

**LOTUS PHARMACEUTICAL CO., LTD**  
**REMUNERATION COMMITTEE CHARTER**  
**[English translation for reference only]**

Approved on 2018/02/12

Article 1 For corporate governance and to ensure a system for compensation of the Directors and managerial officers of Lotus Pharmaceutical Co., Ltd., the Lotus Pharmaceutical Co., Ltd. Remuneration Committee (hereinafter, "the Committee") and this Lotus Pharmaceutical Co., Ltd. Remuneration Committee Charter (hereinafter, "this Charter") are adopted pursuant to Article 14-6 of the Securities and Exchange Act, and the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter (hereinafter, "the Regulations").

Article 2 Matters concerning the number, term of office, powers, rules of procedure for meetings, and resources to be provided by the Committee exercises its powers shall be handled in accordance with this Charter.

Article 3 The Committee shall exercise the care of a good administrator to faithfully perform the following duties:

- A. Establishing and periodically reviewing the annual and long-term performance indicators for the Directors and managerial officers of the Company and the policies, systems, standards, and structure for their compensation.
- B. Periodically assessing and setting the compensation of Directors and managerial officers based on their individual assessment results of performance indicators.

The Committee shall perform the duties under the preceding paragraph in accordance with the following principles:

- A. Performance assessments and compensation levels of Directors and managerial officers shall take into account the general pay level. Also

to be evaluated are the reasonableness of the correlation between the individual's performance and the Company's operational performance future risk exposure, and the achievement rate of one's performance indicators.

- B. There shall be no incentive for the Directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of this Corporation.
- C. For Directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry, the nature of this Corporation's business, and the Company's finance results.

"Compensation" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures.

The term "managerial officers" referred to in this Article includes:

- A. General managers or their equivalents.
- B. Vice presidents or their equivalents.
- C. Chief financial officers.
- D. Chief accounting officers.
- E. Other persons authorized to manage affairs and sign documents on behalf of a company.

Any matters under the preceding paragraph shall be subject to the approval of one half or more of the entire membership of the Committee and shall be submitted to the Board of Directors for a resolution. The result of a vote shall be announced immediately and recorded in writing.

Article 4 The professional qualifications and the working experience of the Committee members shall meet the requirements set out in Articles 5 and not be prohibited or restricted under any of the circumstances set forth in Article 6 of this Charter. The Committee shall be composed of the independent director(s) of the Company, the remaining members are appointed by resolution of the Board of Directors. There shall not be less than three persons in number, and an independent director on

the Committee shall be appointed to act as the convener and the chairman.

If the Committee convener is unable to attend a meeting for any reason, the convener shall appoint a member of the Committee or other member to act as convener. If the convener does not make such an appointment, the other Committee members shall select one member of the Committee to serve as convener.

The Committee's meeting agenda shall be drafted by the convener. Other members may submit motions to the Committee for discussion. Meeting agenda shall be provided to the Committee members in advance. When a meeting of the Committee is held, an attendance book shall be made available for sign-in by the Committee members in attendance and thereafter made available for reference.

The Committee members shall attend the meeting in person. If a member is unable to attend the meeting in person, the member may appoint another member to attend as his or her proxy, a proxy may accept a proxy from one person only. Attending a meeting via telecommunications will be deemed attendance in person.

A member of the Committee that appoints another member as proxy to attend a meeting shall in each instance issue a written proxy stating the scope of authorization with respect to the items on the meeting agenda. The term of the Committee members shall be the same as that of the board of directors by whom they were appointed. The Committee shall be composed of an advisory committee member from the Chief of human resources, who is invited to attend the meeting as a non-voting participant, to assist the Committee to exercise the relevant responsibility.

Article 5 The Committee members shall serve a 3-year term, and may be re-elected to further terms. When a member of the Committee is dismissed for any reason, a new appointment shall be held at the next board meeting to fill the vacancy.

Article 6 Rules of procedure:

- A. The Committee shall convene at least twice annually, and may call an extraordinary meeting at its discretion whenever necessary.
- B. Meetings of the Committee shall be presided by convener, and a notice shall be given to the entire membership at least 7 days in advance, except a special meeting. If the convener is unable to attend a meeting for any reason, the convener shall appoint a member of the Committee to act as convener. If the convener does not make such an appointment, the other Committee members shall select one member of the Committee to serve as convener.
- C. The calling of a meeting shall be held at least two-thirds or more of the members of the Committee attending, each member shall have one vote. It shall be decided by a resolution to be adopted by a majority vote at a meeting of the Committee attended. Attending a meeting via telecommunications will be deemed attendance in person.
- D. In the case of deliberating on a given agenda item, the member of the Committee shall recuse himself or herself when they are an interested party, and may not participate in vote.
- E. Any matters in connection with the official powers, the Committee may make inquiries at any individual (including external professional consultants) who is deemed to be able to provide opinions.
- F. Discussions at a meeting of the Committee shall be included in the meeting minutes, which shall faithfully record the following:
  - a) The session, time, and place of the meeting.
  - b) The name of the chairman.
  - c) Attendance of the Committee members at the meeting, specifying the names and the number of members present, excused, and absent.
  - d) The names and titles of those attending the meeting as non-voting participants.
  - e) The name of the recorder.
  - f) The matters reported at the meeting.
  - g) Discussion items: for each proposal, the method of resolution and the result; and any objections or reservations; a summary of the comments expressed by the Committee members, experts, and other personnel.
  - h) Special motions: The name of the persons proposing the special

motions and for each proposal, the method of resolution and the result; and any objections or reservations; a summary of the comments expressed by the Committee members, experts, and other personnel.

i) Other matters required to be recorded.

The attendance book constitutes part of meeting minutes of the Committee and shall be retained for the duration of the existence of the Company. The meeting minutes shall be signed or chopped by the chairman and the recorder, and a copy of the minutes shall be distributed to each member of the Committee within 20 days after the meeting and submitted to the Board of Directors and shall be preserved during the existence of the Company. The meeting minutes under the preceding paragraph may be produced and distributed in electronic form.

"The entire membership," as used herein, shall be counted as the number of members actually in office at the given time.

Article 7 The members of Committee and of whom be invited to attend the meeting shall be acting without pay. Attendance fee and transportation fee may be paid in accordance with relevant regulations to the Committee members, experts or scholars.

Article 8 No member of the Committee may participate or decide on the matter of the compensation of that member's individual or related parties. However, this restriction shall not apply if any matter relating to the entire Directors.

Article 9 This Charter, and any amendments hereto, shall enter into force after adoption by the Board of Directors.