

Kissei Pharmaceutical

Internal Control Basic Policy

Kissei Pharmaceutical Co., Ltd. (“we,” “our,” “the Company”) hereby declares that, based on our Corporate Philosophy of “Contribute to society through high-quality, well-evidenced pharmaceutical products/Serve society through our people,” our officers and employees do their utmost to enhance corporate value and achieve continuous development while fulfilling our social responsibilities. This basic policy sets forth our basic approach to activities for the development of our internal control system in accordance with the Companies Act.

1. System to Ensure That the Execution of Duties by Directors and Employees Complies with Laws and Regulations and the Articles of Incorporation
 - 1) In accordance with the Kissei Code of Conduct, we ensure that corporate ethics and legal compliance are prerequisites for all our corporate activities. The Board of Directors has the head of the compliance promotion department supervise the promotion of compliance and establish a compliance committee as an advisory body for the Board of Directors. The head of the compliance promotion department serves as chair of the compliance committee.
 - 2) The Board of Directors has the head of the legal department establish a reporting and consultation system in accordance with the Whistleblower Protection Act to enable directors, Audit & Supervisory Board members, and employees who have detected compliance-related issues to make reports. This is also to ensure that the Board can collect and secure information promptly and appropriately and take proper action. Further, the Board develops a system to ensure that material issues, including those with a particularly close connection to directors, are immediately reported to the Board of Directors and Audit & Supervisory Board members.
2. System for Retention and Management of Information on the Execution of Duties by Directors
 - 1) The Board of Directors develops a system to appropriately retain and manage information on the execution of duties by our directors and division heads. It also has the head of the legal department administer the Document Management Regulations, by which it retains and manages necessary documents (including magnetic recordings and other storage media) together with related materials and other information in an appropriate and highly retrievable manner in accordance with the storage medium.
 - 2) Documents prescribed in the Document Management Regulations will be made available for inspection without delay when a request is made by a director or Audit & Supervisory Board member.
 - 3) When establishing or revising the Document Management Regulations, the opinions of the Audit & Supervisory Board will be sought in advance and approval obtained from the Board of Directors.
3. Regulations and Other Systems Concerning the Management of Risk of Loss
 - 1) The Board of Directors establishes Risk Management Regulations and other necessary internal rules and develops systems for the identification and management of risks related to the execution of duties.
 - 2) With the objectives of the appropriate identification, evaluation, and treatment of risks, we divide company risks and their management into three domains: individual risks to management plans, legal risks and their management, and other risk management, and have the relevant divisions supervise these three domains. In addition, we have a risk management committee whose members include heads of these three divisions as an advisory body for the Board of Directors. This committee regularly monitors the progress of the development of the risk management system and verifies the appropriateness of the company-wide system by examining specific individual cases. The chair of the risk management committee is appointed by the president.

- 3) Each department head, in accordance with the Risk Management Regulations, anticipates and isolates specific risks in advance and develops a system for rapid and appropriate communication and response in the event of an emergency. They also establish rules and guidelines, implement training programs, and prepare manuals. Further, when a new risk emerges, it is reported to the risk management committee in accordance with the regulations without delay, and appropriate actions are taken.
4. System to Ensure Efficient Execution of Duties by Directors
 - 1) All our businesses that exceed a certain level must, at the planning and execution stages, be verified by the Board of Directors or by relevant directors, division heads, and other bodies based on a proper and adequate scientific basis, regularly or at appropriate times, and necessary amendments made.
 - 2) To enhance the efficiency of the execution of duties by directors, we create internal organizations with the intention of cooperation and checks-and-balances and establish clear segregation of duties, job authorities, and decision-making procedures in accordance with internal regulations. This ensures that we have a system for directors to execute their duties appropriately and efficiently.
 - 3) The Board of Directors develops company-wide plans to be shared by directors and employees. It also sets out reasonable and specific objectives to be implemented by each department on a semi-annual basis each fiscal year, as well as efficient methods for their achievement. The Board of Directors also increases the degree of certainty of achieving these objectives and establishes a system to improve the efficiency of company-wide operations by promoting improvements such as eliminating factors that impede efficiency.
5. System to Ensure the Appropriateness of Business Operations in the Corporate Group
 - 1) Under the Kissei Group Code of Conduct, directors and employees of Group companies work together to engage in business in compliance with laws and regulations in accordance with the Code.
 - 2) Our Board of Directors develops management regulations and other rules for affiliated companies. For certain matters, each Group company is obliged to seek approval from or report to our department responsible for managing affiliated companies prior to resolution by their own Board of Directors, and obtain prior approval from our Board of Directors when necessary. In addition, measures to improve efficiency are considered and implemented for each of our risk management domains.
 - 3) We establish a reporting and consultation system for the entire Group and strive to collect and secure information on violations of laws and internal rules and other relevant matters. We also develop a compliance-focused management system for the entire Group in which each Group company is able to take appropriate measures in advance by demonstrating its own preventive functions.
 - 4) Group companies engage in appropriate risk management according to their respective business types and risk characteristics. We will supervise the overall risk management of our Group companies and implement necessary measures such as advice and guidance.
 - 5) To ensure effective execution of duties by directors and others at Group companies, we develop clear procedures regarding the Group companies' segregation of duties, job authorities, and decision-making.
6. System to Ensure the Reliability of Disclosure of Financial and Non-Financial Information
 - 1) We establish and appropriately implement a basic policy on the establishment and assessment of internal control over financial reporting, etc. to secure the reliability of disclosure of financial and non-financial information across the entire Group.
7. System for Employees Who Assist Audit & Supervisory Board Members with Their Duties and Matters Related to the Independence of Such Employees
 - 1) If Audit & Supervisory Board members need assistance for their duties, they may use an employee of the internal audit department as an assistant after first promptly consulting with the president.
 - 2) If an employee receives orders from the Audit & Supervisory Board members that are necessary for audit work, as far as such orders from the Audit & Supervisory Board members are concerned, the

employee will not accept instructions or orders from directors or the head of the internal audit department.

- 3) Personnel changes, personnel evaluations, and disciplinary actions of employees appointed as assistants require prior approval from the Audit & Supervisory Board.
8. System for the Company's Directors and Employees and the Directors, Corporate Auditors, and Employees of Group Companies to Report to the Audit & Supervisory Board or Its Members, and Other Systems to Ensure the Effectiveness of Audits by Audit & Supervisory Board Members
- 1) The Boards of Directors of the Company and the Group companies consult the Audit & Supervisory Board members to decide on the matters to be reported to the Audit & Supervisory Board. Such reports are made by directors or division heads of the Company, or directors or others of the Group companies.
 - 2) We provide the Audit & Supervisory Board opportunities to exchange opinions with our representative directors on a regular basis. We also offer them opportunities to interview directors and employees at their request.
 - 3) We guarantee the Audit & Supervisory Board opportunities to independently utilize lawyers and certified public accountants to receive advice on auditing.
 - 4) We prohibit unfavorable treatment of directors and employees of the Company and the Group companies who have reported to the Audit & Supervisory Board or its members for the reason that they have made such reports.
 - 5) Expenses or reimbursements arising from the execution of duties by Audit & Supervisory Board members are immediately processed at their request.
9. System for Eliminating Antisocial Forces and Corruption
- 1) In accordance with the Kissei Code of Conduct, we develop an internal system to eliminate any and all associations with antisocial forces and organizations.
 - 2) We strive to foster a corporate culture of sincerity and integrity in accordance with the Basic Policy on the Prohibition of Corrupt Practices. We abide by laws, regulations, and social norms and eliminate any corruption, including bribery, from our business activities grounded in fair trade and healthy competition.