance for doubtful accounts	△214	△214
Total investments and other assets	63,267	62,286
Total non-current assets	101,800	102,681
Total assets	299,861	302,858

	Prior Fiscal Year (As of Feb. 28, 2021)	Current Fiscal Year (As of Feb. 28, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,672	7,533
Electronically recorded obligations - operating	7,127	5,692
Short-term loans payable	1,111	1,071
Lease obligations	101	301
Accounts payable - other	6,634	6,685
Income taxes payable	608	2,938
Provision for sales returns	103	135
Provision for bonuses	1,350	1,363
Other	5,346	6,437
Total current liabilities	30,057	32,160
Non-current liabilities		
Long-term loans payable	296	219
Lease obligations	94	869
Deferred tax liabilities for land revaluation	1,660	1,801
Deferred tax liabilities	3,465	2,369
Net defined benefit liability	7,928	8,216
Other	2,548	2,335
Total non-current liabilities	15,994	15,812
Total liabilities	46,051	47,972
Net assets		
Shareholders' equity		
Capital	8,473	8,473
Capital surplus	2,352	2,356
Retained earnings	233,376	236,192
Treasury shares	△11,495	△19,527
Total shareholders' equity	232,707	227,495
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,165	15,070
Revaluation reserve for land	3,790	3,641
Foreign currency translation adjustment	△1,173	5,633
Remeasurements of defined benefit plans	575	1,073
Total accumulated other comprehensive income	19,359	25,419
Share acquisition rights	232	254
Non-controlling interests	1,510	1,717
Total net assets	253,809	254,885
Total liabilities and net assets	299,861	302,858

Consolidated Statements of Income

	Prior Fiscal Year (March 1, 2020, to February 28, 2021)	Current Fiscal Year (March 1, 2021, to February 28, 2022)
Net sales	114,510	120,193
Cost of sales	45,337	50,126
Gross profit	69,173	70,067
Selling, general and administrative expenses	58,501	60,730
Operating profit	10,671	9,337
Non-operating income		
Interest income	563	153
Dividend income	843	905
Foreign exchange gains	—	1,276
Share of profit of entities accounted for using equity method	133	569
Other	520	548
Total non-operating income	2,061	3,453
Non-operating expenses		
Interest expenses	10	20
Foreign exchange losses	542	—
Loss on cancellation of insurance policies	244	—
Expenses related to operational shutdown	—	77
Other	106	54
Total non-operating expenses	903	152
Ordinary profit	11,829	12,638
Extraordinary income		
Gain on disposal of non-current assets	218	7
Gain on sales of investment securities	188	653
National subsidies	2	—
Total extraordinary income	408	660
Extraordinary losses		
Loss on disposal of non-current assets	40	62
Loss on discontinuation of sales	—	279
Total extraordinary losses	40	342
Profit before income taxes	12,197	12,956
Income taxes - current	2,382	3,727
Income taxes - deferred	381	△633
Total income taxes	2,764	3,093
Profit	9,433	9,862
Profit attributable to non-controlling interests	182	204
Profit attributable to owners of parent	9,250	9,658

Consolidated Statement of Comprehensive Income

	Prior Fiscal Year (March 1, 2020, to February 28, 2021)	Current Fiscal Year (March 1, 2021, to February 28, 2022)
Profit	9,433	9,862
Other comprehensive income		
Valuation difference on available-for-sale securities	4,070	△1,065
Revaluation reserve for land	—	△143
Foreign currency translation adjustment	△3,901	6,761
Remeasurements of defined benefit plans, net of tax	277	475
Share of other comprehensive income of entities accounted for using equity method	46	△7
Total other comprehensive income	492	6,020
Comprehensive income	9,926	15,883
(Breakdown)		
Comprehensive income attributable to owners of parent	9,771	15,724
Comprehensive income attributable to non-controlling interests	154	158

Consolidated Financial Statements

Consolidated Statement of Changes in Shareholders' Equity

Prior Fiscal Year

(March 1, 2020, to February 28, 2021)

(Unit: million yen)

	Shareholders' equity							Total shareholders' equity
	Capital	Capital surplus	Retained earnings	Treasury shares				
(Unit: million yen)	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
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	
(Unit: million yen)	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
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

Current Fiscal Year

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

(Unit: million yen)

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

	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	
(Unit: million yen)	16,165	3,790	△1,173	575	19,359	232	1,510	253,809
Changes in items during period								
Dividends of surplus								△6,847
Profit attributable to owners of parent								9,658
Reversal of revaluation reserve for land								6
Purchase of treasury shares								△8,044
Disposal of treasury shares								16
Net changes in items other than shareholders' equity	△1,095	△149	6,807	498	6,060	21	206	6,288
Total changes of items during period	△1,095	△149	6,807	498	6,060	21	206	1,076
Balance at February 28, 2021	15,070	3,641	5,633	1,073	25,419	254	1,717	254,885

Consolidated Statements of Cash Flows

(Unit: million yen)

	Prior Fiscal Year March 1, 2020, to February 28, 2021	Current Fiscal Year March 1, 2021, to February 28, 2022
Net cash provided by (used in) operating activities		
Profit before income taxes	12,197	12,956
Depreciation	4,079	4,321
Increase (decrease) in net defined benefit liability	336	231
Increase (decrease) in provision for bonuses	△182	△22
Increase (decrease) in allowance for doubtful accounts	28	34
Increase (decrease) in provision for sales returns	△24	32
Interest and dividend income	△1,406	△1,058
Loss (gain) on cancellation of insurance policies	244	—
Interest expenses	10	20
Foreign exchange losses (gains)	84	△932
Share of loss (profit) of entities accounted for using equity method	△133	△569
Loss (gain) on sales of investment securities	△188	△653
Loss (gain) on disposal of non-current assets	△177	55
Subsidy income	△2	—
Loss on discontinuation of sales	—	279
Decrease (increase) in notes and accounts receivable - trade	8,955	2,191
Decrease (increase) in inventories	△4,325	3,073
Decrease (increase) in other current assets	△1,507	295
Increase (decrease) in notes and accounts payable - trade	△3,812	△2,196
Increase (decrease) in other current liabilities	△1,864	653
Other	△701	△430
Subtotal	11,609	18,282
Interest and dividend income received	1,734	1,446
Interest expenses paid	△9	△20
Income taxes paid	△7,320	△505
Payments of retirement benefits for directors (and other officers)	△724	△3
Net cash provided by (used in) operating activities	5,289	19,199
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	△178	△11,007
Purchase of property, plant and equipment	△3,341	△3,610
Proceeds from sales of property, plant and equipment	642	37
Purchase of intangible assets	△47	△583
Decrease (increase) in short-term investment securities	9,715	1,498
Purchase of investment securities	△191	△340
Proceeds from sales and redemption of investment securities	258	931
Collection of loans receivable	2	2
Proceeds from cancellation of insurance funds	953	11
Subsidies received	2	—
Net cash provided by (used in) investing activities	7,815	△13,060
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	△100	△40
Repayments of long-term loans payable	△69	△77
Dividends paid to non-controlling interests	△115	△44
Purchase of treasury shares	△2	△8,043
Cash dividends paid	△6,806	△6,839
Other	△94	△144
Net cash provided by (used in) financing activities	△7,187	△15,189
Effect of exchange rate change on cash and cash equivalents	△1,559	3,944
Net increase (decrease) in cash and cash equivalents	4,357	△5,106
Cash and cash equivalents at beginning of period	86,996	91,354
Cash and cash equivalents at end of period	91,354	86,247

Corporate Profile (as of February 28, 2022)

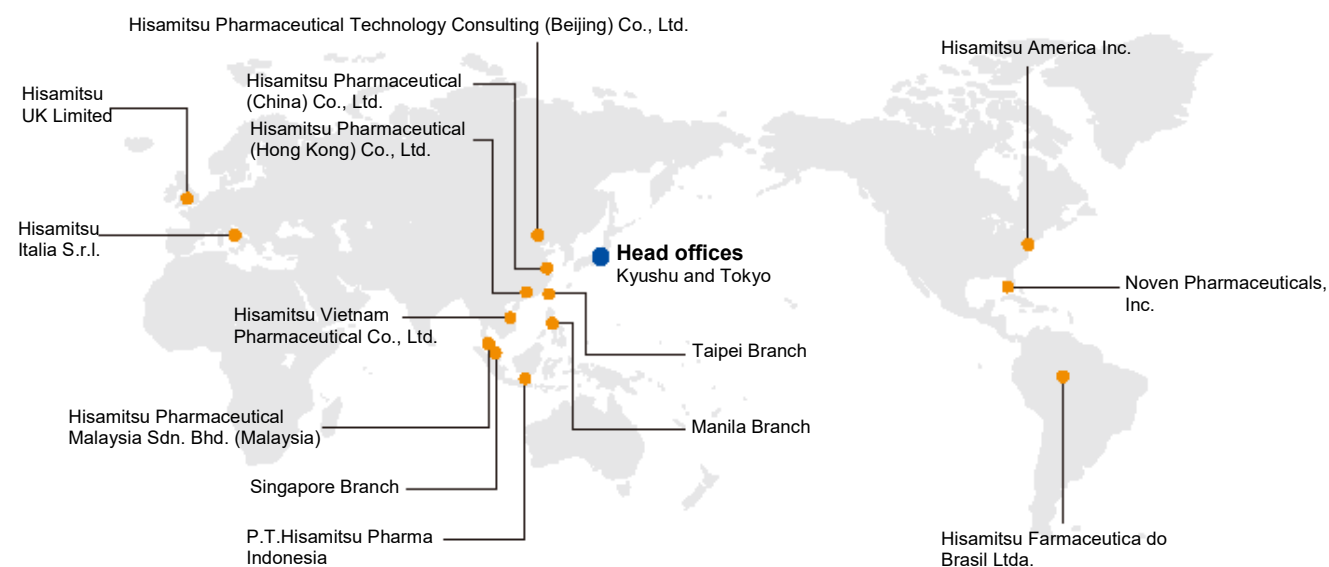
Corporate Information

Company name	HISAMITSU PHARMACEUTICAL CO., INC.	Head offices	Kyushu Head Office (main), Tokyo Head Office
Founded	1847	Branches	Sapporo Branch, Sendai Branch, Tokyo First Branch, Tokyo Second Branch, Nagoya Branch, Osaka Branch, Hiroshima Branch, Fukuoka Branch, Taipei Branch, Singapore Branch, Manila Branch
Incorporated	May 22, 1944	Sales offices	Kanazawa Sales Office, Takamatsu Sales Office
Capital	8,473 million yen	Factories	Utsunomiya Factory, Tosu Factory
Employees	2,784 (consolidated); 1,587 (non-consolidated)	Laboratories	Tosu Laboratories, Tsukuba Laboratories
Representative	NAKATOMI, Kazuhide, President & CEO		

Domestic subsidiaries	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)	

Overseas subsidiaries	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)	P.T.Hisamitsu Pharma Indonesia (Indonesia)
	Hisamitsu UK Limited (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



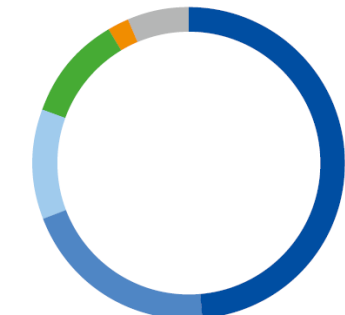
Shares (as of February 28, 2022)

Stock Profile

Total number of authorized shares	380,000,000 shares
Total number of shares outstanding	85,164,895 shares
Total number of shareholders	9,437 shareholders

Business year	March 1 – end of February of the following year
Regular shareholders' meeting	Called every May
Record dates	Year-end dividend: Last day of February Mid-year dividend: Last day of August
Shareholder registry administrator Account administration authority for special accounts	Mitsubishi UFJ Trust and Banking Corporation
Stock exchange (as of April 4, 2022)	Tokyo Stock Exchange Prime Market Nagoya Stock Exchanges Premier Market, and Fukuoka Stock Exchange
Security code	4530

Distribution by Owner



Principal Shareholders

Shareholders	Shares Held (thousand shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	9,368	11.74
Custody Bank of Japan, Ltd. (trust account)	5,129	6.43
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	5.48
The Nomura Trust and Banking Co., Ltd. (retirement benefit trust account for MUFG Bank, Ltd.)	4,307	5.40
Nippon Life Insurance Company	3,910	4.90
The Bank of Fukuoka, Ltd.	3,371	4.23
Hisamitsu Pharmaceutical Partner Companies' Shareholding Association	2,451	3.07
The Bank of Saga Ltd.	2,356	2.95
SMBC Trust Bank, Ltd. (Retirement Benefit Trust Account of Sumitomo Mitsui Banking Corporation)	2,064	2.59
TKY Co., Ltd.	1,836	2.30

Note: The shareholding ratios have been calculated after the treasury shares (5,398,400 shares) are excluded.

Website

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

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