

## **Corporate Governance Basic Policy**

Nippon Shinyaku Co., Ltd. (hereinafter the “Company”) follows a business philosophy of “helping people lead healthier, happier lives” and management policy which includes the key phrases “Customers: Supply Unique and High-quality Products,” “Society: Earn the Trust of Society,” and “Employees: Develop Each Employee,” sets the goal of “being a company that plays a meaningful role in the healthcare sector,” and has adopted organizational design of a “company with a Board of Auditors” under the Companies Act.

The Company has established this “Corporate Governance Basic Policy” (hereinafter the “Basic Policy”) with the goal of realizing optimal corporate governance as a means of driving sustainable growth and increasing value of the Company’s public presence, as well as enhancing mid-term and long-term corporate value.

### **CHAPTER I      General Provisions**

(Basic Views on Corporate Governance)

Article 1      In line with the following basic views, we continuously strive to enhance corporate governance as a means of driving sustainable growth and increasing value of our public presence, as well as enhancing mid-term and long-term corporate value.

- (1) Respect the rights of shareholders and ensure the equality.
- (2) Have a responsibility to all stakeholders including shareholders and cooperate the stakeholders appropriately.
- (3) Disclose Company information timely and properly, and ensure transparency and equality of decision-making.
- (4) Make effective use of management resources and augment management activities by prompt and resolute decision-making.

### **CHAPTER II      Securing the Rights and Equal Treatment of Shareholders**

(General Meeting of Shareholders)

Article 2      In order to ensure sufficient time for shareholders to consider proposals for the General Meeting of Shareholders and properly exercise their voting rights, the Company endeavors to send out the notice of the Annual General Meeting of Shareholders early, and discloses these notices on the websites of the Company and

the Tokyo Stock Exchange prior to sending.

2. The Company endeavors to create an environment in which all shareholders, including those who are unable to attend the General Meeting of Shareholders, are able to properly exercise voting rights.
3. While receiving advice from external experts such as consulting companies, the Company performs multifaceted analysis and examination in terms of any aspect such as the results of resolutions at the General Meeting of Shareholders, ratios of approval to disapproval, reasons for opposition, and causes of larger number of dissenting vote, and reflects the results of such analysis and examination to its management and dialogue with shareholders.

(Securing the Equal Treatment of Shareholders)

Article 3 The Company shall treat all shareholders equally in accordance with their equity, and disclose information in a timely and proper manner so that no information gaps arise between shareholders.

(Basic Capital Policy)

Article 4 The Company aims to raise mid-term and long-term corporate value, and shall retain a sufficient amount of shareholders' capital to be required in order to seize opportunities for sustainable growth swiftly and appropriately and to respond properly to the accompanying risks. The Company also makes investments such as strategic investment, R&D investment, and capital investment, while continuously providing stable dividends and carrying out flexible financial measures.

2. The Company regards profitability, capital efficiency, etc., as important management indicators, and shall disclose the target figures thereof.
3. If the Company implements capital policy that results in change of control or significant dilution of shares, including share offerings and management buyouts, etc., the Company shall ensure that proper procedures are undertaken and provide sufficient explanations to the shareholders in order not to unfairly harm the existing shareholders' interests.

(Basic Policy on Cross-Shareholdings and the Exercise of Voting Rights Thereof)

Article 5 The Company shall determine whether or not to retain cross-shareholdings by considering the rationale for their retention based on factors including the continuation and enhancement of transactions, the strengthening of business relationships through business alliance, etc., and related risks and returns.

2. The Board of Directors shall periodically confirm the rationality and economic significance regarding the purpose of holding each individual cross-shareholding,

taking into consideration the capital requirements, the market environment, etc., and the Company shall in turn proceed to reduce cross-shareholdings in which the reason for retention is insignificant.

3. Regarding the exercise of voting rights pertaining to cross-shareholdings, the Company shall consider proposals and respond appropriately based on whether or not it contributes to improving the corporate value of the Company and the issuing company.
4. If a company retaining the shares of the Company as cross-shareholdings (hereinafter, the “Cross-shareholders”) indicates its intention to sell its shares, the Company shall not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions.
5. The Company shall not engage in transactions with Cross-Shareholders which may harm the interests of the Company or the common interests of its shareholders by, for instance, continuing the transactions without carefully examining the underlying economic rationale.

(Policy on Large-Scale Purchases)

Article 6 The Company asks those who seek to make any Large-Scale Purchases of the Company’s shares to provide information necessary and sufficient for the shareholders to decide properly on the appropriateness of the Large-Scale Purchase. The Company shall respond to the Large-Scale Purchase to the extent permitted under the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, and the Articles of Incorporation of the Company through such initiatives as disclosure the opinions, etc., of its Board of Directors and efforts to ensure time and information for shareholders’ review.

(Basic Policy on Transactions with Related Parties)

Article 7 If the Company conducts any competitive transactions, self-dealings, or conflicting interest transactions with Directors, subsidiaries, or other related parties, the approval of the Board of Directors shall be received in advance to confirm that the transaction do not harm the interests of the Company or the common interests of its shareholders, and oversight by the Board of Directors shall be provided to ensure that these transactions are executed properly.

### CHAPTER III Relationship with Stakeholders

#### (Code of Conduct)

Article 8 The Company shall define the practice standards for conduct for the President, the management, and the employees in the “Code of Conduct” and disclose it on the Company website, etc. with a view to gaining the trust and meeting the expectations of society.

2. The Board of Directors shall make substantial effort on a quarterly basis to confirm that the “Code of Conduct” is being put into practice and complied with properly.

#### (Relationship with Stakeholders)

Article 9 The Company shall fulfill its responsibilities to not only the shareholders of the Company, but the employees, clients, transaction partners, creditors, regional communities, and other various stakeholders, and endeavor to cooperate appropriately in order to increase the mid-term and long-term corporate value of the Company.

#### (Responding to Sustainability Issues)

Article 10 The Company shall positively and proactively respond to sustainability issues such as the social and environmental issues, and the Board of Directors shall confirm the status of these responses, etc., in a timely manner.

#### (Promoting Diversity and Inclusion)

Article 11 The Company recognizes the diversity of individual officers and employees by promoting the efforts of active participation of women as well as active employment of disabled persons and foreign nationals, aiming to be a company that can capitalize on individuality and demonstrate the ability of its officers and employees. The Company defines the pursuit of business growth and development as a policy to promote diversity and inclusion.

#### (Roles of Corporate Pension Funds as Asset Owner)

Article 12 Considering the fact that the management of the funds in the Company’s corporate pension funds impacts stable asset formation for employees and the Company’s own financial standing, the Company shall work to ensure that the corporate pension funds perform the expected role as asset owners by improving the expertise of the fund management (including stewardship activities such as monitoring the asset managers of corporate pension funds), and shall disclose the content of these initiatives. In addition, the Company shall appropriately manage conflicts of interest

that may arise between beneficiaries of the corporate pension funds and the Company.

## CHAPTER IV Ensuring Appropriate Information Disclosure and Transparency

### (Policy on Information Disclosure)

- Article 13 Based on the Companies Act and other related laws and regulations, the Company shall establish policies on compliance, risk management, internal control systems, etc., for the Company and the Company Group and disclose such policies in a timely and proper manner.
2. The Company acts in accordance with the Companies Act, the Financial Instruments and Exchange Act, other related laws and regulations, and the regulations of the Tokyo Stock Exchange to disclose matters related to financial and business affairs in a timely and proper manner through fair, detailed, and simple methods.
  3. In addition to timely disclosure based on the laws and regulations of the previous paragraph, the Company shall make timely and active disclosure of various information covering all aspects of corporate activities, including non-financial information such as information on matters related to financial status, management strategy, risks, governance, and social and environmental issues (ESG factors), through a variety of methods including the Company website and the Integrated Report (the Annual Report).
  4. The policy of the Company regarding information disclosure is established and detailed in Attachment 1 “IR Policy,” which will be followed strictly when disclosing information.

## CHAPTER V Responsibilities of the Board of Directors, etc.

### Section 1 The Board of Directors’ Responsibilities, etc., as an Oversight Organization

#### (Roles of the Board of Directors)

- Article 14 The Board of Directors is entrusted by the shareholders to realize efficient and effective corporate governance, and actively contribute to driving sustainable growth and increasing value of the Company’s public presence, as well as enhancing mid-term and long-term corporate value.
2. In order to fulfill the role detailed in the previous paragraph, the Board of Directors ensures management fairness and transparency by providing oversight for overall management and determining policy on the appointment and dismissal of Directors

and Corporate Auditors based on an objective, timely, and transparent procedures in light of the results of deliberations by the Nominating Committee. The Board of Directors also performs optimal decision-making for the Company through the assessment of critical risks faced by the Company, the formulation of countermeasures, and the provision of decisions on significant business executions in the Company.

(Roles of the Board of Auditors)

- Article 15 The Board of Auditors cooperates with the Board of Directors to play a role in providing corporate oversight, and strives to develop the corporate governance structure by overseeing the execution of duties by the Board of Directors as an independent organization bearing responsibility to the shareholders.
2. In order to fulfill the role detailed in the previous paragraph, the Board of Auditors shall positively and proactively express their opinions to the Board of Directors and the management based on their expertise and abundant experience.

(Corporate Officer System)

- Article 16 The Company shall adopt a corporate officer system in order to ensure strengthened on-site business execution as well as swift and appropriate judgment on management.
2. Corporate Officers shall be appointed by resolution of the Board of Directors from among employees of the Company. Corporate Officers shall plan and execute corporate business policies for the division or department entrusted by the President or Executive Directors.

(Roles of Independent External Directors)

- Article 17 Independent External Directors of the Company shall provide advice on management policy and management improvement based on their expertise from the view of driving sustainable growth and increasing the value of the Company's public presence, as well as enhancing mid-term and long-term corporate value, and shall inspect and evaluate the operational results of the Company and the management's performance as occasion demands. Another primary role of this position is to judge the appropriateness of entrustment of the business management of the Company to the current management members and to express their opinion regarding the appropriateness from the perspective of the common interests of its shareholders.

## Section 2                      Effectiveness, etc., of the Board of Directors

### (Composition of the Board of Directors)

Article 18    The Board of Directors of the Company shall be composed of an appropriate number of members that can demonstrate the functions of the Board of Directors effectively and efficiently, several members of which shall be Independent External Directors.

### (Directors' Qualifications and Nomination Procedures, etc.)

Article 19    The Directors of the Company shall have excellent personality, insight, management sense, ability, and abundant experience, and shall maintain good mental and physical health with high ethical standards.

2.    The Company shall bear consideration on diversity in the members of the Board of Directors in order that the members can gain a comprehensive understanding of the Company as a whole and make appropriate judgments as a member of the Board of Directors.
3.    Candidates for Directors are selected in accordance with the provisions of this Article and decided by the Board of Directors based on the results of deliberations by the Nominating Committee.

### (Corporate Auditors' Qualifications and Nomination Procedures, etc.)

Article 20    Corporate Auditors of the Company shall have excellent personality, insight, ability, and abundant experience, and shall maintain good mental and physical health with high ethical standards.

2.    Corporate Auditors of the Company shall have appropriate experience, abilities, and necessary knowledge of finance, accounting, and legal affairs, and at least one member shall have sufficient knowledge concerning finance and accounting.
3.    The Company shall bear consideration on diversity in the members of the Board of Auditors in order that the members can gain a comprehensive understanding of the Company as a whole and make appropriate judgments as a member of the Board of Auditors.
4.    Candidates for Corporate Auditors are selected in accordance with the provisions of this Article, and decided by the Board of Directors based on the results of deliberations by the Nominating Committee, following the consent of the Board of Auditors.

(Independence Standards for Independent External Director/Auditor)

Article 21 Independence standards for appointment of Independent External Directors and Independent External Auditors is defined in Attachment 2 “Criteria for Judgment of Independence,” which is disclosed and operated by the Company.

(Establishment of Nominating Committee and Remuneration Committee)

Article 22 The Company shall have both the Nominating Committee and the Remuneration Committee under the jurisdiction of the Board of Directors.

2. Each Committee shall be composed of three or more members, with over half of those members being Independent External Directors. Both of Committees shall be chaired by an Independent External Director.

(Nominating Committee)

Article 23 The Nominating Committee shall deliberate on the following matters in response to inquiries by the Board of Directors, and shall report the results of deliberations to the Board of Directors.

- (1) Proposals at the General Meeting of Shareholders regarding the appointment or dismissal of Directors and Corporate Auditors
- (2) Other matters as deemed necessary by the Board of Directors

(Remuneration Committee)

Article 24 The Remuneration Committee shall deliberate on the following matters in response to inquiries by the Board of Directors, and shall report the results of deliberations to the Board of Directors.

- (1) Proposals at the General Meeting of Shareholders regarding the remuneration of Directors and Corporate Auditors
- (2) Details of each individual Director’s remuneration, etc.
- (3) Other matters as deemed necessary by the Board of Directors

(Responsibilities of Directors)

Article 25 Directors of the Company shall gather sufficient information to execute their duties and shall actively express their opinions.

2. Directors of the Company shall demonstrate the abilities expected of them, and devote a sufficient amount of time to the Company in the performance of their duties as Directors.
3. Upon assuming their office, Directors of the Company shall fully comprehend related laws and regulations, the Articles of Incorporation, the Rules of the Board of



Directors and other internal rules of the Company, as well as the responsibilities of their positions.

(Responsibilities of Corporate Auditors)

Article 26 Corporate Auditors of the Company shall take necessary measures in a timely manner in order to sufficiently fulfill their duties, which includes expressing their opinions by providing advice and recommendations to the Board of Directors and the management as well as prohibiting certain conduct by Directors.

2. Upon assuming their office, Corporate Auditors of the Company shall fully comprehend the necessary knowledge related to the business of the Company, the financial status, the organization, etc., related laws and regulations, the Articles of Incorporation, and other internal rules of the Company, as well as the responsibilities of their position.

(Accounting Auditor)

Article 27 The Accounting Auditor shall be responsible for ensuring the reliability of financial information, and shall conduct appropriate accounting audits as a means of driving sustainable growth and increasing value of the Company's public presence, as well as enhancing mid-term and long-term corporate value.

2. In order to fulfill the role detailed in the previous paragraph, the Company shall coordinate with the Accounting Auditor, the Board of Auditors, the accounting division and other related divisions, and shall endeavor to secure the auditing schedule and auditing system related to accounting audits.
3. The Board of Auditors shall stipulate procedures, etc., that the Board of Auditors follows in appointing the Accounting Auditor in the Auditing Standards for Corporate Auditors, and shall formulate the standards for evaluating the execution of duties by the Accounting Auditor to operate the standards appropriately.

(Management Policy Review Group)

Article 28 The Company shall establish the Management Policy Review Group composed of all Directors in order to discuss important management policies, etc.

(Training and Debriefing Conference for Directors)

Article 29 The Company shall establish training and debriefing conference composed of all Directors (including candidates) in order to acquire information that is essential for the Directors on legal responsibilities, corporate governance, etc. and to share information on the important operations performed by each division.

(Educating and Training Directors and Corporate Auditors)

Article 30 New Directors and new Corporate Auditors of the Company shall receive new officer training offered internally upon their assumption of office.

2. Directors of the Company shall participate in training and debriefing conference for Directors prescribed in the previous Article, at which they acquire information that is essential for Directors on legal responsibilities, corporate governance, etc. and share information on important operations performed by each division. In addition, Corporate Auditors of the Company may participate in these training and debriefing conference for Directors.
3. Directors and Corporate Auditors of the Company shall positively continue to gather information on the financial condition, state of compliance, corporate governance, and other matters related to the Company, and shall accumulate education in order to properly fulfill their roles.
4. The Company shall provide the necessary training opportunities for Directors and Corporate Auditors as prescribed in the previous paragraphs, and shall cover any expenses incurred.

(Operation of the Board of Directors)

Article 31 The Board of Directors shall plan the annual schedule of meetings and anticipated matters for deliberation in advance, and shall make arrangements to ensure sufficient deliberation schedules and time for primary matters such as matters related to the Company's management strategy, compliance, risk management, and internal control system.

2. The Company shall ensure ample time in advance for the Directors to consider the proposals to be submitted to the Board of Directors, and shall provide or distribute materials related to the discussion topics or proposals prior to the date of meeting of the Board of Directors so that the Directors may engage in open, natural, and constructive discussions and opinion exchanges, whereby they strive for effective and efficient operations of the Board of Directors. However, this process is not applicable for highly confidential cases or other urgent matters.
3. The Company shall ensure that each Director can obtain information as required in an appropriate manner.

(Access to Internal Information by Independent External Directors and Corporate Auditors)

Article 32 Independent External Directors and Corporate Auditors of the Company may, at any time they consider it necessary or appropriate, request a briefing or report from the President, Executive Directors, Corporate Officers, and employees or request the submission of internal documents.

2. In order to perform timely and proper provision of information to Independent External Directors and Corporate Auditors, the Company shall maintain structures to closely cooperate with the related divisions.

(Analysis and Evaluation of the Effectiveness of the Board of Directors)

Article 33 The President and Executive Directors shall perform regular self-evaluations of their own performance, etc., as Directors, and shall report those results to the Board of Directors.

2. The Board of Directors shall regularly analyze and evaluate the overall effectiveness of the Board of Directors based on the self-evaluations of the Board of Directors performed by each Director, and shall disclose the overview of those results in a timely and proper manner.

(Directors' Remuneration, etc.)

Article 34 Directors' remuneration, etc., shall be considered so as to be proper, fair and balanced, and to heighten the Directors' motivation for driving sustainable growth and increasing value of the Company's public presence, as well as enhancing corporate value.

2. The Board of Directors shall determine the remuneration of the Directors by partially reflecting performance-linked factors based on certain standards of the Company pursuant to the provisions in the previous paragraph and the results of deliberations by the Remuneration Committee.
3. The upper limits of remuneration, etc., for Directors shall be defined in proposals submitted at the General Meeting of Shareholders by the Board of Directors based on the results of deliberations by the Remuneration Committee.

## CHAPTER VI Dialogue with Shareholders

(Dialogue with Shareholders)

Article 35 The Board of Directors shall strive to share the opinions of the shareholders throughout the Board of Directors.

2. When performing dialogue with shareholders, the Company shall make sufficient effort to ensure that there is no substantial information gap between shareholders.
3. The Company shall establish and disclose Attachment 3 "Policy for Constructive Dialogue with Shareholders," and strive to continue to improve this system.

## CHAPTER VII Other

(Establishment and Revision of the Basic Policy)

Article 36 This Basic Policy shall be established by resolution of the Board of Directors. Furthermore, it shall be revised by the Board of Directors as necessary in accordance with amendments to related laws and regulations, changes in the social and economic business environment, etc., in order to maintain conformity with the corporate governance.

(Established) December 15, 2015

(Revised) June 29, 2016

(Revised) December 17, 2018

## IR Policy

### 1. Basic Policy for Information Disclosure

Nippon Shinyaku Co., Ltd. (hereinafter the “Company”) has deeply acknowledged that the timely and proper disclosure of corporate information forms the basis of sound capital markets. The Company is committed to strive to disclose information in a timely and fair manner to all stakeholders and media in accordance with the Financial Instruments and Exchange Act and other applicable laws and regulations and the rules and regulations of the stock exchanges where the Company’s shares are listed.

### 2. Information Subject to Disclosure

- 1) Information that the Company is required to disclose by Rules on Timely Disclosure of Corporate Information by Issuers of Listed Securities of the Tokyo Stock Exchange (“Timely Disclosure Rules”) and other rules and regulations.
- 2) Information to which the above-mentioned rules and regulations do not apply but may have an impact on the investment decision.

### 3. Methods of Disclosure

- 1) The Company will disclose material information subject to disclosure by Timely Disclosure Rules through the Timely Disclosure network (TDnet).
- 2) The Company will promptly disclose other information through press releases, press conferences and other manners, depending on the importance and urgency.
- 3) Information disclosed under above 1) or 2) will be promptly posted on Nippon Shinyaku’s corporate website following disclosure.

### 4. Disclosure of Future Prospects

The information about future prospects disclosed by the Company may include risks and uncertainties regarding its business strategies, plans and forecasts as of the disclosing date. Actual results may differ from the future prospects.

### 5. Responding to Market Rumors

The Company will not make any comments on market rumors in principle. However, if such rumors substantially affect the capital markets or if the Company is requested by the stock exchanges or other institutions, the Company may properly respond to that.

### 6. Quiet Period

The Company has defined the period from the next business day of the end of each quarter to the day of the announcement of financial results of the quarter as a “Quiet Period”, and during the Quiet Period the Company will refrain from making any comments and on

financial results and responding to the questions to prevent a leakage of financial information and to ensure the fairness. However, if earnings forecast is expected to significantly change during the Quiet Period, the Company will disclose the information in a timely manner. The Company will also respond, even during the Quiet period, to the questions regarding the information which has been released.

#### 7. Framework for Information Disclosure

The Company has formed the IR Committee to establish and revise the policy for information disclosure and to discuss the possibility and methods of information disclosure.

### Criteria for Judgment of Independence

Outside executives (External Directors and External Auditors) and other candidates that do not come under any of the following categories shall be considered by the Company to have an adequate degree of independence.

- (1) Current or past executives of the Company (including subsidiaries; likewise hereafter)
- (2) Major transaction partners of the Company, or their executives
- (3) Parties for which the Company is a major transaction partner, or their executives
- (4) Consultants, accountancy specialists or legal experts (in the case of corporations, associations and other groups, those who belong to such groups) who receive large sums of money or other assets from the Company in forms other than executive remuneration
- (5) Major shareholders of the Company or their executives
- (6) Parties who receive significant monetary donations from the Company (in the case of corporations, associations and other groups, executives of such groups)
- (7) Any close relative(s) of those specified in (1) to (6) who is a significant party

\* Notes

- (1) - (6) “Executives” above refers to Executive Directors, Corporate Officers or any other individuals or employees with equivalent status
- (2) “Major transaction partners of the Company” refers to any transaction partner who has accounted for more than 2% of consolidated sales of the Company by transaction amount over the most recent business year
- (3) “Parties for which the Company is a major transaction partner” refers to any transaction partner for which the Company is deemed important; that is, the Company has accounted for more than 2% of consolidated sales of such partner by transaction amount over the most recent business year
- (4) and (6) “Large sums” refers to sums in excess of ¥10 million or exceeding 2% of consolidated sales or total revenues of the party in question
- (5) “Major shareholders of the Company” means shareholders holding at least 10% of the total voting rights
- (7) “Significant party” means executives of general manager grade or higher, and “close relative(s)” refers to spouse or family members in second degree

## Policy for Constructive Dialogue with Shareholders

In order to achieve sustainable growth and increase mid-term and long-term corporate value, the Company establishes an internal system for reliable information disclosure, creates a framework to properly incorporate the content of dialogue with shareholders into management, and actively participate in constructive dialogue with shareholders.

1. Chief Officer Responsible for Constructive Dialogue

Director in charge of Business Management who supervises the Corporate Planning Department, the department in charge of IR, is responsible for constructive dialogue with shareholders.

2. Measures for Organic Coordination between Internal IR Representatives for Supporting Dialogue and Each Division

The Corporate Planning Department, Finance & Accounting Department, R&D Administration Division, etc., will coordinate and respond to each other to realize constructive dialogue.

3. Efforts to Enhance Dialogue Means Other Than Individual Interviews

A financial results briefing will be held twice a year, in May and November, in which both the top management and Executive Directors from Business Management, R&D, Sales and Marketing, and Functional Food Division will participate in direct dialogue with investors. In addition, the Director in charge of Business Management will be responsible for arranging conference calls regarding the financial results in August and February.

4. Measures on Feedback for the Executive Management and the Board of Directors on Dialogue Content

A securities analysis report based on the information provided at the financial results briefing will be submitted promptly to the executive management. If necessary, feedback on the content of the dialogue will also be provided to the executive management.

5. Measures Related to Insider Information Management upon Dialogues

The Company will prevent leakage of insider information based on the Information Disclosure Regulations, Insider Trading Regulations, and Rules Regarding the Management of Internal Information. In order to prevent leakage of financial results information, the Company implements a quiet period from the following business day of the end of each quarter to the date of the announcement of financial results.