

March 28, 2022

Solasia Pharma K.K.

Securities code: 4597 (Tokyo Stock Exchange)

Yoshihiro Arai, President and Chief Executive Officer

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URL: <https://www.solasia.co.jp/en/>

The corporate governance of Solasia Pharma K.K. (the "Company") is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

### 1. Basic Views

At Solasia Pharma, we believe it is our mission to contribute to patients and medical sites through our business activities as a pharmaceutical development company. We recognize that enhancing our corporate value and returning profits to shareholders through our business activities, and fulfilling accountability to stakeholders, are important undertakings for achieving this mission. For this reason, the Company's basic policy is to ensure legal compliance and transparency in management, while enhancing the supervision and auditing by outside directors and the auditing system of Audit & Supervisory Board members, in order to achieve the effective functioning of corporate governance.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company implements all of the basic principles of the Corporate Governance Code.

### 2. Capital Structure

Foreign Shareholding Ratio	Less than 10%
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### [Major Shareholders]

Name of Shareholders	Number of Shares Held (shares)	Shareholding Ratio
ITOCHU Corporation	22,850,943	17.05
Maruho Co., Ltd	11,324,000	8.45
Trust & Custody Services Bank, Ltd. (Trust Account)	3,494,600	2.60
MSIP CLIENT SECURITIES	2,719,683	2.03

Hitoshi Imamura	1,157,900	0.86
SBI SECURITIES Co., Ltd	1,012,044	0.75
Daiwa Securities Co. Ltd.	892,300	0.66
Kiyoshi Yamana	860,000	0.64
Japan Securities Finance Co., Ltd.	722,100	0.53
North Asia University	696,000	0.51

Controlling Shareholder	—
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Parent Company	—
Listed Exchange of Parent Company	—

## Supplementary Explanation

- ✓ [2. Capital Structure] shows as of December 31<sup>st</sup>, 2021.
- ✓ Shareholdings by MSIP CLIENT SECURITIES include shares held by Lee's Pharmaceutical Holdings Limited.

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange (Mothers)
Fiscal Year-end	December
Type of Business	Pharmaceutical
Number of Employees (Consolidated) at the End of the Previous Fiscal Year	Less than 100 people
Sales (Consolidated) in the Previous Fiscal Year	Less than 10 billion yen
Number of Consolidated Subsidiaries at the End of the Previous Fiscal Year	Less than 10 companies

## 4. Guidelines for Measures to Protect Minority Shareholders When Conducting Transactions with Controlling Shareholder

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## 5. Special Circumstances Which May Have Significant Impact on Corporate Governance

Although major shareholder, ITOCHU Corporation, is not a controlling shareholder, it currently has a business relationship with the Company. We will review the contents of the transaction in the same way as other business partners and give consideration so

that the interests of shareholders other than ITOCHU Corporation are not harmed. In addition, the Board of Directors deliberates and decides on matters according to their importance to ensure the appropriateness of management.

## II. Business Management Organization and Other Corporate Governance Systems Pertaining to Management Decision-Making, Execution, and Supervision

### 1. Organizational Composition and Operation

Organizational form	Company with Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors under the Articles of Incorporation	10
Term of Office under the Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors	5
Appointment of Outside Directors	Yes
Number of Outside Directors	3
Number of Outside Directors Designated as Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Affiliation	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k		
Stanley Lau	From another company													
Norikazu Eiki	From another company													
Jiro Mizukawa	From another company													

\*1 Categories for "Relationship with the Company"

- Executive of the Company or its subsidiaries
- Executive or non-executive director of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large sum of money or other property from the Company in addition to executive compensation
- Major shareholder of the Company (if the said major shareholder is a corporation, an executive of the said corporation)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of an entity to which outside officers are mutually appointed (the director himself/herself only)
- Executive of an entity that receives a donation from the Company (the director himself/herself only)
- Other

## Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Stanley Lau	Yes	Not applicable	We have appointed Mr. Stanley Lau as an outside director expecting him to contribute to the Company's management, especially in relation to Chinese companies, by making use of his abundant experience and knowledge as a manager of a pharmaceutical company. In addition, we have designated him as an independent director, judging that there is no risk that he would harm the interests of general shareholders, given that he meets the criteria for assessing independence.
Norikazu Eiki	Yes	Not applicable	We have appointed Mr. Norikazu Eiki as an outside director, expecting him to contribute to the Company's management by using his abundant experience and knowledge as a manager of a pharmaceutical company. In addition, we have designated him as an independent director, judging that there is no risk that he would harm the interests of general shareholders, given that he meets the criteria for assessing independence.
Jiro Mizukawa	Yes	Not applicable	We have appointed Mr. Jiro Mizukawa as an outside director, expecting him to contribute to the Company's management by using his abundant

			experience and knowledge as a manager of a pharmaceutical company. In addition, we have designated him as an independent director, judging that there is no risk that he would harm the interests of general shareholders, given that he meets the criteria for assessing independence.
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## [Voluntary Committees]

Voluntary Establishment of Any Committee Equivalent to Nominating Committee or Remuneration Committee	No
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## Supplementary Explanation

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## [Audit &amp; Supervisory Board]

Establishment of Audit & Supervisory Board	Yes
Number of Audit & Supervisory Board Members under the Articles of Incorporation	Maximum number of members not defined
Number of Audit & Supervisory Board Members	3

## Collaboration among Audit &amp; Supervisory Board Members, Accounting Auditors, and Internal Audit Department

<p>The internal audit manager and Audit &amp; Supervisory Board Members regularly exchange information on the status of internal audits and share information by attending important meetings. They exchange information and opinions with accounting auditors to improve the effectiveness and efficiency of audits. Specifically, meetings are held between Audit &amp; Supervisory Board members and accounting auditors at least twice a year, and opinions are exchanged regarding whether there are any problems in the audit and future issues. In the audit reviews held at the end of the fiscal year and in each quarter, information is shared by having Audit &amp; Supervisory Board members and the internal audit manager in attendance.</p>
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Appointment of Outside Audit & Supervisory Board Members	Yes
Number of Outside Audit & Supervisory Board Members	3
Number of Outside Audit & Supervisory Board Members Designated as Independent Directors	3

## Outside Audit &amp; Supervisory Board Members' Relationship with the Company (1)

Name	Affiliation	Relationship with the Company (*1)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Susumu Araki	From another company													
Makoto Matsuo	Lawyer													
Yoshiyuki Yamakawa	From another company													

\*1 Categories for "Relationship with the Company"

- Executive of the Company or its subsidiaries
- Non-executive director or accounting counselor of the Company or its subsidiaries
- Executive or non-executive director of a parent company of the Company
- Audit & Supervisory Board member of a fellow subsidiary company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant, or legal professional who receives a large sum of money or other property from the Company in addition to executive compensation
- Major shareholder of the Company (if the said major shareholder is a corporation, an executive of the said corporation)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of an entity to which outside officers are mutually appointed (the director himself/herself only)
- Executive of an entity that receives a donation from the Company (the director himself/herself only)
- Other

## Outside Audit &amp; Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Susumu Araki	Yes	Not applicable	We have appointed Mr. Susumu Araki as an outside Audit & Supervisory Board member, expecting him to strengthen the Company's auditing functions, given that he possesses

			<p>expertise in corporate management and financial accounting based on his many years of international experience working at financial institutions and has experience as a director at a listed company in the pharmaceutical industry. In addition, we have designated him as an independent director, judging that there is no risk that he would harm the interests of general shareholders, given that he meets the criteria for assessing independence.</p>
Makoto Matsuo	Yes	Not applicable	<p>We have appointed Mr. Makoto Matsuo as an outside Audit &amp; Supervisory Board member, expecting him to contribute to the Company's auditing functions, given that he possesses experience advising management based on his expertise as a lawyer over many years and has extensive experience as a director and auditor at a wide range of listed companies, including pharmaceutical companies. In addition, we have designated him as an independent director, judging that there is no risk that he would harm the interests of general shareholders, given that he meets the criteria for assessing independence.</p>
Yoshiyuki Yamakawa	Yes	Not applicable	<p>We have appointed Mr. Yoshiyuki Yamakawa as an outside Audit &amp; Supervisory Board member, expecting him to contribute to the Company's auditing functions, given that he</p>

			possesses extensive experience and knowledge as a manager of a biotech company and a consulting company. In addition, we have designated him as an independent director, judging that there is no risk that he would harm the interests of general shareholders, given that he meets the criteria for assessing independence.
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## [Independent Directors]

Number of Independent Directors	6
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## Matters Related to Independent Directors

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## [Incentives]

Incentive Policies for Directors	Introduction of stock option system
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## Supplementary Explanation

The Company grants stock options to raise morale for executives to contribute to business performance and enhance corporate value.
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Eligibility of Stock Options	Internal directors, outside directors, internal Audit & Supervisory Board members, outside Audit & Supervisory Board members, employees, directors of subsidiaries, auditors of subsidiaries, employees of subsidiaries, etc.
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## Supplementary Explanation

The Company grants stock options to officers and employees of the Company (including subsidiaries) and important advisors who support the Company in developing or commercializing products in order to boost motivation and morale.
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## [Director's Remuneration]

Disclosure status	The Company does not disclose individual remuneration.
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## Supplementary Explanation

The Company discloses the total amount of remuneration to directors, Audit & Supervisory Board members, outside directors, and outside Audit & Supervisory Board members in the securities report and business report. The total amount of remuneration to directors, Audit & Supervisory Board members, outside directors, and outside Audit & Supervisory Board members in the fiscal year ended December 31, 2021 was as follows.

Directors: 88 million yen (of which, outside directors: 12 million yen)

Audit & Supervisory Board members: 13 million yen (of which, outside Audit & Supervisory Board members: 13 million yen)

Total: 102 million yen (of which, outside officers: 25 million yen)

Policy for Determining Remuneration Amount and Calculation Method	Established
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## Disclosure on Policy for Determining Remuneration Amount and Calculation Method

- Director remuneration shall be up to 300 million yen per year, and Audit & Supervisory Board member compensation shall be up to 50 million yen per year. The respective remuneration amounts are approved at the General Meeting of Shareholders.
- The Company's executive remuneration comprise of fixed basic remuneration and bonuses according to the degree to which each officer has achieved his/her goal set in each fiscal year. The amount of remuneration is determined by the resolution of the Board of Directors' meetings (remuneration for Audit & Supervisory Board Members is determined by discussions among the Audit & Supervisory Board Members) after discussing the remuneration system according to the duties and responsibilities of each officer.

## [Support System for Outside Directors (Outside Audit &amp; Supervisory Board Members)]

There is no dedicated department to support outside officers, but the Management Headquarters supports operations as needed. With regard to information transmission, full-time Audit & Supervisory Board members attend weekly management meetings to grasp information on management matters. The President explains the matters to be discussed at the Board of Directors meeting to outside directors in advance. Information is also transmitted to them by interview, phone, or email as needed.

## 2. Matters on Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

The Company's Board of Directors consists of five (5) directors. We have appointed

three (3) outside directors to ensure transparency and fairness as a decision-making body and to clarify the supervisory and auditing functions for the execution of the Company's business. The three (3) outside Audit & Supervisory Board members are also in attendance at the Board of Directors meetings. We are working to strengthen a structure that enables management decision-making and external management monitoring based on a broader perspective. In principle, the regular Board of Directors meetings are held once a month, and extraordinary Board of Directors meetings are held as necessary to ensure prompt and accurate decision-making. In principle, management meetings consisting of executives and led by the President & CEO are held once a week to ensure management transparency and fairness and to make prompt management decisions. In these management meetings, discussions are held on important matters of business execution, and these meetings are positioned as the basis for decision-making by the President & CEO.

The Company is set up as a Company with an Audit & Supervisory Board. The Audit & Supervisory Board consists of three outside Audit & Supervisory Board members, one of whom is a full-time Audit & Supervisory Board member. The Audit & Supervisory Board meets regularly once a month to exchange views on the legality of decision-making by the Board of Directors and strives to enhance the effectiveness of corporate governance. Full-time Audit & Supervisory Board members attend various meetings related to their business activities to verify the validity of the decision-making process.

The Company has entered into an audit agreement with BDO Sanyu & Co. to receive accounting audits in accordance with the Companies Act and the Financial Instruments and Exchange Act, and timely and appropriate audits are being conducted.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company adopts a "Company with Audit & Supervisory Board" system, and more than half of the directors are appointed from other companies. Outside directors are appointed to ensure objective and impartial management decisions. The Audit & Supervisory Board consist only of outside members to strengthen the supervisory function for the execution of duties by directors. The Company has established a system that ensures neutrality, objectivity, and transparency while conducting adaptable and flexible management in business execution. We will continue to enhance the effectiveness of corporate governance by maintaining this system.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Initiatives to Vitalize General Meetings of Shareholders and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	The Company will strive to send the notice as soon as possible.
Scheduling General Meeting of Shareholders in a Way That Avoids Overlapping with Other Shareholder Meetings	The Company's fiscal period ends in December. As such, the General Meeting of Shareholders is held in March, instead of June when most other listed companies hold their General Meeting of Shareholders. Holding the meeting in March would naturally help us avoid holding the meeting on days generally considered to be the most intensive. We also avoid days in March that are expected to be intensive to make it easier for many shareholders to attend.
Electronic Exercising of Voting Rights	The Company allows the exercise of voting rights via the Internet.
Participation in Electronic Voting Platform and Other Measures for Greater Ease of Voting by Institutional Investors	The Company will consider such initiatives in the future in view of an increase in institutional investors and the status of the exercise of voting rights.
Provision of Convocation Notices (Summaries) in English	The Company creates an English translation of the convocation notice (including business reports) and post it on our website.
Other	—

## 2. IR Activities

	Supplementary Explanation	Presentation by Representative
Preparation and Publication of Disclosure Policies	Based on the Information Management Rules, the Company clarifies the basic concept of information disclosure, department in charge, communication route, and procedures.	
Regular briefings for Individual Investors	The Company holds briefings for individual investors at least twice a year.	Yes

Regular briefings for Analysts and Institutional Investors	The Company holds regular briefings consisting mainly of a presentation by the President & CEO for institutional investors and analysts after the disclosure of the financial results for the full year and the first half.	Yes
Regular Briefings for Foreign Individual Investors	The Company does not have plans to do so at this time, but we will consider it according to the distribution of overseas investors in the future.	Yes
Posting of IR Materials on Website	The Company publishes financial results information and other disclosure materials on the website for institutional investors and analysts as well as individual and overseas investors.	
Establishment of Department (Representative) in Charge of IR	Corporate Planning, Administration Division	
Other	—	

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Rules for Respecting the Position of Stakeholders in Accordance with Internal Regulations	The Company believes that trust from all stakeholders is essential for the continuous development of the business. We establish and thoroughly enforce corporate ethics by stipulating an ethical code of conduct.
Implementation of Environmental Conservation and CSR Activities	The Company does not particularly implement such activities at this stage, but we plan to consider and implement them in the future.
Formulation of Policies for	The Company strives to disclose information fairly and appropriately to all stakeholders, including shareholders and

Providing Information to Stakeholders	investors, in accordance with the Companies Act, the Financial Instruments and Exchange Act, the rules established by the Tokyo Stock Exchange, and the Company's Information Management Rules.
Other	The Company will promote the creation of a workplace environment where employees can balance their work and family lives. We will hire female employees and actively promote them to executive positions.

#### IV. Matters Related to Internal Control System

##### 1. Basic Views on Internal Control System and Status of Its Development

1. System for ensuring that the execution of duties by directors and employees conforms to laws and regulations and the Articles of Incorporation
  - Thoroughly enforce the Code of Ethics to executives and employees.
  - Establish and operate an internal control system to ensure the reliability of financial reporting, and conduct appropriate evaluations.
  - Based on the Corporate Ethics Declaration Management Rules, promptly grasp and respond appropriately to violations of laws, regulations, and other important matters related to compliance.
  - Based on the Antisocial Forces Response Rules, take a resolute stance toward antisocial forces and thoroughly ensure that the Company does not have any relationship with them.
  - Conduct internal audits based on the Internal Audit Rules and verify the above items.
2. System for preserving and managing information pertaining to the execution of duties by directors
 

The Company will store and manage minutes of board meetings (including electronic records) and other information pertaining to the execution of duties by directors in accordance with laws and regulations and Document Management Rules, and will keep them available for viewing by directors and Audit & Supervisory Board members.
3. The Company's rules and other systems for risk management of losses
 

We will implement prompt and appropriate measures against risks that affect management based on the Business Risk Management Rules.
4. System for ensuring that directors perform their duties efficiently
  - Formulate a medium-term business plan, execute duties based on it, and

- exercise control according to the plan.
  - Regularly or irregularly use a conference call system or the like to hold Board of Directors meetings and other meetings to make decisions necessary for business execution in a timely manner.
5. System for ensuring the appropriateness of operations in the corporate group consisting of the Company and its subsidiaries
- (1). System for ensuring that the execution of duties by directors and employees of subsidiaries conforms to laws and regulations and the Articles of Incorporation
- We will establish the Company's Code of Ethics as the Code of Ethics of the Group, which also includes subsidiaries, and will thoroughly enforce it for officers and employees of subsidiaries.
  - Make subsidiaries subject to audits in the Company's internal audit system.
- (2). System for reporting to the Company matters pertaining to the execution of duties by directors of subsidiaries
- Dispatch the Company's executives or employees as officers of subsidiaries and incorporate the execution of duties by directors of subsidiaries into the Company's internal control.
  - With regard to decisions pertaining to the execution of duties by subsidiaries, clarify and thoroughly enforce the standards for matters reported to the Company and matters requiring approval.
- (3). Regulations and other systems for the management of risk of loss of subsidiaries
- Establish a risk management system for subsidiaries based on the Business Crisis Management Rules.
- (4). System for ensuring efficient execution of duties by directors of subsidiaries
- When formulating the Company's medium-term business plan, incorporate the business activities of subsidiaries, execute duties according to the plan, and exercise control based on the said plan.
6. Matters concerning the employee when the Audit & Supervisory Board member asks that an employee assist in its duties, and matters concerning the independence of the employee from the director and ensuring the effectiveness of instructions from the Audit & Supervisory Board member
- Audit & Supervisory Board members may order officials who assist in auditing with matters necessary for audit work, and officials who have received orders from Audit & Supervisory Board members for matters necessary for auditing work shall not receive orders from other officers and employees with regard to such matters.

7. System for directors and officials to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members

- Audit & Supervisory Board members shall be able to attend all internal meetings, and a system shall be established allowing them to obtain information on the effectiveness of internal controls in a timely manner.
- Executives and employees shall promptly report to Audit & Supervisory Board members when requested to report matters related to business execution.
- Executives and employees shall promptly report to Audit & Supervisory Board members when they discover facts that violate laws and regulations or that may cause significant damage to the Company.
- The Company shall ensure that officers and employees of the Company or its subsidiaries who report such matters to the Audit & Supervisory Board are not adversely treated due to the said reporting.
- When an Audit & Supervisory Board member makes a request for advance payment of expenses resulting from the execution of his/her duties, the Company shall promptly process the expenses or debts, except when it is deemed not necessary.

8. System for ensuring that audits by the Audit & Supervisory Board are conducted effectively

The Company will ensure the effectiveness of audits by the Audit & Supervisory Board by having Audit & Supervisory Board members collaborate with the department in charge of internal audits and external auditors. In addition, the Company will create opportunities for Audit & Supervisory Board members to regularly exchange information and opinions with the Representative Director.

2. Basic Approach to the Elimination of Antisocial Forces and Status of Its Development

The Company considers the elimination of antisocial forces as being important for management from the perspective of corporate social responsibility and corporate defense. Our basic policy is to respond resolutely to antisocial forces and not to have any relationship with antisocial forces, including business relationships. We confirm if shareholders, business partners, or others fall under antisocial forces by requesting investigations to external specialist organizations or by searching the Internet in accordance with the Antisocial Forces Response Rules. In addition, we join the National Center for Removal of Criminal Organizations to gather information on antisocial forces. In addition, we conduct training each time employees are hired to systematically respond to antisocial forces. We also implement an orientation at the time new employees join the

Company and a once-a-year training for all employees.

V. Other

1. Adoption of Anti-takeover Measures

Adoption of Anti-takeover Measures	Not adopted
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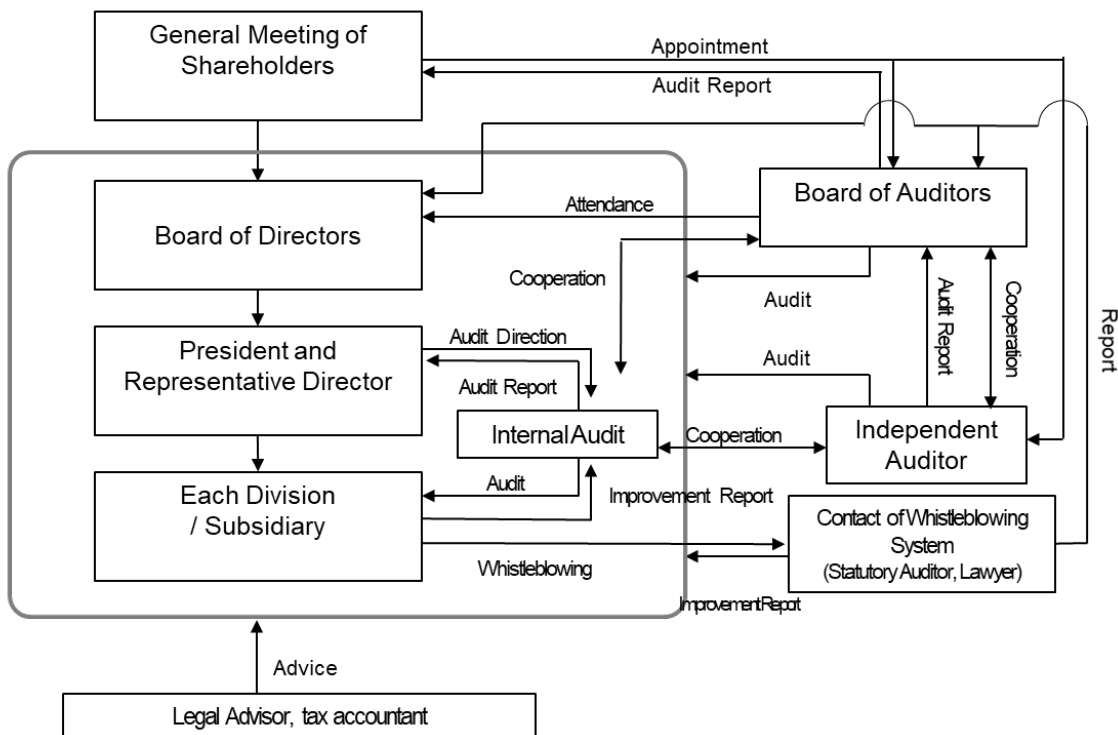
Supplementary Explanation

While the Company believes that anti-takeover measures are important for continuing to manage the business stably, the Company does not currently have such measures in place and has no plans to introduce them, as it considers them to be constraints on shareholder rights.

2. Other Matters Related to Corporate Governance System.

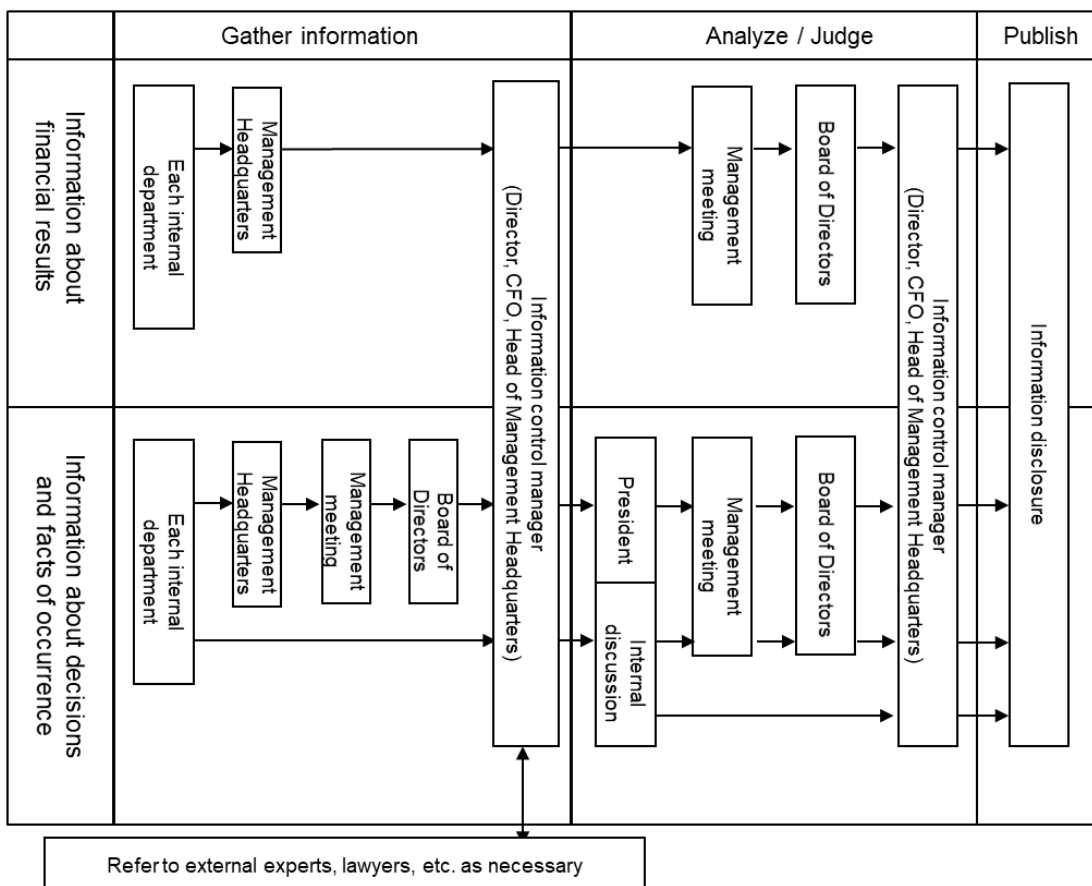
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**Chart of corporate governance system**





**[Outline of timely disclosure system (schematic diagram)]**



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