

Corporate Governance

Basic Policies and Management System

The management of Nippon Shinyaku recognizes the importance of achieving management transparency and fulfilling its obligation to be accountable to all stakeholders in order to increase corporate value by contributing to society. Effectively functioning corporate governance is essential to the fulfillment of these responsibilities, so we are working to further improve our corporate governance systems. Nippon Shinyaku is a “company with corporate auditors” consisting of seven members of the board and four corporate auditors, two of whom are outside auditors. We aim to manage the Company efficiently by having each director take responsibility for a particular area of executive oversight. Corporate auditors attend all Board of Directors meetings and any conferences where important business matters are discussed; they fulfill a supervisory function in the Company’s management.

In addition to being audited by an accounting auditor, the Company has also established an independent Internal Audit Department that audits the effectiveness of the Company’s key management systems: internal control, compliance, and risk management.

Internal Control System

Based on Japan’s Companies Act, Nippon Shinyaku’s internal control system is managed according to a system determined in line with basic policies decided by the Board of Directors. The system is designed to increase the effectiveness and efficiency of business operations as well as to ensure the

appropriateness of financial reporting.

Compliance

In addition to outlining practical standards in the Nippon Shinyaku Group Charter of Business Conduct, we have appointed a compliance officer from among the directors of the Company to oversee the promotion of compliance based on systems established for each workplace. We have also set up a Compliance Department that carries out educational, training and awareness activities. Furthermore, to enable the Company to actively uncover and root out any illegal behavior on an internal basis, we established compliance hotlines to handle reports and inquiries from employees at all of our Group companies.

Risk Management

All companies face a variety of risks in the course of doing business. In order for a company to develop sustainably, it must take steps to reduce its exposure to these risks. The Nippon Shinyaku Group has established Basic Risk Management Rules that spell out which corporate sections are responsible for addressing each type of risk and outline measures for preventing and responding to various types of problems. In addition, each year the Group’s Risk Management Department conducts an assessment to determine the major categories of risk that affect the Nippon Shinyaku Group, and formulates strategies for more effectively preventing and addressing related problems.

Corporate Governance Structure

