

Corporate Governance/Compliance/Risk Management

ASKA Pharmaceutical Holdings (the "Company") aims for sustainable growth and improvement of corporate value over the medium to long term for itself and its Group companies and is continuously working to build and strengthen the best and most effective corporate governance structure as the basis for achieving this aim.

Basic Principles

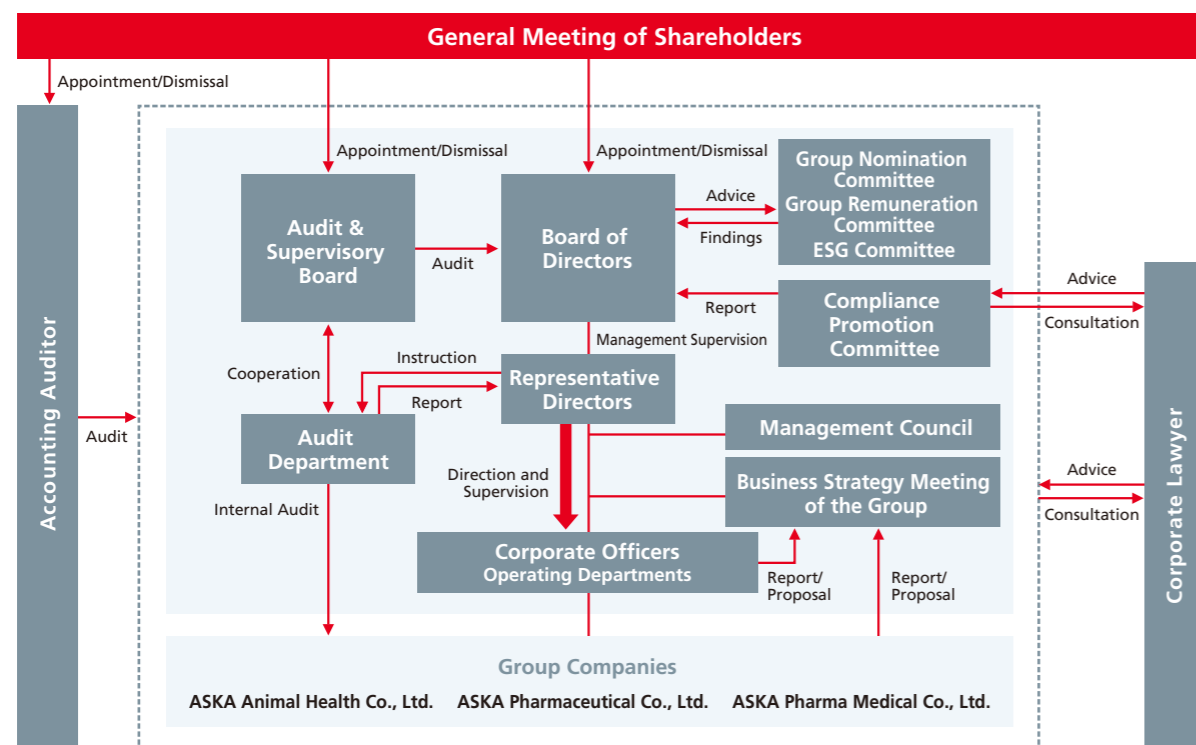
We always pursue and continually work to maintain the best corporate governance in line with the following basic principles.

1. We will strive to effectively secure the rights of shareholders and will ensure shareholder equality.
2. We will strive to cooperate fully with stakeholders and will foster a corporate culture and climate that respects the ethics of sound business practices.
3. We will appropriately disclose the Company's financial, management, and other information to ensure transparency.
4. The Board of Directors will establish an environment where bold management decisions are made based on corporate strategies and will conduct highly effective supervision of directors.
5. We will engage in constructive dialogue with shareholders.

The full text of the Basic Principles is available on the Company's website.
<https://www.aska-pharma-hd.co.jp/english/invest/governance/#anc1>

Corporate Governance Structure

Under the Company's corporate officer system, Corporate Officers execute business and members of the Board of Directors concentrate on management and supervision functions.



Board of Directors

The Board of Directors meets basically once a month and also holds special meetings as needed. It makes decisions on business execution policies and other important matters concerning business operations and supervises the execution of business operations.

Key Items Discussed by the Board of Directors

- Important management agreements
- Disposition of important Company property
- Personnel change
- Organizational revision
- Compensation for Board Members
- Accounts and budget, General Meeting of Shareholders
- Work rules and corporate regulations
- Projects related to Group companies

Management Council

Management Council meetings are held basically once a month to deliberate/make decisions on management-related issues, and to examine important issues including management policies and strategies.

Business Strategy Meeting of the Group

To ensure the appropriateness of business operations, the Company has established a supervisory department responsible for managing Group companies in an integrated manner. The Company also holds the Business Strategy Meeting of the Group four times a year to share information.

Group Nomination Committee and Group Remuneration Committee

The Group Nomination Committee and Group Remuneration Committee have been established as advisory committees independent from the Board of Directors in order to enhance the fairness and objectivity of the deliberation process regarding the nomination and compensation of Board Members.

Each committee is composed of representative directors, senior managing members of the Board of Directors or higher with special titles, and Outside Directors. The majority of committee members are Outside Directors, and the committee is chaired by an Outside Director to ensure independence.

Key Items Discussed by the Group Nomination Committee and Group Remuneration Committee

Group Nomination Committee:

- Discussion on the procedures for the election of directors
- Decision on the contents of the report to the Board of Directors

Group Remuneration Committee:

- Identifying issues and items to consider for remuneration for Board Members and exchanging opinions
- Discussion on the amount of remuneration for Board Members
- Decision on the contents of the report to the Board of Directors

Auditing Structure

We have adopted a company with an Audit & Supervisory Board structure in order to audit the execution of duties by members

Evaluations of the Effectiveness of the Board of Directors

To grasp the current status of and make further improvement in the effectiveness of the Board of Directors, we conduct questionnaires of all directors and all Audit & Supervisory Board members annually. After evaluating and analyzing the results of the questionnaire, we confirm that the Board of Directors of the Company

is functioning properly and that the effectiveness of the entire Board of Directors has been ensured.

Based on the results of this evaluation, we will further enhance the functions of the Board of Directors and strive to improve the effectiveness of the Board of Directors in the future.

of the Board of Directors from a standpoint independent of the Board of Directors. The Audit & Supervisory Board, consisting of four members including two outside Audit & Supervisory Board members, meets once a month in principle to discuss and resolve important matters related to audits and to confirm matters to be discussed at Board of Directors meetings in advance.

Outside Directors

We appoint at least two independent Outside Directors to the Board of Directors. They satisfy the Standards for the Independence of Outside Directors and provide guidance and advice to our management as appropriate utilizing their wealth of independent insight and knowledge.

Currently, we believe we have established an optimal governance structure with three independent Outside Directors as members of the Board of Directors.

ESG Committee

The ESG Committee has identified 11 material issues from the perspective of relevance to the Group's business and social contribution, and it has established a Company-wide action plan and KPIs for each of them. In particular, we believe that contribution to women's health and contribution to animal health are two material issues that are characteristic of our business and in which we can demonstrate our strengths and originality.

In addition, we consider climate change issues to be one of the management issues that affect our business, and we disclose information on climate change in line with TCFD recommendations.

As a company involved in life-related issues, and as a member of society and the community, the Group broadly contributes to society by promoting ESG (environmental, social, and governance) initiatives, thereby contributing to the achievement of the SDGs (sustainable development goals).

Implementation Guidelines (FY2022)

Target group

Board Members (All eight Members of the Board of Directors and all four Audit & Supervisory Board members)

Evaluation method

1. Conduct a questionnaire survey of target group (five-rating scores and free form answers; anonymous)
2. Analyze contents of answers
3. Provide feedback to the Board of Directors
4. Work to further enhance functions of the Board of Directors

Main items of the survey

- Composition of the Board of Directors
- Operation of the Board of Directors
- Contents of deliberations at the Board of Directors
- System for supporting the Board of Directors

Skill Matrix

	Name	Years of service	Inside/Outside	Gender	Experience, knowledge, and expertise ¹						Responsibilities in the Company and important concurrent positions	Meeting body attended and attendance status ²						
					Corporate management	R&D / Intellectual property	Sales / Marketing	Medical / Pharmacy expertise	Finance / Accounting	Legal / Risk management		Sustainability / ESG	Board of Directors	Audit & Supervisory Board	Group Nomination Committee	Group Remuneration Committee	ESG Committee	Group Compliance Promotion Committee
Members of the Board of Directors	Takashi Yamaguchi	2 years and 3 months	Inside	Male	●	●		●				Responsible for the entire Group management Member of the Board of Directors, Representative Director, Chairman of the Board of ASKA Pharmaceutical Co., Ltd.	◎ 100% (16/16)		100% (1/1)	100% (1/1)		
	Atsushi Maruo	2 years and 3 months	Inside	Male	●				●		●	Member of the Board of Directors, Vice Chairman of the Board of ASKA Pharmaceutical Co., Ltd.	94% (15/16)				◎ 100% (2/2)	◎ 100% (1/1)
	Sohta Yamaguchi	2 years and 3 months	Inside	Male	●	●					●	President, Member of the Board of Directors, Representative Director of ASKA Pharmaceutical Co., Ltd.	100% (16/16)		100% (1/1)	100% (1/1)	50% (½)	
	Maiko Mori	1 year	Inside	Female		●		●			●	Member of the Board of Directors, Executive Corporate Officer, Division Director of Quality & Safety Assurance Division of ASKA Pharmaceutical Co., Ltd.	100% (11/11)					100% (1/1)
	Fumiyoshi Yamaguchi	1 year	Inside	Male	●		●				●	President, Member of the Board of Directors, Representative Director of ASKA Animal Health Co., Ltd.	100% (11/11)				100% (2/2)	100% (1/1)
	Yasunori Yoshimura	2 years and 3 months	Outside	Male		●		●			●	Representative Director of YOSHIMURA BIOETHIC INSTITUTE Outside Board Member (Audit & Supervisory Committee Member) of Pan Pacific International Holdings Corporation Professor Emeritus of Keio University Vice President of Fukushima Medical University	100% (16/16)		◎ 100% (1/1)	◎ 100% (1/1)		
	Minoru Awabayashi	Newly appointed	Outside	Male	●						●	Senior Vice President of Takenaka Partners Corp.	— ³	—	—	—	—	—
Yasuji Enokido	Newly appointed	Outside	Male	●		●				●	CEO of So-En Corporation	— ³	—	—	—	—	—	
Audit & Supervisory Board Members	Ikuo Kumano	2 years	Inside	Male			●		●		●	Audit & Supervisory Board Member of ASKA Animal Health Co., Ltd.	100% (16/16)	◎ 100% (19/19)				
	Yuichiro Fukui	2 years	Inside	Male	●		●		●			Audit & Supervisory Board Member of ASKA Pharmaceutical Co., Ltd.	100% (16/16)	◎ 100% (19/19)				
	Takao Kimura	2 years and 3 months	Outside	Male		●		●		●		Representative Partner of TK Pharma Partners LLC.	100% (16/16)	100% (19/19)	100% (1/1)	100% (1/1)		
	Keiko Fukuchi	2 years and 3 months	Outside	Female					●	●	●	Representative of Fukuchi Keiko Tax Accountant Office Outside Director (Audit and Supervisory Committee Member) of KAWADA TECHNOLOGIES, INC. Outside Auditor of KAWADA INDUSTRIES, INC.	100% (16/16)	100% (19/19)	100% (1/1)	100% (1/1)		

Notes: 1. Indicates up to three skills in which the members of the Board of Directors and Audit & Supervisory Board members possess particularly high expertise and which are expected of members of the Board of Directors and Audit & Supervisory Board members.
 2. ◎ indicates the chairman for each committee.
 3. Number of meetings attended in FY2022 are not shown as they are newly appointed directors.

Reasons for Selection of Skills

Skill items	Reasons for selection of skills
Corporate management	Amid major changes and mounting uncertainty in the business environment, we must formulate and promote a medium- to long-term sustainable growth strategy that will enable us to realize the Group's goal of becoming a total healthcare company with a strong foundation as a specialty pharma company. For this, we need directors with extensive knowledge, experience, and a track record of achievements in not only the medical and pharmaceutical industries but also in general corporate management.
R&D / Intellectual property	To continue creating products that meet unmet medical needs, it is essential that we strengthen our R&D capabilities through open innovation and globalize intellectual property activities. We need directors who have strong knowledge, experience, and a track record of achievements in the fields of R&D and intellectual property to promote these activities.
Sales / Marketing	The business environments for medical care and animal health are rapidly changing. Against this background, we must continue providing information on the proper use of drugs and products by using digital-driven sales and marketing strategies. For this, we need directors who have strong knowledge, experience, and a track record of achievements in sales and marketing.
Medical / Pharmacy expertise	In order to realize the Group's goal of becoming a total healthcare company, we need directors who have strong knowledge, experience, and a track record of achievements in the fields of medicine and pharmacy to widely contribute to human and animal health, which ranges from prevention, testing, diagnosis to treatment, and prognosis.
Finance / Accounting	In addition to accurate financial reporting, we need directors who have strong knowledge, experience, and a track record of achievements in the finance and accounting fields to formulate and promote a financial and capital strategy that balances ensuring a stable financial base and improving capital efficiency, and achieves appropriate shareholder returns.
Legal / Risk management	The establishment of an appropriate governance system is the foundation for sustainable corporate value improvement. To promote a compliance system that ensures thorough compliance with laws and corporate ethics, we need directors who have strong knowledge, experience, and a track record of achievements in legal and risk management.
Sustainability / ESG	The Group is committed to sustainable management, aiming to enhance corporate value not only by maximizing our economic value but also by increasing our social value. To achieve this, we need directors who have strong knowledge, experience, and a track record of achievements in the sustainability and ESG fields.

Compensation for Board Members

Policies on Determining the Details of Compensation, etc. for Each Individual Member of the Board of Directors

The Group Remuneration Committee deliberates on the remuneration for members of the Board of Directors while ensuring transparency, fairness, and objectivity. Design of the remuneration system and the specific amount of remuneration are determined by the Board of Directors.

Remuneration for members of the Board of Directors excluding Outside Directors of the Board of Directors, shall be designed to contribute to continued increases in corporate value. Specifically, it shall consist of base salary as well as a performance-based bonus serving as short-term incentive, and a share compensation system serving as medium- to long-term incentive. In order to ensure supervision of management that is fully functional from an independent stance, remuneration for Outside Directors shall consist of base salary only, without short-term or medium- to long-term incentive.

Base salary

Basic remuneration for members of the Board of Directors shall be an annual base salary. Its amount shall be determined based on position (rank), responsibilities, and term of office. It shall be paid on a monthly basis.

Performance-based bonus

Performance-based bonus for members of the Board of Directors (excluding Outside Directors) shall be paid at a certain time each year. The amount of bonus to be paid to members of the Board of Directors with special titles shall be determined by multiplying the annual base salary by a bonus calculation coefficient defined for each position (rank) and a payment coefficient based on the Company's business performance (operating profit, etc.) for the previous fiscal year. For members of the Board of Directors who also serve as employees of the Company, the incentive provided shall be calculated by incorporating the performance-based bonus into the bonuses provided to them as employees.

Restricted share compensation

For the purpose of providing incentives to sustainably increase the Company's corporate value, as well as for the purpose of further promoting value sharing with the shareholders, restricted shares shall be granted at a certain time each year within the scope of the maximum amount and maximum number of shares approved at the General Meeting of Shareholders. The number of restricted shares to be granted to individual members of the Board of Directors shall be determined in consideration of their position (rank), responsibilities, term of office, and other factors.

Policy on Determining the Proportion of Each Type of Remuneration, etc.

Based on the belief that it is important for management to work with a medium- to long-term perspective, the proportion of base salary, performance-based bonus, and restricted share compensation shall be configured with emphasis on the level and stability of basic remuneration (base salary) with additional consideration of improvement in single-year business performance and the pursuit of shareholder interests.

The proportion of each type of remuneration for members of the Board of Directors (excluding Outside Directors) is not fixed because the amount of remuneration is determined according to business performance in each fiscal year. However, the proportion of base salary, performance-based bonus, and restricted share compensation fits roughly in the following scope:

Base salary: 55-70%, Performance-based bonus: 15-30%, Restricted share compensation: 10-15%

Total Amount of Compensation, etc. by Board Member Classification, Total Amount by Type of Compensation, etc., and the Number of Target Board Members in FY2022

Classification	Total amount of compensation, etc. (Millions of yen)	Total amount by type of compensation, etc. (Millions of yen)			Number of target Board Members (Persons)
		Base salary	Performance- (Persons) based bonus	Restricted share compensation	
Members of the Board of Directors (Outside Directors)	30 (30)	30 (30)	— (—)	— (—)	3 (3)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	50 (13)	50 (13)	— (—)	— (—)	4 (2)
Total (Outside Board Members)	81 (44)	81 (44)	— (—)	— (—)	7 (5)

Notes:
 1. The amount of compensation or the like for members of the Board of Directors does not include the portion of employees' salary paid to members of the Board of Directors who also serve as employees of the Company.
 2. The number of target Board Members is the number of Board Members paid remuneration by the Company. In addition to the above, the total amount of compensation, etc. received by five members of the Board of Directors of the Company from Group companies (ASKA Pharmaceutical Co., Ltd. and ASKA Animal Health Co., Ltd.) was ¥282 million.
 3. The performance index for performance-based remuneration, etc. is operating profit, which was ¥5,108 million for FY2022. This index was chosen because it is an important indicator of achievement of management goals. Therefore, it was determined to be an appropriate index for performance-based remuneration.
 4. Non-monetary remuneration, etc. is in the form of Company shares.
 5. Based on the resolution of the Extraordinary General Meeting of Shareholders held on June 24, 2021, the upper limit on compensation for members of the Board of Directors was set at ¥500 million per year (including ¥70 million for Outside Directors and excluding the portion of employee salary paid to members of the Board of Directors who also serve as employees of the Company). The number of members of the Board of Directors at the end of the Extraordinary General Meeting of Shareholders was six (including three Outside Directors). Separate from this compensation, the upper limit on restricted share compensation was set at ¥100 million per year based on the resolution of the Extraordinary General Meeting of Shareholders held on June 24, 2021. The number of members of the Board of Directors at the end of the Extraordinary General Meeting of Shareholders was three (excluding Outside Directors).
 6. Based on the resolution of the Extraordinary General Meeting of Shareholders held on June 24, 2021, the upper limit on compensation for Audit & Supervisory Board members was set at ¥150 million per year. The number of Audit & Supervisory Board members at the end of the Extraordinary General Meeting of Shareholders was four.

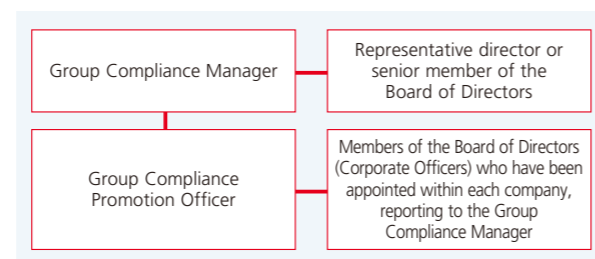
Compliance

Basic Principles

We have established a department to promote and support compliance within each Group company and developed the necessary internal systems, and rules and regulations. The structure we have created facilitates the prompt handling of cases, the formulation of measures to prevent violations and other measures. This means that Board Members and employees can engage in corporate activities with peace of mind.

To increase awareness of compliance of employees of the Group, we are conducting compliance education for each job level while working to grasp the level of employee awareness through questionnaire surveys and to identify points for improvement. In FY2022, we worked to further ensure compliance by conducting training and problem solving based on actual situations upon our understanding of the current situation and by identifying problems from the results of the compliance awareness survey. The Group Compliance Promotion Committee has been established to supervise the Group's efforts toward recognizing and responding to risks that could have a significant impact on Group management and promoting a compliance system that thoroughly complies with laws and corporate ethics.

Group Compliance Promotion Structure



Whistle-blower System

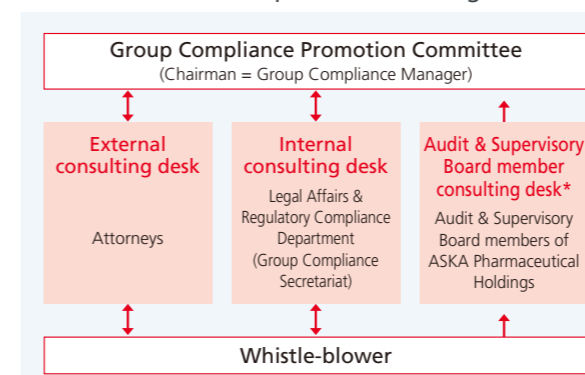
As a system to reflect the voices of employees in compliance practice, we have established a whistle-blower office (the ASKA Pharmaceutical Holdings' compliance consulting desk), and have promoted awareness of the desk through education and training programs.

In addition to the existing internal and external contact points, we also established a new contact point staffed by ASKA Pharmaceutical Holdings' Audit & Supervisory Board members (Audit & Supervisory Board member consulting desk) for consultation and reporting of compliance-related matters involving Board Members of the Group, in connection with the enforcement of the revised Whistleblower Protection Act on

June 1, 2022. This contact point, which is independent from senior management, is intended to lower the psychological hurdle for Board Members and employees for consultation and reporting of compliance-related matters involving senior management, and to ensure that investigations and corrective measures are carried out in a timely and appropriate manner. Reporting can be also done anonymously, and all cases are handled appropriately. In addition, we have enhanced the whistle-blower system by securing two people to be in charge of the external contact point (corporate lawyer's office).

In accordance with the spirit of the Whistleblower Protection Act, we operate this system to protect whistle-blowers as well as to ensure that compliance-related matters are reported, investigated, and corrected in a timely and appropriate manner.

ASKA Pharmaceutical Holdings Structure of the Compliance Consulting Desks



* Contact point for consultation and reporting of compliance-related matters involving Board Members of the Group

Code of Practice

As a responsible life-related company that handles pharmaceuticals, ASKA Pharmaceutical recognizes the need to ensure a high level of ethics and transparency in its corporate activities. Based on this recognition, in FY2013 we established the ASKA Pharmaceutical Code of Practice as a code of conduct for all Board Members and employees and their interactions with researchers, medical professionals, patient groups, etc., and we are implementing corporate activities that can be understood by society by ensuring that all Board Members and employees are fully aware of the code.

Intellectual Property

Intellectual property rights include patent rights, utility model rights, design rights, and trademark rights, which protect creations through intellectual creative activities. We respect the rights of third parties and cooperate with relevant departments to formalize and protect intellectual property rights throughout the Company. In addition to protecting rights related to newly

Risk Management

Basic Policy

In order to deal with risks that may affect the business activities of the Group, we have established the Group Business Risk Management Rules and are implementing a risk management system with classifications based on characteristics and risks. Each department prepares and operates procedure manuals and systematically works to resolve issues through annual risk assessments and the formulation, implementation, and evaluation of countermeasures based on the results of those assessments.

developed products, we maximize value by utilizing intellectual property rights to extend the lifecycle of existing products, including new dosage formulations.

Moreover, we are promoting the globalization of our intellectual property activities, and have established a system that enables us to collect and utilize intellectual property information overseas, and are working to strengthen cooperation with our partner companies in terms of intellectual property. With the growing importance of intellectual property, we will further contribute to our business growth through these efforts.

Initiatives of the Group in Industry-related Norms (Transparency Guidelines, Guidelines for Sales Information Provision Activities, etc.)

With the recognition that ASKA's corporate activities related to prescription pharmaceuticals are conducted under the public medical insurance system, we are fulfilling our accountability to society by ensuring transparency in the provision of funds to medical professionals, medical institutions, patient groups, and others. In accordance with the Transparency Guideline for the Relationship between Corporate Activities and Medical Institutions and the Transparency Guideline for the Relationship between Corporate Activities and Patient Groups, in FY2023 we will continue with disclosure of information on FY2022's provision of funds to medical professionals, medical institutions, and patient organizations.

In addition, the Guidelines for Provision of Sales Information on Prescription Drugs (the "Guidelines") were established by the Ministry of Health, Labour and Welfare to promote the proper use of prescription pharmaceuticals. They are aimed at preventing inappropriate promotional activities (such as recommending off-label use, slandering other companies, and providing misleading information on efficacy and safety). In addition, from 2019 the Guidelines made it the responsibility of management to establish the internal systems necessary for appropriate sales information provision activities and to educate employees. In FY2022, the department supervising sales information provision activities, as the lead department, reviewed materials used by medical representatives (MRs) to ensure that they are properly prepared, and also checked the promotional activities of MRs and others, and with regard to the behaviors that could have been taken as a violation of the Guidelines, the information was shared with the parties concerned as well as the relevant promotion department to raise awareness and prevent violations. In addition, we continuously remind MRs and others of the importance of compliance with the Guidelines and other industry-related norms during training sessions.

As a life-related company, we will continue to work to further improve our ethics, transparency, and credibility while conducting activities to deepen the understanding of medical institutions and medical professionals.