

Last Update: June, 27, 2023

SAWAI GROUP HOLDINGS

Representative Director, Chairman & President, GCEO & GCOO

Mitsuo Sawai

Contact: Group Sustainability Management Office

General Manager, Fumito Kawai

Securities code: 4887

<https://global.sawaigroup.holdings>

The corporate governance of SAWAI GROUP HOLDINGS Co., Ltd. (the “Company”) is described below.

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

1. Basic Views

In order to achieve sustainable growth and increase corporate value over the medium and long term for the Company, its subsidiaries and affiliates (hereinafter referred to as the "Group") as a whole, the Company has positioned the enhancement of corporate governance as an important management issue in order to build a management system that enables decision-making and business execution that responds appropriately and swiftly to changes in the external environment, and to achieve fair and highly transparent management.

In addition, in order to maintain and improve high ethical standards, the Company, which has a life-related company that provides prescription pharmaceuticals as one of its core group companies, will promote corporate activities in accordance with the Sawai code of conduct and various internal regulations to be followed for various stakeholders under the common corporate philosophy of "Always putting healthier lives first."

(1) Ensuring the rights and equality of shareholders

The Company will strive to improve the environment for the exercise of voting rights and take appropriate measures to ensure that the rights of shareholders are substantially secured, and will also strive to ensure that the rights of minority shareholders and foreign shareholders are substantially equal.

(2) Appropriate collaboration with stakeholders other than shareholders

In order to realize the Group's common corporate philosophy of "Always putting healthier lives first," to achieve sustainable growth and enhance corporate value over the medium to long term, and to contribute to the realization of the Sustainable Development Goals (SDGs) adopted by the United Nations, the Company shall strive to collaborate with not only shareholders but also medical and healthcare professionals, business partners, employees, and other stakeholders including local community. In addition, we will actively fulfill our corporate social responsibility (CSR) in our business processes.

(3) Ensuring appropriate information disclosure and transparency

In accordance with laws and regulations, we will disclose consistent and reliable corporate information to shareholders, investors, and other capital market participants in a timely manner, and strive to ensure that all market participants have equal access to the information we disclose. In addition to financial information, we will actively disclose highly useful information on management strategies, management issues, risks, ESG information, etc., through our website and public relations materials, and strive to disclose appropriate and highly transparent information.

(4) Responsibilities of the Board of Directors

Based on its fiduciary responsibility and accountability to shareholders, the Board of Directors of the Company will strive for "proactive governance" that enables us to respond appropriately to changes in the external environment and to make decisions quickly and decisively, under a management oversight function that balances the "autonomy" of internal directors who are familiar with the businesses of the Group and the "heteronomy" of external directors who are objective and independent from the perspective of the optimal allocation of the Group's overall resources as well as pursuing efficiency and legality in management. In addition, we will strengthen the "defensive functions" expected of Audit & Supervisory Board members by ensuring that they have opportunities to express their opinions appropriately at meetings of the Board of Directors and by fostering a corporate culture that respects free, vigorous and constructive opinions.

(5) Dialogue with shareholders

The President and Representative Director, and the person in charge of information disclosure shall actively participate in

dialogue with shareholders and investors, provide substantial information on management strategies, finances, etc., and strive for two-way constructive communication with shareholders and investors. In addition, the results of the dialogue shall be reported to the Board of Directors, etc., and the opinions of shareholders, etc., shall be actively utilized in the management of the Company.

Reasons for Non-compliance with the Principles of the Corporate Governance Code **【Updated】**

[Supplementary Principle 2.4.1: Ensuring diversity in the promotion to core human resources]

Please refer to our website for our approach to ensuring diversity in the appointment of core human resources, our policies on human resource development and work environment improvement and the status of the implementation of those policies, and our target for the ratio of female managers. We have not set a target for the ratio of mid-career employees in managerial positions, because the majority of our managers are mid-career employees and we believe that we have ensured sufficient diversity in terms of the ratio of mid-career employees in managerial positions. In addition, the Group's main regions of operation are Japan and the U.S. However, we have not set a target for the ratio of non-Japanese managers because the definition of managerial positions differs between our main subsidiaries in Japan and those in the U.S.

<https://global.sawaiigroup.holdings/sustainability/human>

[Supplementary Principle 4.1.3: Succession Planning for the CEO, etc.]

In fiscal 2022, the Nomination, Remuneration and Other Governance Committee deliberated on the overall succession plan for the CEO and other top executives, and developed an outline of the plan. From now on, the committee will formulate a more specific succession plan, including criteria for the selection of candidate for succession and a successor training plan, and propose it to the Board of Directors.

Disclosure Based on the Principles of the Corporate Governance Code **【Updated】**

[Principle 1.4: Strategic Shareholdings]

In order to achieve sustainable growth and enhance corporate value over the medium to long term, the Group may hold listed shares as it deems necessary as part of its management strategy, including stable procurement of raw materials, fund procurement, and business alliances. In principle, the Group does not hold investment shares purely for investment purposes. In addition, we believe that strategic shareholdings can be an effective means of strategic alliances. When the Group holds listed shares, the Board of Directors periodically reviews the rationality of holding major strategic shareholdings in line with the purpose of holding the shares, including the consideration of the cost of capital, and reduces its shareholdings when it judges that such shareholdings are not rational.

In exercising voting rights, we have not established uniform standards for the exercise of voting rights, as the content of each agenda item and its background differ from one another. The Company will exercise its voting rights appropriately after examining each proposal individually to determine whether it will contribute to the sustainable growth and medium- to long-term enhancement of the Group's corporate value by conducting dialogue with the companies in which we hold shares and deepening our understanding of their management policies and the contents of their proposals.

[Principle 1.7: Transactions with related parties]

The Company stipulates in the Regulations of the Board of Directors that the approval of competitive transactions, self-dealing, and transactions with conflicts of interest of directors shall be a matter for resolution, and similarly stipulates that directors who have a special interest in such matters may not participate in voting. In addition, to ensure that the interests of general shareholders are not harmed, transactions between the Company and its major shareholders, etc., are also stipulated as a matter for resolution by the Board of Directors. In addition, the Board of Directors appropriately monitors transactions between related parties in accordance with relevant laws and regulations.

[Principle 2.6: Roles of Corporate Pension Funds as Asset Owners]

The Company has adopted a defined contribution pension plan, and since the employees, who are the beneficiaries of the plan, are responsible for managing their pension funds, we believe that there is no conflict of interest between employees and the Company in managing the pension funds. On the other hand, since the management of pension funds impacts stable asset formation for employees, we have assigned a person in charge of the corporate pension system to the Group's Human Resources Department to provide our employees education and other services. In addition, the person in charge receives reports on the management status from the administrative management institution through interviews once every six months. In selecting investment products, the Company selects financial products with different profit characteristics from those stipulated in the Defined Contribution Pension Plan Law, and notifies and consults with the labor union in advance when adding or changing investment products.

[Principle 3.1: Enhancement of Information Disclosure]

(i) The Company's corporate philosophy, management strategy and management plan (mid-term business plan) are disclosed on the Company's website.

<https://global.sawaiigroup.holdings/about/plan>

(ii) Please refer to "I.1. Basic Views" in this report for the Company's basic views and basic policy regarding the Corporate Governance.

(iii) For the policies and procedures of the Board of Directors of the Company in determining the remuneration of senior management and directors, please refer to "Existence of Policy on Determining Remuneration Amounts and Calculation Methods" in "II.1. Organizational Composition and Operation [Director Remuneration]" of this report.

(iv) The policy of the Board of Directors of the Company in appointing senior management and nominating candidates for directors who will be responsible for the sustainable growth of the Company and the enhancement of its corporate value over the medium to long term is to consider the size, balance and diversity of the Board of Directors as a whole, while fully respecting the advice and recommendations of the Nomination, Remuneration and Other Governance Committee. Decisions are made based on a comprehensive assessment of the extensive experience and expertise appropriate to the position, the business performance, and the high level of insight and character. The procedures for this are stipulated in the "Regulations of the Board of Directors" and the "Regulations of the Nomination, Remuneration and Other Governance Committees. The policy for the dismissal of senior management, including directors, is determined by comprehensively considering the following matters, while fully respecting the advice and recommendations of the Nomination, Remuneration and Other Governance Committee.

- When the requirements for the appointment of senior management are no longer met
- Violations of laws, regulations, the Articles of Incorporation, or other acts that damage the Company's credibility
- Inability to perform duties due to mental or physical loss or other health reasons
- In the event that he or she violates the duty of care of a good manager and causes significant loss to the Company.

These procedures are also stipulated in the "Regulations of the Board of Directors" and the "Regulations of the Nomination, Remuneration and Other Governance Committee."

The policy for nominating candidates for Audit & Supervisory Board members is determined in accordance with the "Auditing Standards for Audit & Supervisory Board members," which includes ensuring independence from executive officers and maintaining a fair and unbiased attitude. The procedures are set forth in the "Regulations of the Audit & Supervisory Board."

(v) Based on the above (iv), when nominating candidates for directors and Audit & Supervisory Board members, the explanation of each election, dismissal and nomination shall be included in the "Notice of Convocation of General Meeting of Shareholders."

[Supplementary Principle 3.1.3: Initiatives on sustainability]

The Company recognizes that sustainability is one of the most important management issues. We have thus established the Group Sustainability Committee to work together with our Group companies on sustainability. The progress of our sustainability initiatives and ESG data are disclosed on the websites of the Company and Group companies. Moreover, our Mid-Term Business Plan includes investment in human capital and intellectual property. Please refer to "2. Other Matters Concerning to Corporate Governance System" in "V. Other" in this report, as well as our website, for disclosures based on the TCFD recommendations.

<https://global.sawaigroup.holdings/sustainability/tcfd>

[Supplementary Principle 4.1.1: Outline of the scope of delegation to management]

The Board of Directors makes judgments and decisions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as on matters stipulated in the Regulations of the Board of Directors as being of high managerial importance. In light of the fact that an important duty of the Board of Directors is to supervise management, we have adopted an executive officer system and delegate to executive officers the execution of duties in line with decisions made by the Board of Directors. Discussions and decisions on execution policies are made at the Group Strategy Council, which consists of the Chairman (GCEO), Deputy GCEO, President (GCOO), and Executive Officers. For the purpose of efficiency and mobility, the Company executes matters of less than a certain amount of money and deemed less important based on the "Decision-Making Standard List" separately established. In addition, through the development of the Regulations on the Management of Affiliated Companies, we will promote the delegation of authority to each company in the Group to realize prompt and efficient business operations. At the same time, we appoint a supervising officer or an officer in charge for each function of each Group company to provide guidance and supervision to the Group companies, and ensure appropriate supervision by having them regularly report the status to the Board of Directors. In addition, the Company has established the Group Governance Council and other committees that include members from each Group company to share, discuss, and review information, as well as to provide a function for prior deliberation of matters to be resolved or reported to the Board of Directors, thereby strengthening the management supervision system for the entire Group.

[Principle 4.9: Criteria for determining the independence of independent external directors and their qualifications]

The Company has appointed two independent external directors who satisfy the requirements for external directors stipulated in the Companies Act and the independence standards stipulated by the Tokyo Stock Exchange, and who are capable of providing advice and making judgments that contribute to the sustainable growth and medium- to long-term enhancement of the Company's corporate value from an objective perspective. These two independent external directors serve as key members of the Nomination, Remuneration and Other Governance Committee, which was established to improve the independence, objectivity and transparency of the functions of the Board of Directors and to strengthen accountability, and have been appointed as external directors to provide appropriate involvement and advice in the consideration of important matters related to the Company's governance. In addition, Mr. Masatoshi Ohara has been appointed as the leading independent external director by mutual election of the external directors. The leading independent external director plays a leading role in strengthening the supervisory function by holding regular meetings with the external directors and the Audit & Supervisory Board members to promote cooperation, and by communicating and coordinating with directors other than the external directors (including representative directors).

[Supplementary Principle 4.10.1: Independent Nomination and Remuneration Committees]

Please refer to "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report for the voluntarily established committees that deliberate on important governance matters, such as nomination and remuneration, and their members.

[Supplementary Principle 4.11.1: View on the balance of composition, diversity and size of the Board of Directors]

The maximum number of members of the Board of Directors of the Company has been set at twelve (12) from the viewpoints of the size of the Company and the realization of substantive discussions and exchange of opinions. Currently, the Company's Board of Directors consists of six directors, two of whom are independent external directors. Please refer to the description concerning Principle 3.1 (iv) in this report for our view on the balance between all members of the Board of Directors in terms of their fields of knowledge, experience, and ability, and its overall diversity, as well as our policy and procedure for the appointment of Directors. As an independent external director with management experience at other companies, the Company has appointed Mr. Masayuki Mitsuka. A skills matrix listing the knowledge, experience, and ability of each director is included in the Notice of Convocation of the General Meeting of Shareholders and other documents.

<https://global.sawai.co.jp/upload/pdf/irreport2023060200203.pdf>

[Supplementary Principle 4.11.2: Status of concurrent positions held by directors and Audit & Supervisory Board members]

In order to ensure that the Company's directors and Audit & Supervisory Board members are able to appropriately fulfill their roles and responsibilities, concurrently serving as officers of other companies is limited to a reasonable extent. The status of concurrent positions of directors and Audit & Supervisory Board members at other companies will be described in the "Notice of Convocation of the General Meeting of Shareholders."

[Supplementary Principle 4.11.3: Analysis and Evaluation of the Effectiveness of the Board of Directors]

It is the Company's policy to analyze and evaluate the effectiveness of the Board of Directors on a regular basis and to make improvements as necessary. Below is a summary of the results of the evaluation of the effectiveness of the Board of Directors in fiscal 2022.

<Evaluation method>

- We adopted a self-evaluation method based on a questionnaire survey of Directors and Audit & Supervisory Board members.
- Specifically, we evaluated the current status of the Company according to the required standards for listed companies in the TSE Prime Market concerning the 14 principles and 23 supplementary principles stipulated in Chapter 4 "Responsibilities of the Board" of the Corporate Governance Code.
- We also used the Company's governance rating score provided by an external rating agency for analysis and evaluation.
- The Board of Directors meeting on May 22, 2023 discussed the evaluation results based on materials compiled by the Corporate Secretariat.

<Improvement measures implemented in fiscal 2022 in response to issues pointed out in the fiscal 2021 evaluation>

- Nominating candidates for external directors with management experience
- Considering increasing the number of external directors (resulting in external directors accounting for 50% of the Board of Directors)
- Formulating the outline of a succession plan for the CEO and other top executives

<Main standards for Prime Market-listed companies that the Company was recognized as complying with>

- Extending the time for deliberations, holding Board meetings with appropriate frequency, and distributing materials in advance
- Collecting information and obtaining understanding through the External Board members Liaison Committee
- Receiving timely and appropriate reports from the Group Internal Inspection Office and various committees
- Ensuring free and open discussions at Board meetings
- Ensuring the full functioning of the Nomination, Remuneration and Other Governance Committee
- Having in place a favorable environment to obtain necessary governance information

<Main standards for Prime Market-listed companies that the Company was recognized as not complying with>

- Having external directors account for more than 50% of the Board of Directors
- Further enhancing discussions on management strategies and plans
- Ensuring full discussion on the relationship between the vision for human capital and human resource development on one side and management strategies on the other
- Further strengthening relationships with stakeholders

Based on the results of this evaluation, in fiscal 2023, we will work to achieve improvements in the following three items in the process of devising measures to achieve management that is conscious of cost of capital and stock price.

- 1) Further enhancing discussions on management strategies and plans
- 2) Ensuring full discussion on the relationship between the vision for human capital and human resource development on one side and management strategies on the other
- 3) Further strengthening relationships with stakeholders

[Supplementary Principle 4.14.2: Training Policy for Directors and Audit & Supervisory Board members]

The Company will proactively provide directors and Audit & Supervisory Board members with a variety of information, including the current status of the Company's business and finances, so that they can appropriately fulfill their expected roles and responsibilities. The Company will also provide information on various systems and rules related to the industry and governance, as well as opportunities for training, etc., as necessary.

[Principle 5.1: Policy on constructive dialogue with shareholders]

For the Company's basic policy on dialogue with shareholders, please refer to "I.1. Basic Views (5) Dialogue with Shareholders" in this report.

The department in charge of IR will respond to the requests of shareholders and investors for dialogue (interviews). In addition, senior management, Directors, or Audit & Supervisory Board members will respond positively to those requests as long as their schedules permit. In the case of a schedule conflict, inquiries made by email or phone will be responded to by the department in charge of IR in spoken or written form, while the main concerns of shareholders will be responded to on our website or in written form. Our policy on the establishment of systems and initiatives to promote constructive dialogue with shareholders and investors is as follows.

- (i) The Company has notified the Tokyo Stock Exchange of the name of Yasushi Kora, General Manager of the Corporate Communication Department, as the person responsible for handling information.
- (ii) The Company has established the Corporate Communication Department, which reports directly to the President and CEO, as the point of contact for dialogue, and has established a system for cooperation with the Group Finance Department, the Group General Affairs Department, the Group Sustainability Management Office, etc., to ensure constructive dialogue.
- (iii) In addition to briefings for analysts and investors, the Company prepares easy-to-understand IR materials, including English versions, and posts them on our website from the perspective of ensuring equality and fairness to shareholders as much as possible.
- (iv) The PR & IR Group compiles the opinions and concerns identified in dialogue with shareholders and investors, and regularly provides feedback to management.
- (v) The Company has established Regulations on Insider Trading Management, which are disseminated internally to ensure thorough management of insider information. In addition, we take all possible measures to manage important information by limiting the number of persons who handle important information to a minimum extent, and we have a system in place to ensure that insider information is not leaked to external parties through thorough multi-person interaction during dialogue and mutual monitoring.

In our dialogue with shareholders and investors, their main concerns are often the drug pricing system, market trends, our U.S. business and new businesses, which are all related to the cost of capital. The details of our dialogue with shareholders and investors, including their opinions, are reported to management by the department in charge of IR, to be referred to in management discussions at the meetings of the Board of Directors, the Group Strategy Council, etc. as needed. At its meeting on April 24, 2023, the Board of Directors of the Company confirmed the notice "Action to Implement Management that is Conscious of Cost of Capital and Stock Price" issued by the Tokyo Stock Exchange on March 31, 2023. We will launch a project to devise necessary measures so that we will be able to disclose them as soon as possible.

Also, please refer to "V. Other – 2. Other Matters Concerning to Corporate Governance System" for our system for facilitating constructive dialogue with shareholders and investors.

2. Capital Structure

Foreign Shareholding Ratio	30% or more
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Status of Major Shareholders

[Updated]

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	6,463,800	14.76
Custody Bank of Japan, Ltd. (Trust account)	2,841,000	6.48
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2,407,800	5.49
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	1,385,825	3.16
Mitsuo Sawai	1,057,200	2.41

Sawaken Co., Ltd.	994,000	2.26
Kenzo Sawai	854,000	1.95
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	809,600	1.84
Sumitomo Mitsui Banking Corporation	650,000	1.48
Sawai Mitsuo Co., Ltd.	645,000	1.47

Name of Controlling Shareholder, if applicable
(excluding Parent Company) —

Name of Parent Company, if applicable —

Supplementary Explanation

【Updated】

(Note)

- The data given in the “Status of Major Shareholders” table above are as of March 31, 2023.
- With respect to the shares of Mr. Kenzo Sawai, a trust agreement has been concluded for the purpose of managing the shares. The name on the shareholders' register is "Trustee for Specified Securities, SMBC Trust Bank, Ltd. Other information is as stated in the shareholders' register.
- The number of shares related to trust business among the above number of shares held is as follows.
The Master Trust Bank of Japan, Ltd. (Trust Account) 6,463,800 shares
Custody Bank of Japan, Ltd. (Trust Account) 2,841,000 shares
- Although the Large Shareholding Report dated December 26, 2022 indicates that Sumitomo Mitsui Trust Asset Management Co., LTD and Nikko Asset Management Co., Ltd own 2,195,000 shares in Sawai Group Holdings Co., Ltd., 5.01% of all shares, as of November 30, 2022, we cannot verify the actual number of shares held as of March 31, 2023. Therefore, Sumitomo Mitsui Trust Asset Management Co., LTD and Nikko Asset Management Co., Ltd are not included in the above list “Status of Major Shareholders.”
- Although the Large Shareholding Report (Amendment Report No.6) dated March 10, 2023 indicates that Silchester International Investors LLP owns 4,936,800 shares in Sawai Group Holdings Co., Ltd., 11.27% of all shares, as of March 9, 2023, we cannot verify the actual number of shares held as of March 31, 2023. Therefore, Silchester International Investors LLP is not included in the above list “Status of Major Shareholders.”
- In addition to the above, Sawai Group Holdings Co., Ltd. owns 336 shares in itself.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Pharmaceuticals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Fewer than 10

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which May have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board*
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*Referred to in the Corporate Governance Code reference translation as "Company with *Kansayaku* Board"

Directors

【Updated】

Number of Directors Stipulated in Articles of Incorporation	12 Directors
Directors' Term of Office Stipulated in Articles of Incorporation	1 Year
Chairperson of the Board	President
Number of Directors	6 Directors
Election of External Directors	Elected
Number of External Directors	3 External Directors
Number of Independent Directors	3 External Directors

External Directors' Relationship with the Company (1)

【Updated】

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masatoshi Ohara	Lawyer											
Nawomi Todo	Other											
Masayuki Mitsuka	From another company											

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- a. Person who executes business of the Company or a subsidiary
- b. Person who executes business or a non-executive director of a parent company
- c. Person who executes business of a fellow subsidiary
- d. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- e. Major client of the Company or a person who executes business for such client
- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- k. Other

External Directors' Relationship with the Company (2)

【Updated】

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Masatoshi Ohara	Applicable	<p>Partner of KIKKAWA LAW OFFICES</p> <p>External Audit & Supervisory Board member of SHIBUYA CORPORATION</p>	<p>Except for his service as an external director of SAWAI PHARMACEUTICAL, Mr. Masatoshi Ohara is not, and has never been, an officer or employee of the Company's group, a major shareholder or investor, a major business partner, a consultant, an accounting expert or a legal expert who receives a large amount of money or other assets, nor is he from any of them, nor is he a close relative of any of them, and is not thought to pose a risk of conflict of interest.</p> <p>In addition, he has a wide range of legal knowledge through his activities as an attorney and has experience as an external director of other companies. Therefore, we believe that he can be expected to provide useful advice and judgment from an independent standpoint, which will strengthen the supervisory function of the Board of Directors and improve transparency.</p> <p>He attended all 13 Board of Directors meetings held between April 2022 and March 2023. At every meeting, as an external director, he asked questions about reports and resolutions and shared his views from an external standpoint. In consideration of the above, he has been appointed as an external director and Independent Officer of the Company.</p>
Nawomi Todo	Applicable	Staff Doctor at Osaka University Hospital, etc. Staff Doctor at	Except for her service as an external director of SAWAI

		<p>Osaka-tetsusyou Health Insurance Society</p> <p>Obtained Certified Occupational Physician Qualification of Japan Medical Association</p>	<p>PHARMACEUTICAL, Ms. Nawomi Todo is not currently or has never been an officer or employee of the Company's group, a major shareholder or investor, a major business partner, a consultant, an accounting expert or a legal expert who receives a large amount of money or other assets, nor is she from any of them, nor is she a close relative of any of them, and is not thought to pose a risk of conflict of interest.</p> <p>In addition, as she has extensive expertise, experience, etc., as a physician, we believe that she can be expected to provide useful advice and judgment from an independent standpoint, which will strengthen the supervisory function of the Board of Directors and improve transparency.</p> <p>She attended all 13 Board of Directors meetings held between April 2022 and March 2023. At every meeting, as an external director, she asked questions about reports and resolutions and shared his views from an external standpoint. In consideration of the above, she has been appointed as an external director and Independent Officer of the Company.</p>
Masayuki Mitsuka	Applicable	—	<p>Mr. Masayuki Mitsuka is not, and has never been, an officer or employee of the Company's group, a major shareholder or investor, a major business partner, a consultant, an accounting expert or a legal expert who receives a large amount of money or other assets, nor is he from any of them, nor is he a close relative of any of them, and is not thought to pose a risk of conflict of interest.</p> <p>In addition, as a former top executive of a leading manufacturer and distributor of ethical pharmaceuticals in Japan, he has a wealth of expertise and experience. Therefore, we believe that he can be expected to provide useful advice and judgment from an independent standpoint, which will strengthen the supervisory function of the Board of Directors and improve its transparency. In consideration of the above, he has been appointed as an</p>

			external director and Independent Officer of the Company. Since he was appointed at the General Meeting of Shareholders held in June 2023, his attendance at the Board of Directors meetings held between April 2022 and March 2023 is not taken into consideration here.
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson) **【Updated】**

	Committee's Name	All Members	Full-time Members	Inside Directors	External Directors	External Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Governance Committee on Nomination and Remuneration	4 people	—	1 person	3 people	—	—	External Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Governance Committee on Nomination and Remuneration	4 people	—	1 person	3 people	—	—	External Director

Supplementary Explanation **【Updated】**

Our Nomination, Remuneration and Other Governance Committee serves as both a Nominating Committee and a Remuneration Committee, and its members are composed of directors selected by a resolution of the Board of Directors. The Committee is chaired by Mr. Masatoshi Ohara, the leading independent external director, who is elected by the members of the Committee in accordance with the internal rules. It is also a requirement that any member who has a special interest in the matters to be discussed by the Committee may not participate in its resolutions.

Resolutions of the Committee are adopted by a majority of the members present at the meeting, with a majority of the members eligible to participate in the resolution. The Committee deliberates from various perspectives, including those of gender equality, diversity and skill, mainly on the appointment and dismissal of senior management members, the selection and dismissal of the CEO and other top management members, the planning of succession to the CEO and other top management members, and remuneration for senior management and executive officers, as well as the basic policies, rules, and procedures regarding these matters. The results of these deliberations are reported to the Board of Directors. It is also stipulated that the Board of Directors shall fully respect the advice and recommendations received from the Committee.

In fiscal 2022, the committee met eight times, and the attendance rate of the three members, excluding one appointed after the General Meeting of Shareholders held in June 2023, was 100%.

Audit and Supervisory Board Member*

*Referred to in Corporate Governance Code reference translation as "kansayaku"

Establishment of Audit and Supervisory Board

Established

Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	5 Audit & Supervisory Board Members
Number of Audit and Supervisory Board Members	3 Audit & Supervisory Board Members

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

We have established the Regulations of the Board of Audit & Supervisory Board, the Auditing Standards for Audit & Supervisory Board members, and the Regulations of Internal Audit, and are working to strengthen the functions of Audit & Supervisory Board through cooperation with the Board of Audit & Supervisory Board, the Group Internal Inspection Office, and the Accounting Auditor.

Full-time Audit & Supervisory Board member serves as the chairman of the Board of Audit & Supervisory Board, attends meetings of the Board of Directors, the Group Strategy Council and other important meetings, inspects important approval documents, etc., investigates the status of operations and assets at the head office and major business offices, and reports to the Board of Audit & Supervisory Board to share information, collaborates and cooperates with external Audit & Supervisory Board members. In addition, the full-time Audit & Supervisory Board members regularly have opportunities to communicate with Representative Directors, and exchange information with the directors of subsidiaries and receive reports on their businesses. In addition, Mr. Tadao Tsubokura, a full-time Audit & Supervisory Board member, was in charge of the Controller Department and General Affairs Department of SAWAI PHARMACEUTICAL, a core company of the Group. Full-time Audit & Supervisory Board members and the General Manager of the Group Internal Inspection Office exchange information on the status of development and operation of internal control, business audit, theme audit, etc., based on the "Cabinet Office Order on the Systems for Ensuring the Adequacy of Documents on Financial Calculation and Other Information." In addition, the internal audit reports prepared by the Group Internal Inspection Office are circulated to the full-time Audit & Supervisory Board members, and the contents are reported to the Board of Audit & Supervisory Board by the full-time Audit & Supervisory Board members. In addition, members of the Group Internal Inspection Office assist the Audit & Supervisory Board members in some of their administrative work to strengthen the Audit & Supervisory Board's functions so that they can concentrate on auditing. In this case, such assistants will be independent from the direction and supervision of the directors and will perform their duties under the supervision of the Audit & Supervisory Board members.

We will strive to improve audit efficiency by dividing the roles of the Audit & Supervisory Board members and the accounting auditors into two groups: the Audit & Supervisory Board members will mainly conduct operational audits (auditing the status of the development and operation of the "system to ensure the appropriateness of operations") and the accounting auditors will mainly conduct accounting audits. In addition, the Audit & Supervisory Board members regularly receive explanations of the basic audit plan and reports on the audit summary, and collaborate or cooperate with the accounting auditors in the evaluation of internal controls, on-site inventories, and attendance at other on-site inspections. In addition, the Audit Division (the Audit & Supervisory Board, the Group Internal Inspection Office, and the accounting auditor) conducts audits of business sites, etc., to ensure the effectiveness of audits and to ensure thoroughness throughout the Company.

Each audit division collects information and exchanges opinions with each division that promotes internal control to evaluate the status of development and operation of internal control, and strives to improve the level of internal control by reporting to the Internal Control Committee and recommending opinions as necessary.

Appointment of External Audit and Supervisory Board Members	Appointed
Number of External Audit and Supervisory Board Members	2 Audit & Supervisory Board Members
Number of Independent Audit and Supervisory Board Members	2 Audit & Supervisory Board Members

External Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takanobu Tomohiro	Lawyer													

Junichi Hirano	Tax Accountant																		
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*Categories for “Relationship with the Company”.

(Use “○” when the director presently falls or has recently fallen under the category; “△” when the director fell under the category in the past; “●” when a close relative of the director presently falls or has recently fallen under the category; and “▲” when a close relative of the director fell under the category in the past.)

- a. Person who executes business of the Company or a subsidiary
- b. A non-executive director or an accounting advisor of the Company or its subsidiaries
- c. Person who executes business or a non-executive director of a parent company
- d. An Audit and Supervisory Board Member of a parent company of the Company
- e. Person who executes business of a fellow subsidiary
- f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- g. Major client of the Company or a person who executes business for such client
- h. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- j. Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- m. Other

External Audit and Supervisory Board Members’ Relationship with the Company (2)

【Updated】

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Takanobu Tomohiro	Applicable	Partner of Kobe-Kaito Law Office External Director of Kyokuto Kaihatsu Kogyo Co., Ltd.	Mr. Takanobu Tomohiro, except for his term of office as an external Audit & Supervisory Board member of SAWAI PHARMACEUTICAL, is not currently or has not been an officer or employee of the Company's group, a major shareholder or investor, a major business partner, a consultant, an accounting expert or a legal expert who receives a large amount of money or other assets, nor is he from any of them, nor is he a close relative of any of them, and is not thought to pose a risk of conflict of interest. In addition, as a partner of a law firm, he has extensive legal expertise and experience in office management through his activities as an attorney. Therefore, we believe that he can provide useful advice and audits from an independent standpoint and can appropriately perform his role as an external Audit & Supervisory Board member. He attended all 13 Audit & Supervisory Board meetings and all 13 Board of Directors meetings held between April 2022 and March 2023. At every meeting, as an external director, he asked questions about

			<p>reports and resolutions and shared his views from an external standpoint.</p> <p>In consideration of the above, he has been appointed as an external Audit & Supervisory Board member and Independent Officer of the Company.</p>
Junichi Hirano	Applicable	<p>Representative of Hirano Junichi Tax Accounting Office</p> <p>External Audit & Supervisory Board member of MIWA CORPORATION</p>	<p>Mr. Junichi Hirano, except for his service as an external Auditor of SAWAI PHARMACEUTICAL, Mr. Junichi Hirano is not currently or has not been an officer or employee of the Company's group, a major shareholder or investor, a major business partner, a consultant receiving a large amount of money or other assets, an accounting expert or a legal expert who receives a large amount of money or other assets, nor is he from any of them, nor is he a close relative of any of them, and is not thought to pose a risk of conflict of interest.</p> <p>He also has considerable knowledge of taxation, finance and accounting through his activities as a tax accountant with his own tax accounting office and his previous positions at the National Tax Agency and as head of several tax offices, as well as his experience as an external Audit & Supervisory Board member of other companies. He is expected to provide useful advice and auditing from an independent standpoint, and we believe that he will be able to appropriately perform his role as an external Audit & Supervisory Board member.</p> <p>He attended all 13 Audit & Supervisory Board meetings and all 13 Board of Directors meetings held between April 2022 and March 2023. At every meeting, as an external director, he asked questions about reports and resolutions and shared his views from an external standpoint.</p> <p>In consideration of the above, he has been appointed as an external Audit & Supervisory Board member and Independent Officer of the Company.</p>

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

[Updated]

Number of Independent Directors and Independent Audit and Supervisory Board Members	5 people (3 Directors and 2 Audit & Supervisory Board Members)
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Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

All external officers of the Company meet the qualifications for Independent Officers, and all have been designated as Independent Officers.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors	Introduction of Performance-linked Remuneration Scheme / Introduction of Stock Options Scheme
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Supplementary Explanation for Applicable Items

The following is a summary of the remuneration for directors.

The Company's remuneration for directors (excluding external directors) shall consist of basic remuneration (fixed remuneration), performance-linked remuneration (bonuses), and stock options (stock acquisition rights) as medium- to long-term incentives. External directors are paid only fixed remuneration.

- The ratio of basic remuneration to performance-linked remuneration shall be approximately 3:1.
- Stock options shall be based on the position and years of service, and shall be at least 10% of total remuneration in accordance with the internal rules separately established.
- The Company shall adopt two types of indices for performance-linked remuneration: performance evaluation indices and department evaluation indices.
- As performance evaluation indices, the Company shall use "core operating profit before investment expenses," which is before deducting investment expenses such as R&D expenses from "core operating profit," which excludes the profit and loss from non-recurring factors determined by the Group, as a base.
- Department evaluation indices mean the evaluation indices for each director are consistent with the Company's annual targets, and are based on the degree of achievement of annual targets in the area of responsibility.
- Only the performance evaluation indices shall be applied to the representative directors, and the calculation of remuneration for other directors with departments in charge shall be determined after the end of each fiscal year in accordance with the calculation rules established in advance in the bylaws according to the degree of achievement of these two indexes according to their positions.
- The determination of the amount of performance-linked remuneration shall be based on the standard amount predetermined for each position, and shall be calculated in principle according to the predetermined calculation formula in accordance with the degree of achievement of the above performance evaluation indices. However, for directors who have departments in charge, the amount shall be determined by taking into consideration both the performance evaluation indices and the degree of achievement of the evaluation target of the department in charge.
- The amount of remuneration, etc., for each position shall be determined based on the standard amount of remuneration for each position in the Company, while referring to data from research organizations regarding remuneration for directors of listed companies. In addition, the remuneration system shall be such that the standard amount of the total amount and the composition of the total amount as a whole shall be in line with the following: (i) incentives for executives that contribute to the medium- to long-term and sustainable enhancement of the Company's corporate value, (ii) the ability to secure excellent human resources as the Company's management team, and (iii) the suppression of excessive risk-taking.

The reason for adopting the above indices is that the Company judged that the performance evaluation indices would more accurately reflect the contribution to the enhancement of corporate value. In addition, with regard to directors who are not representative directors but have departments in charge, we have determined that it is desirable to set evaluation targets for the departments in charge, including qualitative evaluation for each fiscal year, in addition to quantitative evaluation items, and to evaluate the degree of achievement of these targets as well. This qualitative evaluation includes initiatives related to ESG such as risk management and compliance. This policy on remuneration calculation was determined by the Board of Directors based on a proposal for the policy and a report of the deliberations of the Nomination, Remuneration and Other Governance Committee, a majority of which is constituted by external directors, on matters related to directors' remuneration.

Persons Eligible for Stock Options

Inside Directors / Other

Supplementary Explanation for Applicable Items

The purpose of granting stock options is to enable the Company's directors (excluding external directors) and corporate officers to share the benefits and risks of stock price fluctuations with shareholders, thereby further promoting shareholder-oriented management and further increasing their motivation and morale to contribute to the medium- to long-term enhancement of corporate value.

The details of stock acquisition rights granted to our directors (excluding external directors) as stock options are as follows.

1. Type and number of shares covered by the stock acquisition rights

The type of shares covered by the stock acquisition rights shall be common shares in the Company. The total number of shares that holders of stock acquisition rights can acquire by exercising the rights allotted to them within one year from the day of each business year's ordinary General Meeting of Shareholders shall be up to 60,000.

The number of shares covered by each stock acquisition right (hereinafter referred to as "Granted Shares") shall be 200. If the number of granted shares is adjusted, the maximum number of shares that the holders of stock acquisition rights can acquire shall be the number obtained by multiplying the number of granted shares after adjustment by the maximum number of stock acquisition rights set forth in paragraph 2 below.

2. Number of stock acquisition rights

The maximum number of stock acquisition rights to be allotted to directors (excluding external directors) within one year from the day of each business year's ordinary General Meeting of Shareholders shall be 300.

3. Amount of money to be paid for stock acquisition rights

The amount of money to be paid per stock acquisition right shall be determined by the Board of Directors on the basis of the fair value of the stock acquisition rights calculated upon the allotment of the stock acquisition rights by a fair calculation method, such as the Black-Scholes Model.

4. Value of assets to be contributed at the time of exercise of the rights

Holders of stock acquisition rights shall be charged ¥1 for their acquisition of one share through the exercise of each of those rights. Therefore, the value of assets to be contributed upon the exercise of each stock acquisition right shall be the amount obtained by multiplying the amount of the exercise charge per share (¥1) by the number of granted shares.

5. Conditions for the exercise of stock acquisition rights

Holders of stock acquisition rights shall be entitled to exercise stock acquisition rights from the day after they lose all their statuses as director and corporate officer of the Company or its subsidiaries. The conditions for them to exercise their stock acquisition rights shall be determined by the Board of Directors.

6. Other Matters

Other matters relating to stock acquisition rights shall be determined by a resolution of the Board of Directors.

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items

【Updated】

In fiscal 2022 (April 2022 to March 2023), remuneration for four directors (excluding two external directors) totaled ¥292 million. The total comprises fixed remuneration of ¥153 million, performance-linked remuneration of ¥55 million, and stock options worth ¥84 million.

Remuneration for four external Board Members (two external directors and two external Audit & Supervisory Board members) totaled ¥30 million, while remuneration for an Audit & Supervisory Board member (who is not an external Audit & Supervisory Board member) was ¥17 million.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

The remuneration for directors (excluding external directors) consists of basic remuneration (fixed remuneration), performance-linked remuneration (bonuses), and stock options (stock acquisition rights) as medium- to long-term incentives.

The amount of performance-linked remuneration for each director is determined by holding the Nomination, Remuneration and Other Governance Committee, which evaluates the performance of each director (excluding external directors), deliberates on the payment of bonuses as performance-linked remuneration reflecting the results of the evaluation and performance, and reports the results of the deliberation to the Board of Directors for final decision.

The maximum annual amount of remuneration for directors is defined as ¥670 million (and ¥100 million for external directors). (This amount does not include the amount of salaries to be paid to directors who are concurrently the Company's employees for their status as employee.) Stock acquisition rights (up to ¥100 million per annum) will be allotted as stock options to directors (excluding external directors). For an outline, please refer to the "Supplementary Explanation of Incentives" in this report.

The maximum amount of remuneration for Audit & Supervisory Board members shall be within 50 million yen per year. The Company has established a policy to review the overall design of the system, including the amount of remuneration for directors, every three years in principle, comprehensively taking into consideration market trends regarding remuneration for directors, the Company's performance trends, price trends and other factors.

Support System for External Directors and/or External Audit and Supervisory Board Members

[Support system for external directors]

In the event that external directors require expenses for research or other purposes in the performance of their duties, they are granted the right to claim such expenses from the Company within a reasonable range, and in addition, some members of the Group General Affairs Department assist the external directors in their administrative work so that they can concentrate on their duties, thereby sharing information with them and strengthening the supervisory function of the external directors.

[Support system for external Audit & Supervisory Members]

The Company has established a system to ensure that the auditing work of each external Audit & Supervisory Board member is efficient, such as having full-time Audit & Supervisory Board members serve as the contact point between the Audit & Supervisory Board, the Board of Directors and the accounting auditor, as well as reporting from relevant internal departments and communicating information to the relevant departments via the full-time Audit & Supervisory Board member. The Company has adopted a system under which full-time Audit & Supervisory Board members compile opinions and reports from each external Audit & Supervisory Board member, prepare agenda items for the Audit & Supervisory Board, and otherwise ensure the smooth operation of the Audit & Supervisory Board. In addition, in the event that the external Audit & Supervisory Board members require expenses for research or other purposes in the performance of their audits, they are granted the right to claim such expenses from the Company within a reasonable range, and in addition, some members of the Group Internal Inspection Office assist the external Audit & Supervisory Board members in their administrative work so that they can concentrate on their duties, thereby sharing information with them and strengthening the supervisory and auditing functions of the external Audit & Supervisory Board members.

[Other]

The External Board members Liaison Committee, consisting of the external directors, external Audit & Supervisory Board members, and full-time Audit & Supervisory Board member, is held periodically, in principle once a month, to exchange opinions and information. In addition, the Corporate Secretariat of the Board of Directors (Group Sustainability Management Office) sends materials in advance to all participants in the Board of Directors meetings, including external directors and external Audit & Supervisory Board members, and provides them with prior explanations as necessary in order to enhance the quality of deliberations at the Board of Directors meetings.

Statuses of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions (*Sodanyaku, Komon*, etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president/ CEO ended	Term
Hiroyuki Sawai	Saikokomon of the Company	To advise the Board of Directors on important matters	[Working style] Part-time [Remuneration] Yes	June 23, 2020	The term of office is one year in principle,

		concerning the management of the Company or to express opinions voluntarily.			however, it may be renewed as necessary.
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Number of Persons Holding Advisory Positions (*Sodanyaku, Komon, etc.*)

1 person

After Retiring as Representative Director and President, etc.

Other Related Matters

Mr. Hiroyuki Sawai, Saikokomon of the Company has made significant contributions to the development of the SAWAI PHARMACEUTICAL, the core subsidiary company of the Company's group, in April 1963 since he joined it. He also provides advice or expresses his opinions voluntarily at the request of the Company's management, utilizing his extensive knowledge of the generic drug industry. However, he does not have the authority to make decisions of the Company at the Board of Directors meetings of the Company and SAWAI PHARMACEUTICAL, the Group Strategy Council and other meetings.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) **【Updated】**

The corporate governance of the Company consists of six (6) directors (including three (3) external directors) and three (3) Audit & Supervisory Board members (including two (2) external Audit & Supervisory Board members), and the Company has adopted a company system with a Board of Audit & Supervisory Board members. In addition, the Company has adopted a corporate officer system to separate the management decision-making function from the business execution function, to strengthen and improve the efficiency of the business execution function based on management strategies, and to clarify the responsibility for business execution.

An overview diagram is shown on the last page of this report.

The Board of Directors is scheduled to meet at least once every three months. In fiscal 2023, the Board of Directors met 13 times, with attendance rates of 100% for all directors (100% for external directors) and 100% for Audit & Supervisory Board members. In addition, the Group Strategy Council, which is held at least once every three months, deliberates on important matters to be submitted to the Board of Directors, discusses and decides the execution policy of matters resolved at the Board of Directors meetings, and manages the progress of each group company's business plan each quarter. In addition, the Group Investment Committee is held as needed to objectively, rationally, and carefully deliberate on important investment projects and annual investment budgets, and the Group Governance Council is held as needed to build, maintain, and improve the governance system of the entire Company's group. In addition, the Group Governance Council comprises several expert committees specializing in risks, compliance, sustainability, and information security. The Board of Directors has established a system for preventing damage to corporate value by regularly receiving reports from each committee and providing directions as needed. All four committees are composed of directors, corporate officers, and staff in managerial or higher positions, with at least two female member participating in each committee.

As for the organization of audits by Audit & Supervisory Board members, three Audit & Supervisory Board members (one full-time Audit & Supervisory Board member and two external Audit & Supervisory Board members) constitute the Audit & Supervisory Board, which performs the duties stipulated in Article 390, Paragraph 2 of the Companies Act. The Audit & Supervisory Board regularly reviews the audit policy and audit plan, status of development and operation of the internal control system, appropriateness of the method and results of the audit by the accounting auditor, audit reports, and development of the audit environment. In fiscal 2022, the Audit & Supervisory Board met 13 times, with an attendance rate of 100% for all its members, including external ones. The Audit & Supervisory Board strives to communicate with the representative directors and external directors by providing opportunities for dialogue on a regular basis, and receives reports from the accounting auditor on audit plans and audit reports, and requests explanations as necessary.

Audit & Supervisory Board members attend meetings of the Board of Directors and express their opinions as necessary from an objective standpoint. In addition, the Audit & Supervisory Board members exchange information with the Group Internal Inspection Office and the accounting auditor, receive investigation reports on the status of audits, and conduct their own investigations and prepare audit reports. In addition, the Company has appointed two substitute Audit & Supervisory Board members (one internal and one external) in case the number of Audit & Supervisory Board members stipulated by laws and regulations becomes vacant. The Company's Articles of Incorporation stipulate that the Company shall have no more than five Audit & Supervisory Board members.

The internal audit organization of the Company is the Group Internal Inspection Office under the direct control of the President

and Representative Director, which is independent of the business execution divisions. The department conducts audits based on the audit plan and audits and evaluates the status of development and operation of the internal control system based on the "Cabinet Office Order on the System for Ensuring the Adequacy of Documents on Financial Calculation and Other Information." The Group Internal Inspection Section reports regularly to the President and Group COO and at least once a year directly to the Board of Directors on the results of audits and evaluations and other information useful for the Board of Directors' fulfillment of its oversight function. We therefore utilize the Group Internal Inspection Section to ensure the Board of Directors' appropriate execution of its oversight duties. The Group Internal Inspection Office has six members.

The Company will strive to demonstrate mobility by activating the Board of Directors, the Audit & Supervisory Board, the Group Strategy Council, and, as well as other various meeting bodies, etc., and will share information by operating joint meetings with subsidiaries of the Group.

The Company's accounting auditor is KPMG AZSA LLC. Accounting audits of our Company—Sawai Pharmaceutical Co. Ltd. before the establishment of Sawai Group Holdings Co., Ltd. and Sawai Group Holdings Co., Ltd. after its establishment—have been conducted during a period of 29 consecutive years. However, since it is extremely difficult to determine how many years audits had been conducted before the audit period stated in the securities registration statement that Sawai Pharmaceutical Co., Ltd. submitted at the same time as its listing, the actual continuous audit period may be longer than 28 years. Two certified public accountants— Ms. Sakurako Otsuki and Mr. Satoshi Suzuki—both of whom are also KPMG AZSA LLC's designated partners with limited liability and managing partners, conducted the latest accounting audit of the Company. They were assisted by 11 certified public accountants and 21 other persons.

The Company's Audit & Supervisory Board members and the Audit & Supervisory Board evaluate the auditing firm, and the evaluation includes the quality control system of the auditing firm, professional ethics, independence and expertise as an accounting auditor, communication with Audit & Supervisory Board members, etc., and appropriateness of audit fees. The reason for the Company's selection of KPMG AZSA LLC as its accounting auditor is that the Company has comprehensively reviewed the size, experience and other aspects of KPMG AZSA LLC, including its ability to perform its duties, independence, and internal control system, and has determined that it is suitable for the position. In particular, the Audit & Supervisory Board believes that the accounting audits of the Company and its overseas consolidated subsidiaries will be effectively and efficiently conducted by the KPMG Group, which belongs to the same network.

When the Audit & Supervisory Board determines that it is necessary to do so, such as when there is a hindrance to the performance of duties by the accounting auditor, the Audit & Supervisory Board decides the details of the proposal for dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders. In addition, if it is deemed that the accounting auditor falls under any of the items stipulated in Article 340, Paragraph 1 of the Companies Act, the accounting auditor shall be dismissed with the unanimous consent of the Audit & Supervisory Board members. In this case, the Audit & Supervisory Board member selected by the Audit & Supervisory Board shall report the dismissal of the accounting auditor and the reasons thereof at the first General Meeting of Shareholders to be convened after the dismissal.

In addition, the Audit & Supervisory Board, based on the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board members Association, has confirmed and reviewed the status of the implementation of the audit by the accounting auditor, the appropriateness of the audit plan and the estimated remuneration, and as a result, agrees to the amount of remuneration for the accounting auditor as stipulated in Article 399, Paragraph 1 of the Companies Act.

With respect to various issues related to corporate management and daily operations, the Company has a system in place whereby the Company receives various advice, etc., from attorneys and other experts as necessary and uses it as a reference in making management decisions, and consults with committees such as the Group Compliance Committee and the Internal Control Committee, depending on the nature of the issue. The committee is chaired by the President and Representative Director, and the relevant directors and corporate officers are designated as committee members.

In addition, for the purpose of ensuring the appropriateness and efficiency of the Company's business operations as a Company's group, the Company ensures that all Group companies including SAWAI PHARMACEUTICAL and Upsher-Smith Laboratories, LLC thoroughly understand the corporate philosophy and management policies common to the Company's group, and provides guidance and advice in the execution of daily business operations. The Company's consolidated subsidiaries are subject to the necessary accounting audits by the Company's accounting auditor as well as periodic audits by the Group Internal Inspection Office. In addition, Audit & Supervisory Board members monitor the execution status of duties by directors in relation to the management of subsidiaries.

The Company, its external directors and Audit & Supervisory Board members have entered into an agreement to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under the said agreement is the amount stipulated by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

[Updated]

We believe that the best way to pursue efficiency and legality in management is to have directors who are familiar with the ethical pharmaceutical industry, which is the core business of the Group, as well as with the internal affairs of the Company, engage in business operations with a high sense of ethics while paying close attention to various areas within the Company. The Company has adopted a company system with a Board of Audit & Supervisory Board members, which enables external directors and the Audit & Supervisory Board members to supervise the management of the Company, because the Company believes it is the most

appropriate system in consideration of the Company's corporate scale and management approach.

We expect external directors and external Audit & Supervisory Board members to provide useful advice, judgment, auditing, and supervision from an independent, external standpoint based on their expertise and experience in law, taxation, accounting, medicine, and corporate management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The Notice of Convocation of the General Meeting of Shareholders held on June 27, 2023 was sent four business days earlier than the statutory deadline for sending the notice of convocation.
Scheduling of the General Shareholders Meeting During Non-Peak Days	We will avoid concentrated days.
Electronic Exercise of Voting Rights	The Company has enabled shareholders who do not attend the General Meeting of shareholders to exercise their voting rights by electromagnetic means. (Voting rights can be exercised via the Internet using smartphones and other devices.)
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in and uses the platform for electronic exercise of voting rights for institutional investors and makes it possible for them to use the platform.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company provides the notice of convocation of the General Meeting of shareholders (summary) in English. https://global.sawai.co.jp/upload/pdf/irreport2023060200203.pdf
Other	The notice of convocation of the Ordinary General Meeting of Shareholders, the notice of resolutions, and the results of the exercise of voting rights are posted on website.

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Company posts it on its website. https://global.sawaigroup.holdings/ir/policy/ir	
Regular Investor Briefings held for Individual Investors	We will hold briefings for individual investors on a regular basis.	Not Held
Regular Investor Briefings held for Analysts and Institutional Investors	We will hold financial results briefings for analysts and institutional investors twice a year, once for the second quarter and once for the full year, as well as conference calls for the first and third quarter results.	Held

Regular Investor Briefings held for Overseas Investors	In addition to participating in IR events held in Japan by securities companies or accepting press coverage, and holding large meetings, small meetings, and responding to individual interviews, the Company will conduct overseas IR on a regular basis.	Held
Online Disclosure of IR Information	We will post securities reports, financial statements and supplementary materials, integrated reports, shareholder newsletters, other IR presentation materials, press releases, and briefing videos.	
Establishment of Department and/or Placement of a Manager in Charge of IR	We have established the PR & IR Group.	
Other	—	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	We have established "Code of Conduct" for each stakeholder based on our Corporate Philosophy. We strive to instill our Corporate Philosophy and Code of Conduct to meet the expectations and trust of our stakeholders. https://global.sawaigroup.holdings/about/philosophy
Implementation of Environmental Preservation Activities and CSR Activities, etc.	In order to prevent global warming, we will implement the Cool Biz and Warm Biz programs, introduce hybrid cars to our sales fleet, change the temperature setting of air conditioners (28 degrees Celsius in summer and 20 degrees Celsius in winter), reduce and turn off lights, introduce LED lighting, and take other energy-saving measures. In addition, we will regularly conduct cleanup activities around our business sites to beautify the local environment. We will also participate in the protection activities (extermination of non-native fish and cleanup of riverbeds) for the Acheilognathus longipinnis (deep body bitterling), which is designated as a national natural treasure and is an endangered species, in order to preserve biodiversity. We have established the Group Sustainability Committee to strengthen our ESG initiatives.
Formulation of Policies, etc. on Provision of Information to Stakeholders	We will establish policies for the provision of information in our Disclosure Policy. https://global.sawaigroup.holdings/ir/policy/ir In addition, the Code of Conduct stipulates that we will strive for constructive dialogue and collaboration with our stakeholders, including timely and appropriate disclosure of financial and non-financial information and environmental communication. Please refer to our corporate website for ESG and sustainability information, including information about the Company's policies on human rights and human resource development. https://global.sawaigroup.holdings/sustainability/human
Other	(Factory tour) As part of our activities to contribute to the local community, we hold factory tours for groups such as students, residents'

associations, PTAs, and medical institutions to show the manufacturing process of high-quality generic drugs produced by SAWAI PHARMACEUTICAL, the core company of the Group.

(Current status regarding the appointment of women as directors)
Ms. Nawomi Todo, an external director, is a woman. The gender composition of officers (directors and Audit & Supervisory Board members) is 8 males and 1 female (11.1% of officers are female).

IV. Matters Concerning the Internal Control System

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

[Updated]

The Company has adopted a resolution at the Board of Directors meeting regarding the "Systems for Ensuring the Appropriateness of Business Activities" as stipulated in the Companies Act and the Enforcement Regulations of the Companies Act. The outline is as follows.

In order to achieve sustainable growth and increase corporate value over the medium to long term, the Company will build a management system that enables decision-making and business execution that responds appropriately and promptly to changes in the external environment. In addition, in order to realize fair and highly transparent management, we will position the enhancement of corporate governance as one of the important management issues, and promote corporate activities based on the Code of Conduct and various internal regulations that we should follow for various stakeholders based on our Corporate Philosophy of "Always putting healthier lives first."

1. Systems to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation
 - i) All officers and employees shall strive to conduct business operations based on the "Group Corporate Philosophy" and the "Group Code of Conduct," and shall ensure compliance with laws, regulations and internal rules.
 - ii) The Company shall establish the Nomination, Remuneration and Other Governance Committee and strive to strengthen the independence, objectivity and accountability of the functions of the Board of Directors.
 - iii) The Company shall establish the Group Compliance Committee, which shall conduct education and enlightenment activities, etc., for officers and employees and strive to raise awareness of compliance throughout the Group.
 - iv) The Company will ensure the proper operation of the "Regulations on Corporate Ethics Helpline" to prevent, detect at an early stage, and correct misconduct caused by violations of laws and regulations.
 - v) The Group Internal Inspection Office, which reports directly to the President, shall conduct internal audits. The Audit & Supervisory Board members shall also audit the execution of duties by the directors.
 - vi) The Company shall strive for the timely and appropriate disclosure of consistent and reliable corporate information, both internally and externally.
2. Systems for the storage and management of information related to the execution of duties by directors
 - i) In accordance with the "Regulations on Document Management," the Company shall properly preserve documents required to be preserved by laws and regulations, minutes of important meetings, approval documents for important matters, important contracts, and other information (including electromagnetic records) related to the execution of duties by directors that should be preserved under the regulations, in accordance with the prescribed preservation period.
 - ii) The Company shall take all possible measures to manage important facts and important information obtained in the course of duties in accordance with the "Regulations on Insider Trading Management" and the "Regulations on Information Security Management," and shall strive to protect specified personal information and personal information in accordance with the "Regulations on Specified Personal Information Protection" and the "Regulations on Personal Information Protection."
 - iii) The Company shall establish a Group Information Security Committee, which will conduct risk analysis based on the threat to or vulnerability of its information assets, implement countermeasures, monitor the progress, and make improvements to ensure the efficient performance of information security management throughout the group.
3. Regulations and other systems for managing the risk of loss
 - i) The Group Risk Management Committee shall be established to oversee risk management, manage and evaluate its progress, and make continuous improvements. In addition, the Company shall identify risks that may have an impact on management and identify important risks, and each department in charge shall take measures against each important risk.
 - ii) To protect the quality and safety of Sawai Group products and services, each Group company shall operate effectively and appropriately in compliance with the Group Quality Policy and the Group Safety Policy.
 - iii) With regard to the management of risks related to emergencies, the Company shall strive to minimize damage and quickly recover business activities in the event of a crisis, based on the Regulations on Crisis Management and the Disaster BCP (Business Continuity Plan).
 - iv) With respect to risks related to financial reporting, the Internal Control Committee shall raise issues and determine

policies, and shall oversee the development and operation of internal controls for each division process owner, while the Group Internal Inspection Office shall evaluate such risks.

- v) In addition to ensuring fair and honest business operations and the elimination of unclear transactions, the Company shall take a resolute stance against antisocial forces and groups that threaten the order and safety of civil society, in cooperation with the police and other relevant administrative agencies and legal advisors.

4. Systems to ensure efficient execution of duties by directors

- i) The Company shall introduce a corporate officer system in order to separate the management decision-making function from the business execution function and to accelerate and streamline decision-making.
- ii) The Board of Directors shall be held at least once every three months, or on an extraordinary basis as necessary, to make decisions on matters stipulated in laws and regulations and the Articles of Incorporation, as well as on important management matters, and to supervise the execution of business. In addition, the Group Strategy Council shall be held at least once every three months to deliberate on execution policies concerning important matters.
- iii) Each department and Group company shall formulate its business plan based on the Group's mid-term business plan, and the progress of these plans shall be managed by the Group Strategy Council, which is composed mainly of directors and corporate officers of the Company.
- iv) The Company shall clarify authority and responsibility by establishing the "Regulations on Division of Duties" and the "Regulations on Administrative Authorities," and shall clarify and expedite the decision-making process by adopting the approval system.
- v) With respect to various management issues, the Company shall receive various advice from attorneys and other experts as necessary and use it as a reference in making management decisions.

5. Systems to ensure the appropriateness of business operations in the Group (corporate group consisting of the Company and its subsidiaries)

- i) The Company shall establish a Group Sustainability Committee, which will submit proposals or reports on initiatives to address sustainability issues to the Group Governance Council or the Board of Directors while deliberating and reporting in response to sustainability-related inquiries made by the Group Governance Council or the Board of Directors.
- ii) To ensure the appropriateness of business operations of the Group while respecting the autonomous and responsible management of subsidiaries, the Company shall ensure that each Group company is thoroughly informed of the Company's "Group Corporate Philosophy" and "Group Code of Conduct." In addition, in accordance with the "Regulations on Group Policy Management," the Company shall strive to develop and operate Group policies that indicate the basic spirit and stance to be complied with, and to foster a sense of unity within the Group.
- iii) With respect to the business management of subsidiaries, the Company shall receive necessary reports from subsidiaries on a regular and timely basis in accordance with the "Regulations on Affiliated Company Management," ascertain their actual business conditions, and provide necessary advice and guidance.
- iv) The Group Internal Inspection Office shall conduct audits of subsidiaries on a regular basis.
- v) The Audit & Supervisory Board members shall endeavor to collect information on subsidiaries and monitor the execution of duties by directors in relation to the management of subsidiaries.

6. Matters concerning employees to assist the Audit & Supervisory Board members in their duties, matters concerning the independence of such employees from the directors, and matters related to ensuring the effectiveness of instructions to such employees

- i) In the event that the Audit & Supervisory Board members request auxiliary employees to assist them, members of the Group Internal Inspection Office shall concurrently serve as such employees.
- ii) The duties of auxiliary employees as instructed by the Audit & Supervisory Board members shall be independent from the chain of command and order of the directors and shall belong to the Audit & Supervisory Board members.
- iii) In cases where it is deemed that the necessary authority of the Audit & Supervisory Board members to direct and order auxiliary employees is unreasonably restricted, the Audit & Supervisory Board members shall make the necessary request to the Board of Directors.

7. Systems for reporting to Audit & Supervisory Board members by directors and employees of the Company and its subsidiaries, and other systems for reporting to Audit & Supervisory Board members, and systems to ensure that directors and employees are not treated unfavorably due to reporting

- i) Audit & Supervisory Board members shall attend important meetings of the Board of Directors and other important meetings in order to ascertain the process of important decision-making and the status of business execution.
- ii) Audit & Supervisory Board members may inspect important documents related to the execution of business and may request explanations from the officers and employees of the Company's Group as necessary.
- iii) If any director discovers any fact that may cause significant damage to the Company, he or she shall immediately report such fact to the Audit & Supervisory Board members.
- iv) Any report of misconduct by a director shall be made by an officer or employee of the Company's group to the Audit & Supervisory Board members, and the informant shall not be treated disadvantageously.

8. Other systems to ensure that audits by Audit & Supervisory Board members are conducted effectively

- i) The Group Internal Inspection Office shall maintain close cooperation with the Audit & Supervisory Board members in order to contribute to efficient audits by the Audit & Supervisory Board members, such as by reporting the plans and results of internal audits to the Audit & Supervisory Board members in a timely manner.
- ii) Audit & Supervisory Board members shall strive to understand the auditing activities of the accounting auditor and

exchange information through regular meetings with the accounting auditor, as well as to improve the efficiency and quality of auditing activities by witnessing audits by the accounting auditor and attending audit reviews.

iii) The Company shall pay promptly upon request any expenses deemed necessary by the Audit & Supervisory Members in the performance of their duties.

The operation of our internal control system in fiscal 2022 is outlined as follows:

1. The Group Governance Council met at the end of the fiscal year to confirm and deliberate on the group's Basic Policy for Ensuring the Appropriateness of Business Activities and other basic policies on governance and the status of their implementation in the fiscal year. The council also submitted reports and proposals to the Board of Directors in April 2023.
2. The Group Risk Management Committee met twice (in June and December) to identify risks that may affect management and important risks among them. In June 2022, the committee had SAWAI PHARMACEUTICAL's Manufacturing Division hold training sessions focusing on risk management at production facilities. In December the same year, the committee had SAWAI PHARMACEUTICAL's Sales Division hold training sessions focusing on risk management in logistics, promotion, etc. In addition, in December 2022, the committee submitted reports on the status of its activities and proposals based on the reports to the Board of Directors.
3. The Group Compliance Committee met four times and conducted induction training and various awareness-raising activities intended for executives in order to instill in them a heightened awareness of compliance and corporate ethics. The committee also held four e-learning training sessions intended for all employees. In addition, in November 2022, the committee submitted reports on the status of its activities and proposals based on the reports to the Board of Directors.
4. The Group Information Security Committee met three times. It also held four e-learning sessions for overall employee education, two employee drills in anticipation of targeted email attacks with full participation, and lectures on cybercrime countermeasures given by external instructors for the education of employees in charge. In addition, the committee had an external organization conduct an information security assessment. The committee also had the Group IT Department obtain information security management system (ISMS) certification as objective proof of appropriate information security management and measures. Moreover, in December 2022, the committee submitted reports on the status of its activities and proposals based on the reports to the Board of Directors.
5. The Group Sustainability Committee met twice (four times including the meetings of SAWAI PHARMACEUTICAL's Sustainability Committee) to discuss materiality and the TCFD recommendations. The committee also provided directions and support for sustainability initiatives implemented by the Global Environment Team, Social Contribution Team, and Governance Team. In addition, in January 2023, the committee submitted reports on the status of its activities and proposals based on the reports to the Board of Directors.
6. The Group Quality Policy and the Group Safety Policy based on the Group Policy have been revised to ensure that quality- and safety-related operations will be carried out effectively and appropriately. The Group complies with the two policies in its operations.
7. Based on the Crisis Management Regulations and Disaster BCPs, we have conducted drills designed for employees to learn how to act in the event of a disaster, including how to confirm whether or not other employees are safe. We have also stockpiled emergency supplies at all our business sites and have replaced old supplies with new ones. In response to the COVID-19 pandemic, in fiscal 2022, the head of the Group Crisis Management HQ issued six notices about changes to the operating policy and other matters, and the Group Crisis Management Bureau issued two notices for warning and other purposes. All these notices were intended for all employees with the aim of preventing infection and the further spread of the pandemic.
8. In consideration of the importance of the impact of internal control on the reliability of financial reporting, we evaluated the Group's internal controls based on an implementation plan we have formulated. In addition, the Internal Control Committee met twice to maintain and improve the level of internal controls.
9. The Board of Directors met thirteen times to determine matters stipulated by laws, regulations, and the Articles of Incorporation, as well as important management-related matters, and to deliberate on those matters from the perspective of compliance with laws and regulations and the appropriateness of business operations. In addition, the Group Strategy Council examined important matters to be proposed for discussions to the Board of Directors, as well as analyzing monthly operating results and devising necessary improvement measures.
10. The Nomination, Remuneration and Other Governance Committee met eight times to discuss matters related to the election and dismissal of directors and remuneration for senior management and corporate officers and to provide advice and recommendations to the Board of Directors.
11. We held meetings with Group companies to ensure their full awareness of our Corporate Philosophy, Code of Conduct, and management policies. In fiscal 2022, we established the Sawai Group Anti-Bribery and Corruption Policy.
12. The Audit & Supervisory Board members attended important meetings, met with the accounting auditors on a regular basis,

collaborated with the Group Internal Inspection Office, and periodically exchanged information with the representative directors and external directors. The Audit & Supervisory Board met thirteen times to decide on audit policies and plans and discuss the improvement and operation of the internal control system.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

(Concept)

We will take a resolute stance against antisocial forces and groups that threaten the order and safety of civil society, in cooperation with the police, other relevant administrative agencies, and attorneys, while ensuring fair and honest business operations and the elimination of questionable transactions.

(Status of system development)

We have established a system to respond to unreasonable demands from antisocial forces by stipulating our approach to the elimination of antisocial forces in our Code of Conduct. The Company also explains its stance to its business partners and requests them to issue a "Memorandum of Understanding for the Elimination of Antisocial Forces" at the time of contract signing or renewal to prevent the Company from transacting with antisocial forces and groups.

In addition, the Company makes efforts to defend itself against antisocial forces by participating in the activities of the Corporate Defense Council and conducting in-house training.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation for Applicable Items

Basic policies regarding persons who control determination of the financial and business policies of the Company

(Basic Policy)

The Company believes that the persons who control determination on the Company's financial and business policies must understand the source of the Company's corporate value and enable the Company to continuously secure and improve its corporate value and, in turn, the common interests of its shareholders.

Since its establishment in 1948, SAWAI PHARMACEUTICAL, the predecessor of the Company and the core company of the Group, has promoted the pharmaceutical business based on the corporate philosophy of "Always putting patients first," and we have been fulfilling our social responsibility as a generic drug manufacturer by continuing to manufacture and sell economical, high-quality pharmaceutical products to meet the expectations of people who seek to live a healthy life. We believe that the source of our corporate value is our management know-how to maintain an unrivaled level of "quality," "stable supply," and "information provision," which are the three most important elements for the Group's core business of generic drug manufacturing and sales, and we have earned the highest level of reputation from medical institutions and distributors, and we launch and sell many new products every year.

The Company does not generally reject large-scale purchases of the Company's shares, etc., as long as they contribute to the corporate value of the Company and the common interests of its shareholders. In addition, we believe that decisions on takeover bids that involve the transfer of control of a stock company should ultimately be made based on the will of the shareholders as a whole.

However, the Company believes that there are many cases that are not considered to contribute to the corporate value of the target company and the common interests of shareholders, such as those that may cause obvious infringement on corporate value and the common interests of shareholders in terms of their purpose, etc., may effectively force shareholders to sell their shares, or those that do not provide sufficient time or information for the target company's board of directors and shareholders to consider the countermeasure for the large-scale acquisition of shares or for the target company's board of directors to propose an alternative plan, and those that require the target company to negotiate with the acquirer in order to obtain more favorable terms than those proposed by the acquirer. Unless the acquirer of our company's shares understands the above-mentioned sources of corporate value and is able to secure and improve them over the medium to long term, our company's corporate value and, in turn, the common interests of our shareholders will be damaged.

In the event that a party intends to conduct a large-scale purchase of the Company's shares, the Company will proactively request information from the party, promptly disclose the opinion of the Board of Directors and the reasons therefor so that the shareholders can make an appropriate decision, and, if necessary, take appropriate measures to the extent permitted by the Companies Act and other applicable laws and regulations.

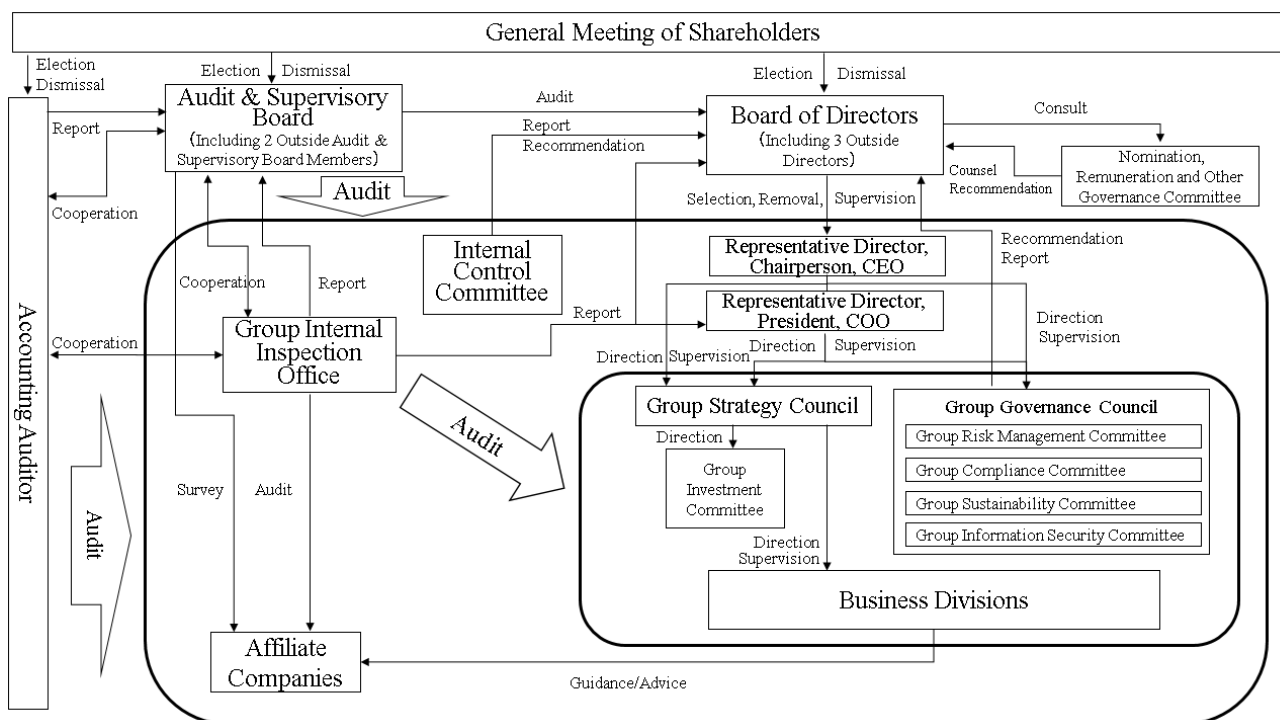
2. Other Matters Concerning the Corporate Governance System

The Company will maintain cooperation among the Board of Audit & Supervisory Board members, the accounting auditor, and the Group Internal Inspection Office, and will work to improve audit quality by enhancing IT-related, account settlement and financial-related expertise and audit skills. In addition, the Company has adopted the following timely disclosure system.

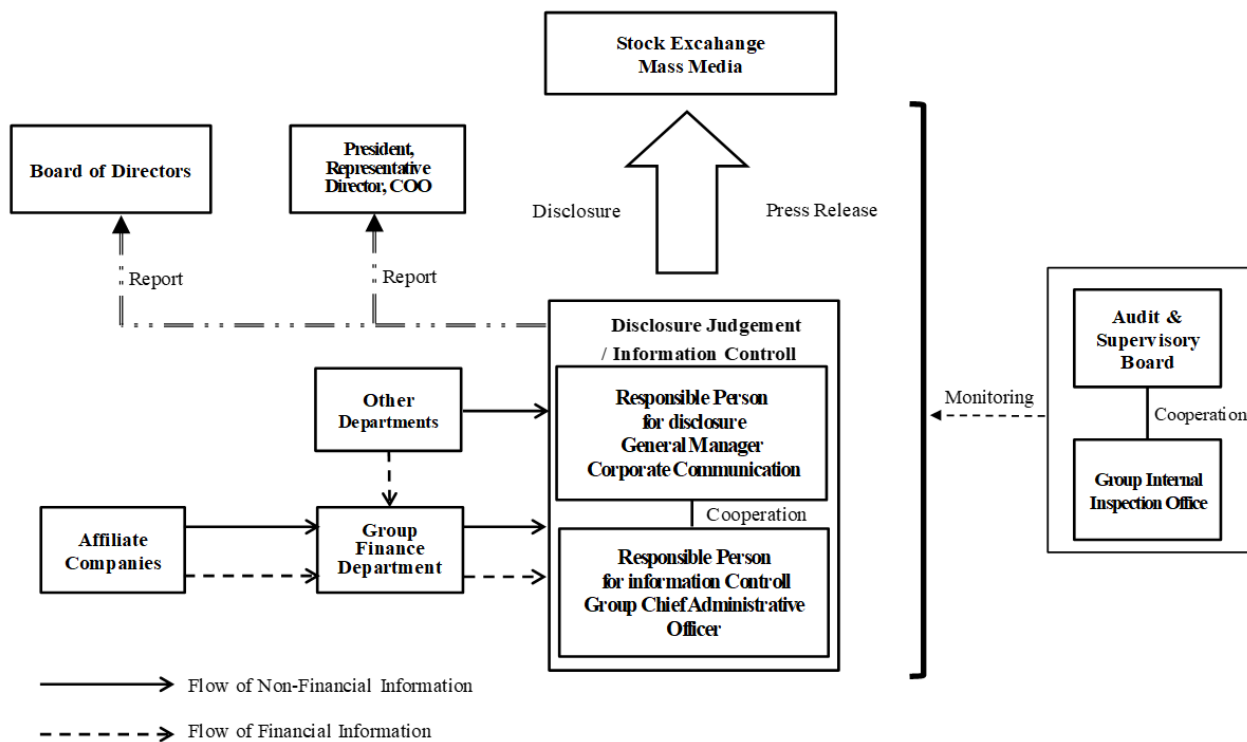
- Appointment of the person responsible for information disclosure and the person in charge
- Establishment of a department in charge of information disclosure (Group PR & IR Office)
- Formulation of and compliance with disclosure policy
- Development and enhancement of regulations on information security management, insider trading management, etc.
- Improvement and enhancement of channels for communicating material information to the person responsible for disclosure
- Consolidation of the determination and disclosure of material information
- Establishment of an appropriate checking and approval system for disclosure materials
- Proactive involvement of the President and Representative Director as the top management in information disclosure
- Establishment of a monitoring system by Audit & Supervisory Board members and the Internal Inspection Office for the timely disclosure system

【Overview diagram of governance structure】

【Updated】



【Overview diagram of information provision structure】



END