

# Internal Control and Compliance

## Basic Concept

We recognize that compliance is an important basic element supporting the foundations of corporate management.

For the Tsumura Group to meet the expectations of society and be a trusted company as a life-related company, we believe it is important for each employee to be conscious of acting by adhering to compliance based on high ethical standards and that this develops into a corporate culture, and we thoroughly implement activities promoting compliance. To this end, based on the Sustainability Charter, which is our basic policy of business activities, we have formulated the Compliance Program Regulations and established the Compliance Promotion System, and we periodically conduct training and activities to raise awareness. In addition, we conduct surveys every year, and have established and are operating an internal reporting system (Tsumura Group Hotline) to promptly identify and correct problems within the Group.

## Compliance Promotion Activities

The Compliance Committee formulates a policy for compliance promotion activities every year based on questionnaire results and events occurring inside and outside the Company, and reports to the Board of Directors. Each division and Group company drafts and implements initiatives for compliance promotion activities in the workplace according to this policy.

Furthermore, systematic training is provided to all Group officers and employees to foster compliance awareness.

In fiscal 2022, the Tsumura Group Hotline was used 19 times. The content of consultations and reports received on the hotline are periodically reported to the President and Representative Director CEO, who is also the Chief Compliance Officer, other internal directors, and the CHRO.

## Code of Practice

The Company has established the Tsumura Code of Practice (hereinafter, the "Tsumura Code") to ensure a high level of ethics and transparency in its corporate activities and to live up to the trust of society.

The Tsumura Code Committee, established based on the Tsumura Code, will manage and administer the Tsumura Code to conduct activities providing information on Tsumura prescription pharmaceuticals in an appropriate manner.

## Corporate Management of Affiliated Companies

The Corporate Planning Department establishes and oversees systems for corporate management of affiliated companies, establishes Regulations on Management of Intragroup Transactions and Regulations on Management of Affiliated Companies, and makes monthly reports on internal control systems.

The Regulations on Management of Affiliated Companies provide a system for the responsible divisions within the Company to receive prior approval applications and reports from affiliated companies on matters requiring prior discussion pursuant to the regulations.

Furthermore, the Internal Auditing Department conducts internal audits of affiliated companies, and performs efficient monitoring according to Group management.

## Internal Audit

Internal audits are conducted in accordance with Internal Auditing Regulations pursuant to internal audit plans formulated by the Internal Auditing Department and approved by the Executive Committee. Results are reported to the Board of Directors, the Executive Committee, the Audit and Supervisory Committee and the Independent Auditor.

Ongoing evaluations are performed on the status of establishment and the status of operation of companywide internal control, internal control of business processes and overall IT control in accordance with the Financial Instruments and Exchange Act, implementation standards published by the Business Accounting Council of the Financial Services Agency, and Internal Control Regulations pursuant to internal control evaluation plans formulated by the Internal Auditing Department and approved by the Executive Committee. Results are reported to the Board of Directors, the Executive Committee, the Audit and Supervisory Committee and the Independent Auditor.

## Audit and Supervisory Committee Members

All Audit and Supervisory Committee Members attend meetings of the Board of Directors, and the Full-Time Audit and Supervisory Committee Member attends important meetings such as the Executive Committee, the Executive Officers' Meeting, the Compliance Committee and the Risk Management Committee to confirm the status of establishment and operation of internal control systems for which internal control organizations are responsible. Furthermore, the committee maintains close coordination with the Internal Auditing Department, the Independent Auditor and auditors of affiliated companies through periodic meetings with them, monitors overall internal control systems of the Company and affiliated companies through direct reporting, etc. from internal control organizations, and provides advice on more efficient operation.

The Audit and Supervisory Committee holds meetings to exchange opinions with internal directors including the President and Representative Director CEO, exchanging information and sharing awareness on matters such as the business environment surrounding the Company and companywide risks and issues.

The Audit and Supervisory Committee receives reports on the status of operations from executive officers, and checks consistency with the medium-term management plan and risks, etc. in the departments for which they are responsible.