Internal Control and Compliance

Basic Concept

We recognize that compliance is an important basic element making up 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 a corporate culture will develop with each employee taking action in accordance with compliance based on high ethical standards, and are thoroughly implementing 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 have established and are operating an internal reporting system (Tsumura Group Hotline) to promptly identify and correct problems within the Group.

Compliance Promotion Activities

Every year, the Compliance Committee formulates a policy for compliance promotion activities based on questionnaires implemented and events occurring inside and outside the Company each year. The policy is reported to the Board of Directors by the officer in charge of compliance. 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 2024, the Tsumura Group Hotline was used 39 times. The content of consultations and reports received on the hotline are periodically reported to the CEO, who is also the Chief Compliance Officer, the Co-COO, the CFO, the CHRO and Audit and Supervisory Committee members.

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, manages and administers the Tsumura Code to conduct activities providing information on Tsumura prescription pharmaceuticals in an appropriate manner.

Corporate Management of Group Companies

The Corporate Planning Department in the Corporate Management Division establishes and oversees systems for corporate management of Group 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 Group companies on matters requiring prior discussion

pursuant to the regulations. Furthermore, the Internal Auditing Department conducts internal audits of Group 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 periodically reported to the President and Representative Director CEO, and also reported to the Board of Directors, Executive Committee, Audit and Supervisory Committee and accounting auditor.

Internal Control

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 periodically reported to the President and Representative Director CEO, and also reported to the Board of Directors, Executive Committee, Audit and Supervisory Committee and accounting auditor.

Audit and Supervisory Committee

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, Executive Officers' Meeting, Compliance Committee, Risk Management Committee and Sustainability 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 accounting auditor and auditors of Group companies through periodic meetings with them, monitors overall internal control systems of the Company and Group companies through direct reporting from internal control organizations, information exchanges with Group company officers, etc. 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. It also 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.