



Message from the Group CFO



Ensuring and maintaining a strong financial base for flexible, agile investment activities

Yoshiki Sakurai
Executive Officer,
Group Chief Financial Officer,
General Manager of Group Financial Department

Fiscal 2021 Performance

In Japan, despite the impact of a series of drug price revisions and patients avoiding doctor visits due to the COVID-19 pandemic, segment revenue totaled ¥163,841 million as projected because we focused on sales of newly launched products, such as Levetiracetam Tablets. Additionally, amidst a spate of quality issues in the generic drug industry, we have made product quality our highest priority by carrying out rigorous manufacturing and quality controls, while also striving for greater cost competitiveness by using multiple raw ingredient suppliers and increasing production efficiency that leverages the distinguishing aspect of each of our six factories throughout Japan.

With an eye toward increasing our market share, we also launched efforts to increase production capacity. Not only did we start construction of a solid dosage form facility with a production capacity of 3.0 billion tablets on the grounds of the Daini Kyushu Factory in October 2021, but the consolidated subsidiary Trust Pharmatech Co., Ltd. acquired a factory with a production capacity of 3.0 billion tablets from Kobayashi Kako Co., Ltd. in March 2022.

In the U.S., however, the business environment grew harsher in various ways, including stronger purchasing power of entities such as wholesalers and pharmacies due to mergers, falling prices of generic drugs, introduction of competitors to our products into the market, and lackluster sales of Tosymra™ on account of the COVID-19 pandemic. As a result, segment revenue totaled ¥29,975 million. In addition, as we started to fundamentally rebuild the business of the consolidated subsidiary Upsher-Smith, we posted an impairment loss of approximately ¥68.8 billion on U.S. segment assets, including goodwill.

On account of the above, revenue rose to ¥193,816 million, but a substantial operating loss of ¥35,888 million was recorded.

Financial soundness and future investments

It is expected that various restructuring will accelerate because of a deterioration in the business environment for the overall industry due to annual drug price revisions. As noted in the Medium-Term Business Plan START 2024, not only investments to increase production capacity but also aggressive investments in new businesses and R&D are necessary for future growth. Even after recording a decline in capital because of the loss, we still boast a capital ratio of more than 54% as of the end of March 2022. We will work to ensure and maintain a strong financial base so that we can undertake flexible, agile investment activities.

Fiscal 2022 earnings outlook

In Japan, despite declines in the unit selling price due to a series of drug price revisions, it is expected that generic drug sales volume will continue to steadily increase as a result of the launch of new products as patents on original drugs expire. On the other hand, in the U.S., competition may remain fierce. Even in this business environment, we have marshaled the capabilities of the various divisions, including the R&D, manufacturing, reliability assurance, and marketing ones, and will aim to generate steady growth in both the Japanese and U.S. markets under the new Medium-Term Business Plan START 2024, the first year of which was the previous fiscal year.

Shareholder return

In addition to taking into account balancing growth-oriented investments, we have adopted the policy of paying a stable and sustainable dividend with a target dividend payout ratio of 30% while taking into consideration various other factors, including annual consolidated earnings, dividend payout ratio, and other shareholder return-related measures. For fiscal 2021, we paid an annual dividend of ¥130 per share (total dividend paid of approximately ¥5.7 billion).



Sawai Group Holdings
• ESG data
• ESG index and external evaluations
• SASB index

Sustainability

We aim to build a sustainable society by solving social problems through our business.

Key policies

1. Based on our corporate philosophy of "always putting healthier lives first," we strive to do our part in realizing a sustainable society through our business, by contributing to the maintenance and development of healthy lives and superb healthcare systems.
2. We endeavor to stay engaged (building bonds of mutual trust) with all our stakeholders including patients and consumers, healthcare professionals such as medical institutions, business partners, employees, shareholders, local communities, and the global environment.
3. We pursue creativity and constantly evolve along with society, so that the Sawai Group can remain sustainable.

Sustainability promotion structure

We have established the Group Sustainability Committee to promote initiatives related to sustainability. See the Company's website for details.



Sustainability promotion structure:
<https://global.sawai-group.com/sustainability/system/>



Environment

WEB Sawai Group Holdings
 ● ESG data
 ● Environment-related data (PDF)

Implementing the TCFD recommendations

Governance

The Sawai Group (hereinafter, “the Group”) recognizes addressing environmental issues, including climate change, as both one of its corporate social responsibilities (CSR) and one of the important challenges it must tackle to ensure its sustainability. Accordingly, the Board of Directors has assigned the responsibility to address climate change issues to the Group COO (hereinafter, “the GCOO”) and oversees the performance of the GCOO’s duties.

The Group has established a Group Sustainability Committee, which is chaired by the GCOO and composed of representatives from Group companies. The committee meets twice a year to discuss and examine sustainability-related matters, including climate change issues, and regularly reports to the Board of Directors, thereby making decisions on climate change issues under the direction and oversight of the Board of Directors.

The Group Sustainability Committee has a Global Environment Team, which is composed of members from Group companies, as its subordinate organization in charge of promoting specific initiatives and activities to address environmental issues, including climate change. The team reports to the committee quarterly and acts on the committee’s instructions and advice in its ongoing initiatives

and improvement activities.

Under the leadership of Global Environment Team members, a working group identifies and assesses climate-related risks and opportunities and implements measures to address them. The results are reported not only to the GCOO but also for deliberations to the Group Sustainability Committee and the Board of Directors, whose post-deliberation instructions and advice are followed for further improvements.

In addition, Sawai Pharmaceutical, the core company of the Group, has also established a Sustainability Committee chaired by the President and Representative Director, which meets four times a year to discuss and examine sustainability-related matters.

Strategy

The Group follows its corporate philosophy “always putting healthier lives first” and the corporate philosophy of Sawai Pharmaceutical, its core company, “always putting patients first” in conducting its main business of manufacturing and marketing generic drugs. We believe that it is necessary for us to address climate-related risks, which we recognize as a material issue, while keeping a good balance with our efforts to meet the fundamental requirement of ensuring a stable supply of pharmaceuticals and healthcare services, which are essential for people’s lives and health.

Meanwhile, greenhouse gas (GHG) emissions, mainly CO₂ emissions, from the Group’s business activities have been increasing in line with the Group’s business expansion and the resulting growth in demand for its pharmaceutical products and healthcare services. We will work to reduce the CO₂ emission intensity in the short term and devise and implement measures to reduce total emissions in the medium to long term, including the introduction of renewable energy.

In recognition of achieving sustainability, including addressing climate change issues, as a key management issue, the Group has set a CO₂ emissions reduction target for fiscal 2030 in its Medium-Term Business Plan (hereinafter, “the Medium-Term Plan”), which was announced in May 2021.

We have also conducted scenario analysis while referring to the International Energy Agency (IEA)’s scenarios and Representative Concentration Pathway (RCP) scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) in order to assess the potential impacts of climate-related risks on the Group under the following scenarios: a 1.5°C scenario that postulates that the Paris Agreement target of “holding the increase in the global average temperature to well below 2°C above pre-industrial levels” will be achieved; and a 4°C scenario that postulates that GHG emissions will continue to increase in a situation similar to the current one without major changes made to policies or regulations, leading to a considerable increase in the global average temperature.

Metrics and targets

In setting GHG (including CO₂) emissions reduction targets, the Group uses Scope 1, Scope 2, and Scope 3 emissions as monitoring metrics and discloses the annual monitoring results for each scope on its corporate website. In the current Medium-Term Plan, we have set a target of reducing the (Scope 1 and 2) CO₂ emission intensity per unit of production volume by 25% from the fiscal 2013 level by fiscal 2030. We have also set a short-term target of reducing the (Scope 1 and 2) CO₂ emission intensity per unit of production volume by 1% or more year-on-year every year.

Although we use a metric that shows progress in the planned introduction of renewable energy, we need further consideration before setting a target for the metric.

Risks and opportunities (period: fiscal 2021–fiscal 2030)

Type	Risk overview	Impacts on the Group’s businesses, strategy, and financial planning	Magnitude of impacts		The Group’s methods for addressing climate-related risks	
			1.5°C scenario	4.0°C scenario		
Risks	Policy and legal risks	Introduction of carbon pricing (a carbon tax and an emissions trading scheme) and the resulting increased burdens	<ul style="list-style-type: none"> Burden created by carbon pricing on the Group Need to pass on the carbon-pricing-created financial burdens of suppliers with high GHG emissions to the Group’s purchase prices of raw materials The Group’s burden of capital investment in energy saving necessary to reduce GHG emissions 	Moderate	Minor	<ul style="list-style-type: none"> Considering the introduction of renewable energy Devising and implementing measures to enhance production efficiency, including reducing waste products
	Population, economic, and geopolitical risks	Price hike for bio-derived raw materials due to population growth and temperature increases	<ul style="list-style-type: none"> Population growth especially in emerging economies will cause an increase in the prices of grain and grain-based products (starch, sucrose, corn, etc.) for food and feed use and consequently in the prices of raw materials of additives for pharmaceutical products 	Minor	Moderate	<ul style="list-style-type: none"> Diversifying suppliers Studying alternative technologies
	Flood risks (acute risks)	Increased frequency of typhoons, torrential rains, floods, etc.	<ul style="list-style-type: none"> Increased risk of damage to the Group’s business sites Increased risk of damage to the business sites of the Group’s suppliers 	Minor	Major	<ul style="list-style-type: none"> Sandbagging the areas where product inventories are stored Obtaining damage insurance coverage Formulating BCPs for the Group and its supply chain
Opportunities		As a result of our analysis and evaluation of climate-related opportunities that can have impacts on the Group’s operations, we have so far not identified any opportunities that can have significant impacts on the Group’s businesses, strategy, and financial planning.				

Scope of coverage Sawai Group excluding Trust Pharmatech Co., Ltd. and Upsher-Smith Laboratories, LLC
Impact classification Major: Major impacts on the Group’s businesses, strategy, and financial planning that the Group estimates to be worth approximately ¥6.0 billion or more; Moderate: Moderate impacts on the Group’s businesses, strategy, and financial planning that the Group estimates to be worth approximately ¥3.0 billion or more; Minor: Minor impacts on the Group’s businesses, strategy, and financial planning that the Group estimates to be worth approximately less than ¥3.0 billion

Risk management

We examine climate-related risks and opportunities at each stage of our entire supply chain, from raw material procurement to manufacturing and marketing, and evaluate them based on the likelihood of their occurrence and the magnitude of their potential financial impacts on the Group in order to identify material risks and opportunities for the Group. This process is followed under the leadership of Global Environment Team members with the involvement and cooperation of in-house divisions and affiliated companies closely related to each stage of the supply chain. The thus screened, evaluated, and identified risks are reported to the Group Sustainability Committee and the Board of Directors, which review and deliberate on the report and make decisions on initiatives to address climate-related risks and opportunities. Those initiatives are incorporated into the annual business plan in the short term and into the Medium-Term Plan in the medium to long term according to necessity.

Topics Launch of solar power system at Sawai Pharmaceutical’s Sanda Nishi Factory

Sawai Pharmaceutical’s first solar power generation system was installed on the roof top of the Sanda Nishi Factory (Sanda City, Hyogo Prefecture). The factory started to operate the system on a trial basis in October 2021, and the system is currently fully operating.

With this system, there were no start-up expenses, such as those for the solar panels and installation, because onsite services are used and the installation site was provided free of charge. The Company has concluded a 20-year contract that stipulates generated electricity will be purchased and used for home power use.

Around 450 solar panels were installed and are expected to produce 266 MWh/year, which is equivalent to 6% of the electric power the Sanda Nishi Factory consumes annually. This will also make it possible to reduce CO₂ emissions of 89t-CO₂ each year. Furthermore, because the amount of electricity produced reduces the amount of electricity normally purchased, the amount of contracted electricity was cut, which reduced the electricity bill.

Furthermore, installing solar panels on the roof can be expected to shade the roof and block the heat, which will limit the increase in the interior temperature during summer, a secondary benefit.



Society

Providing drug information

Sawai Pharmaceutical

Sawai Pharmaceutical is actively trying to communicate various types of information.

Provision of information by MRs

Approximately 380 MRs (as of March 2022) work to provide information, endeavoring to communicate more accurate information more quickly. In addition, information on the side effects and safety of drugs is collected and compiled led by the Pharmacovigilance Department. We ensure the proper use of drugs by feeding details of this information back to medical institutions.

Medical Information Center

The Medical Information Center provides the peace of mind that comes from being able to contact the center 24 hours a day, 365 days a year, but never compromises on the quality of its response no matter the conditions. Constructed following the Great East Japan Earthquake, this mechanism makes it possible to always respond to inquiries from healthcare professionals. Therefore, even during the COVID-19 pandemic that started the year before last, there have been no problems with the center's operation. It will continue to provide the peace of mind that comes from being able to always contact the center.

Website for healthcare professionals

We disseminate the latest product information and information that can be used for treatment and medication guidance through Sawai medical site, our comprehensive information site for healthcare professionals. We were the first in the industry to introduce chatbots, a bilateral communication tool, to guide users quickly to the information they want on the website.

Furthermore, a members-only site was launched in December 2021, and through the site, we provide extensive product information to healthcare professionals.

Zutsu Online, a website for people suffering from headaches

We launched the website Zutsu Online for people who suffer from headaches. The website offers information on the causes of, symptoms of, and treatments for headaches. Its content, such as headache checklist and exercises for headaches, have won high praise.



Website for general population

Sawai Pharmaceutical's corporate website provides information that is useful for patients to manage their health. In addition to basic information on generic drugs and quality initiatives, we have posted a variety of healthcare-related information, including information on pre-disease and preventive measures, disease awareness, and health promotion through pages called Sawai Kenko Suishinka and others.



Sawai Kenko Suishinka

Quality management

Sawai Pharmaceutical

Audits of Sawai Pharmaceutical's factories are conducted annually, and since fiscal 2022, the group company Trust Pharmatech Co., Ltd. has also been the target of audits. These are unannounced audits and confirm that the system is such that factories will be able to pass inspections by government authorities whenever they are conducted.

In terms of the quality of APIs, we rigorously check whether each manufacturing factory complies with Good Manufacturing Practices (GMP) stipulated by law by conducting onsite verifications, etc. of API manufacturing sites for some 300 ingredients (a total of approximately 500 manufacturing sites)*, and only use APIs that have passed the verifications.

* (as of November 25, 2021)

Upsher-Smith

Within Upsher-Smith, predictable quality outcomes are governed by our Quality Management System (QMS), designed in accordance with US government regulations, providing the foundation for the manufacturing systems.

- | | |
|--------------------------------|----------------------------------|
| 1. Quality System | 4. Laboratory Controls System |
| 2. Production System | 5. Materials System |
| 3. Facility & Equipment System | 6. Packaging and Labeling System |

These QMS provide to consistently produce products of acceptable quality. We conduct testing on all incoming materials and finished products to specifications as defined in our approved NDA/ANDA's (filings) with the FDA.

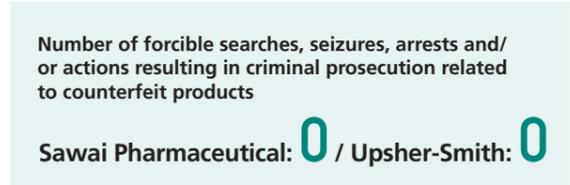
Additionally, we conduct comprehensive evaluations of our finished drug products via Annual Product Reviews. As detailed in our SOPs, we conduct comprehensive internal audits of our facilities and systems.

Preventing counterfeit pharmaceuticals

Upsher-Smith

Upsher-Smith and its pharmaceutical supply chain are promoting initiatives required under the Drug Supply Chain Security Act (DSCSA).

The requirements under the DSCSA establish a chain of custody for each saleable unit (primarily bottles/blisters) through the aforementioned methodology. In addition, all bottles have a tamper evident feature via an induction seal and blisters are intrinsically tamper evident by design.



Social contribution activities

Sawai Group Holdings

Monetary donations for humanitarian aid in Ukraine

In March 2022, Sawai Group Holdings donated ¥20.00 million through the United Nations Children's Fund (UNICEF) in order to provide humanitarian aid for both victims in Ukraine and people forced to flee to neighboring areas. As a life-related company, we earnestly pray that the Ukraine situation is resolved peacefully as quickly as possible and that Ukraine and the world return to peace and safety.



UNICEF letter of thanks

AED seminars

In September and December 2021, we offered 29 employees an AED course taught by outside instructors as one of our social contribution activities. Participants received an explanation of cardiopulmonary resuscitation and the procedures for using an AED, which are necessary for first aid, and actually used the device. After the course, participants submitted various comments regarding it, such as wanting to take the lead in the case of an emergency and wanting to use what they learned in the course and cooperate. Participants once again learned that in an emergency, people can be saved with courage.



Cardiopulmonary resuscitation training



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Sawai Pharmaceutical

Work lecture held at Mikuni Junior High School

In January 2022, Sawai Pharmaceutical held a lecture on work for 16 second-year students at Osaka City Mikuni Junior High School. Because of the COVID-19 pandemic, it was held online as an emergency measure. Students submitted questions in advance, such as "why did you think of doing this type of work?" and "what do you think about when doing research?" One could see students passionately listening to the stories and watching various activities, such as a demonstration of how jelly is formed when water is added to a powder.

Although this was the first time such as a lecture was given, we will continue to contribute to society and local communities.



Work lecture

Upsher-Smith

Infantile spasms awareness

Upsher-Smith is on the Corporate Advisory Board for both the Child Neurology Foundation (CNF) and TSC Alliance and partnered with them on Infantile Spasms Awareness Week in the first week of December 2021.

The goal of Awareness Week is to increase awareness of the signs and symptoms of Infantile Spasms for parents and physicians to recognize the key signs for when additional evaluation is recommended and immediate treatment may be initiated.



Education poster

Epilepsy Foundation of Minnesota (EFMN) The Season of Giving Campaign

Upsher-Smith partnered with the EFMN to support 12 families impacted by epilepsy during the December holiday period. Upsher-Smith employees generously donated gifts and necessities to make the Holiday Season much brighter for these families. Everyone had a great time coming together at the corporate office to wrap each gift and celebrate The Season of Giving!



Human rights and human resources

As a healthcare corporate group closely related to life, the Sawai Group (hereinafter, "the Group") respects the human rights of various stakeholders, including patients, employees in Japan and abroad, and business partners, and promotes initiatives in accordance with the United Nations Guiding Principles on Business and Human Rights.



Society

Initiatives to respect human rights

Sawai Pharmaceutical and other companies

Group companies in Japan

Recognizing employees and labor unions as important stakeholders, the Group companies in Japan maintain sound and good labor-management relations under the union-shop system (where all employees are union members, in principle).

We also provide all employees with education on sexual harassment, power harassment, and other forms of harassment multiple times every year to raise employee awareness of harassment.

Upsher-Smith and other companies

Overseas Group companies

Since our overseas group companies are more racially diverse than the Group companies in Japan, they devote special efforts to preventing racial discrimination, which they recognize as an important social issue.

At Upsher-Smith, a group company based in Minnesota, where the Black Lives Matter movement originated, members of senior management have taken the initiative to receive education on equality and social inclusion with the belief that the diversity of employees is a source of the company's strengths and greater performance. In addition, the CEO Advisory Council on four minority groups (Blacks, women, Asians, and Hispanics) meets every month to identify the potential biases of employees and devise measures to increase mutual understanding among them.

Consideration for the health and the working environment of employees

Health

Sawai Group Holdings has been selected as an outstanding company in health and productivity management under the 2022 Health and Productivity certification program. To conduct R&D on and provide a stable supply of generic drugs and create a work environment that makes it possible for employees to work while maintaining their physical and mental health, we conduct various types of health exams and training and have created a system for helping employees enhance their health through a Cafeteria Plan.



Working environment

We have formulated various regulations to enable employees to adopt diverse work styles or return to work. We have also established a new career support system that allows middle-aged and older employees to choose from

various work styles and decide when to retire according to their own diverse career plans. We are striving to maintain and improve sound labor-management relations.

Consideration for employees' nursing care, childbirth, and childcare

There is a support system that makes it possible to balance work and childcare even after returning to work, and most employees return to work.

Enhancing diversity

We believe that it is necessary for us to respect the diverse viewpoints and values of employees with different experiences, skills, and attributes, including women, foreign nationals, and mid-career employees, and to leverage the diversity of employees to increase our corporate value. The aim of our commitment to promoting diversity is to increase our productivity through the creation of new ideas and value based on diverse values by embracing diversity in terms of not only gender and race but also age, character, values, and disability, thus fully utilizing our diverse human assets. However, we acknowledge that women account for only a small percentage of staff in managerial positions, compared with the gender composition of all our Group's employees. Therefore, Sawai Pharmaceutical, the core company in the Group, has set a target of raising the percentage of female managers to 8% by 2024. Moreover, we have more than the legally required percentage of employees with disabilities, thus providing employees with various disabilities with opportunities to demonstrate their talents.

Talent

It is people who support the existence of our Group. For this reason, the Group describes its employees as "human assets." The Group will unite and work to enhance and train our human assets so that they can act on their own.

Sawai Pharmaceutical

Development of personnel systems

Sawai Pharmaceutical has developed a variety of personnel systems, which include systems for the evaluation and treatment of employees, a career development statement system, training systems, and a childcare leave system, to ensure that our employees continue to work with a high level of motivation.

In recent years, Sawai Pharmaceutical undertook personnel system reforms and established a new remuneration system to ensure that employees with high performance are properly rewarded. In addition, in order to facilitate the stable development and supply of generic

drugs in the future amid a falling birthrate, aging population, and declining labor force, we have made our factory workers into regular employees and established a contract employee system that enables those who want to continue working up until the age of 70.

In this way, we are developing a working environment that allows our employees to be motivated and challenged to achieve results and growth while also focusing on the establishment of a safety net so that employees can continue to work for us with peace of mind. We believe that our human resources are human "assets," and we will aim to be a company that is worth working for going forward.

Main initiatives in fiscal 2021

- Introduce a career choice system for employees 55 or older (system that makes it possible for employees 55 or older to select their work style)
- Introduce and improve the telecommuting system with an eye toward the post-pandemic era
- Create a training system that reinforces quality and volume by improving the lineup of level-specific training
- Conduct multifaceted evaluations (180° evaluations) in order to develop management talent

Upsher-Smith

Market-competitive compensation program

Upsher-Smith Human Resources participates in a nationwide compensation survey and conducts a salary analysis of current positions to ensure a market-competitive compensation program. This past year we piloted a Performance Management Check-In process, so managers are conducting performance and career development discussions with employees each quarter. This new Performance Management Program will be implemented company wide in fiscal 2022."

Trust Pharmatech

Spreading the Sawai philosophy

For Trust Pharmatech's GMP retraining, a three-year plan was developed, and the training will progress with 2022 as the "introduction period" and "run-up period," 2023 as the "observation period," and 2024 as the "stable period."

All procedures and SOP will be checked against Sawai Pharmaceutical GQP or Sawai Pharmaceutical factory QA in advance, and training for and skill evaluations of those undertaking the work will be conducted in line with training procedures checked in advance.

The training consists of not only lectures but also group discussions among participants so that they experience firsthand and absorb the Sawai Pharmaceutical quality culture as a member of Sawai Group Holdings. Various managers, including the Sawai Pharmaceutical Vice President



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of Reliability Assurance Division, officers, and department general managers, take part in the training as instructors.

While moving forward with training on corporate philosophy and compliance, this was the first time that many members of the management team, including Sawai Group Holdings Chairman, President, and various vice presidents, served as instructors. In addition to giving repeated lectures on the corporate philosophy and code of conduct, the general managers of related departments and offices give lectures on numerous topics, including the Company's compliance system and information security system. The Group will unite and work together so that employees can gain an awareness of compliance equivalent to that of other Group members.

Message from General Manager of Group Human Resource Department



Kazuhiko Soga
Corporate Officer,
Group Chief Human Resource Officer
General Manager of
Group Human Resource Department
Sawai Group Holdings

Sawai Group Holdings boasts a history of more than 90 years and continues to generate strong growth. In April of last year, we transitioned to a holding company structure, and under the Group corporate philosophy of "always putting healthier lives first," we started on a new journey as a healthcare corporate group that is centered on the generic drug business and that continually grows with society.

We have entered this new stage, and as the business domain expands, the business environment that the Group operates in is continually growing more uncertain. In this environment, the autonomous growth of employees is indispensable for the Company to continue to grow. In other words, it is important to have talent who possess various perspectives, can promptly read changes in conditions and make decisions themselves, and can act on their own.

Therefore, it is necessary not simply to rely on greater awareness of employees but to create an environment that contributes to growth, which includes maintaining not only a broad training system but also work environment conducive to work.

We will continue to provide support so that each employee is keenly aware that they are human assets, the growth of employees promotes growth of the organization, and both of those lead to growth of Sawai Group Holdings as a whole.

G Corporate governance

Directors and Audit & Supervisory Board Members (as of June 30, 2022)

 <p>Mitsuo Sawai Representative Director, Chairman and Group Chief Executive Officer</p> <p>Born in 1956 April 1982 January 1989 June 2000 June 2008 June 2020 April 2021</p> <p>Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.) Joined Sawai Pharmaceutical Co., Ltd. Director, Deputy Vice President of Sales Division, and General Manager of Sales Planning Department of Sawai Pharmaceutical Co., Ltd. Representative Director and President of Sawai Pharmaceutical Co., Ltd. Representative Director and Chairman of Sawai Pharmaceutical Co., Ltd. (incumbent) Representative Director, Chairman and Group Chief Executive Officer of Sawai Group Holdings Co., Ltd. (incumbent)</p>	 <p>Kenzo Sawai Representative Director, Deputy Chairman and Group Chief Branding Officer</p> <p>Born in 1968 April 1995 April 2001 June 2010 June 2017 June 2020 April 2021</p> <p>Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Pharma Co., Ltd.) Joined Sawai Pharmaceutical Co., Ltd. Director, Vice President of Corporate Strategy Department of Sawai Pharmaceutical Co., Ltd. Chairman of Upsher-Smith Laboratories, LLC Representative Director and President of Sawai Pharmaceutical Co., Ltd. (incumbent) Representative Director, Deputy Chairman and Group Chief Branding Officer of Sawai Group Holdings Co., Ltd. (incumbent)</p>	 <p>Kazuhiko Sueyoshi Representative Director, Deputy Chairman and Group Chief Operating Officer and Group Chief Administrative Officer</p> <p>Born in 1957 April 1980 April 2012 June 2017 June 2018 April 2021</p> <p>Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation) Joined Sawai Pharmaceutical Co., Ltd. General Manager of Controller Department Executive Administration, Upsher-Smith Laboratories, LLC Director, Senior Executive Officer, Vice President of Corporate Administration Division of Sawai Pharmaceutical Co., Ltd. Acting Vice President of Corporate Administration Division of Sawai Pharmaceutical Co., Ltd. (incumbent) Representative Director, President of Sawai Group Holdings Co., Ltd. (incumbent)</p>
 <p>Toru Terashima Director, Senior Executive Officer, and Group Chief Quality & Safety Officer</p> <p>Born in 1959 April 1984 October 1984 January 2016 June 2017 June 2019 April 2021</p> <p>Joined Sumitomo Chemical Company, Limited Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Pharma Co., Ltd.) Joined Sawai Pharmaceutical Co., Ltd. Director, Corporate Officer, Vice President of Reliability Assurance Division of Sawai Pharmaceutical Co., Ltd. Director, Senior Executive Officer, Vice President of Reliability Assurance Division of Sawai Pharmaceutical Co., Ltd. (incumbent) Director, Senior Executive Officer, of Sawai Group Holdings Co., Ltd. (incumbent)</p>	 <p>Masatoshi Ohara External Director</p> <p>Born in 1951 April 1979 February 1987 January 1988 April 2017 June 2019 April 2021</p> <p>Registered as a lawyer at Osaka Bar Association Joined Kikkawa Sogo Law Offices (currently Kikkawa Law Offices) Attorney registered in the State of New York, the U.S. Partner of Kikkawa Law Offices (incumbent) The President of Osaka Bar Association, the Vice President of Japan Federation of Bar Associations Director of Sawai Pharmaceutical Co., Ltd. Director of Sawai Group Holdings Co., Ltd. (incumbent)</p>	 <p>Nawomi Todo External Director</p> <p>Born in 1959 June 1984 July 1984 January 2002 January 2007 June 2015 April 2021</p> <p>Obtained medical license Staff Doctor at Osaka University Hospital Staff Doctor at Osaka-tetsusyou Health Insurance Society (incumbent) Obtained Certified Occupational Physician Qualification of Japan Medical Association Director of Sawai Pharmaceutical Co., Ltd. Director of Sawai Group Holdings Co., Ltd. (incumbent)</p>
 <p>Tadao Tsubokura Full-time Audit & Supervisory Board Member</p> <p>Born in 1961 July 2008 April 2012 June 2018 April 2021</p> <p>Joined Sawai Pharmaceutical Co., Ltd. General Manager, Controller Department of Sawai Pharmaceutical Co., Ltd. General Manager, General Affairs Department of Sawai Pharmaceutical Co., Ltd. Full-time Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd. Full-time Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. and Auditor of Sawai Pharmaceutical Co., Ltd. (incumbent)</p>	 <p>Takanobu Tomohiro External Audit & Supervisory Board Member</p> <p>Born in 1958 April 1991 April 1994 June 2016 April 2020 April 2021</p> <p>Registered as an attorney Joined Kogoshi Takizawa Law Office (currently, Kobe-Kaito Law Office) Partner of Kobe-Kaito Law Office (incumbent) Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd. President, Hyogo-ken Bar Association Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)</p>	 <p>Junichi Hirano External Audit & Supervisory Board Member</p> <p>Born in 1955 July 2013 July 2014 July 2015 August 2016 June 2017 April 2021</p> <p>Director, Co-ordination Division, Second Large Enterprise Examination Department, Osaka Regional Taxation Bureau District Director, Higashi Yodogawa Tax Office District Director, Himeji Tax Office Established a certified tax accountant office Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd. Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)</p>

Skills possessed by Board of Directors

The following six skills have been identified as ones that Board of Directors should possess because of their relationship to items listed as materiality and relationship with stakeholders listed in the corporate philosophy and key sustainability policy. The Governance Committee on Nominations & Remuneration has approved them.

The skills related to the following were identified as necessary from the particular perspective: quality, medicine and pharmaceuticals, research, and development from the perspective of healthcare professionals and patients, who take the drugs and access the healthcare business, the

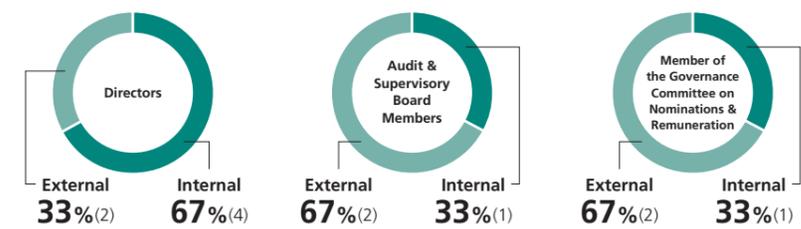
Group's core business; marketing and sales from the perspective of providing products and information to healthcare professionals; production and technologies from a stable supply perspective; finance, accounting, and tax affairs from the perspective of providing accurate financial information to stockholders and investors and paying taxes; and legal affairs and risk management from a compliance, risk management, and social responsibility perspective. Efforts are made to ensure there is a balance in the directors who possess these skills.

Skill matrix

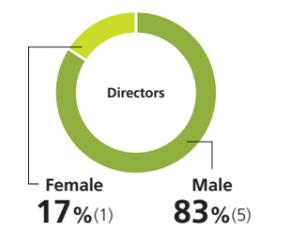
	Current positions at Sawai	Legal affairs / risk management	Finance, accounting, tax affairs	Production and quality	Marketing and sales	Research, development, technologies	Medicine and pharmaceuticals
● Mitsuo Sawai	Chairman, Representative Director, member of the Governance Committee on Nominations & Remuneration				●		
● Kenzo Sawai	Deputy Chairman, Representative Director				●	●	●
● Kazuhiko Sueyoshi	President, Representative Director	●	●				
● Toru Terashima	Director			●		●	●
◆ Masatoshi Ohara	Independent External Director, Chairman of the Governance Committee on Nominations & Remuneration	●					
◆ Nawomi Todo	Independent External Director, member of the Governance Committee on Nominations & Remuneration						●
● Tadao Tsubokura	Full-time Audit & Supervisory Board Member		●				
◆ Takanobu Tomohiro	Independent External Audit & Supervisory Board Member	●					
◆ Junichi Hirano	Independent External Audit & Supervisory Board Member		●				

● Internal ◆ External

External officer ratio

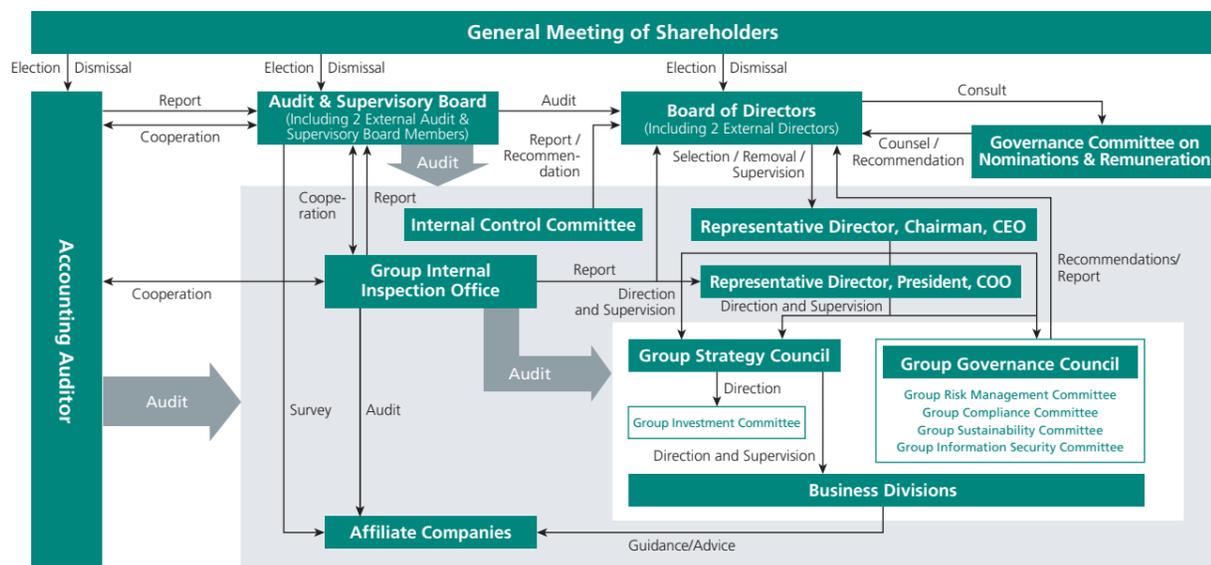


Female director ratio



* The Committee Chairman is an Independent External Director

Corporate governance structure



Governance system

The Board of Directors makes decisions and votes on matters provided for in laws and the articles of incorporation, as well as matters set forth in the Regulations of the Board of Directors, which are of high importance for the Company's business.

As business oversight is an important duty of the Board of Directors, Sawai uses a corporate officer system whereby corporate officers are entrusted with the execution of business in accordance with resolutions passed by the Board of Directors. Executive policy is discussed and decided on at the Group Strategy Council, which are attended by the Chairman, President, and corporate officers. Matters that involve sums below a certain threshold and that are of low importance are executed according to the Decision-making Standards Table, which is provided for separately, in the interest of ensuring efficiency and flexibility.

The Company also elects chief officers and officers in charge of the corporate functions of each Sawai Group company. These individuals are tasked with directing and supervising these companies and providing regular situation reports to the Board of Directors in order to ensure proper corporate supervision.

History of measures to strengthen governance

1995 Established a system in which a majority of Audit & Supervisory Board Members (2 of 3) are external members

- 2008** Established Compliance Committee and Internal Control Committee
- 2012** Appointed one Independent External Director
- 2013** Introduced stock option compensation for Directors
- 2015** Established CSR Committee (current Group Sustainability Committee)
- 2015** Formulated a basic policy on corporate governance
- 2015** Appointed female director as Independent External Director, creating a system of two independent external directors
- 2015** Established Information Security Committee
- 2016** Started to evaluate the effectiveness of the Board of Directors
- 2017** Established Risk Management Committee
- 2019** Established Governance Committee on Nominations & Remuneration
- 2020** Have independent external directors account for one-third of directors
- 2021** Transitioned to holding company (to strengthen group governance)
- 2021** Joined Listed Company Board Member's Governance Forum and strengthened information sharing with and training for Directors and Audit & Supervisory Board Members
- 2022** Introduced officer in charge of DX

* Items before transitioning to holding company in 2021 are for Sawai Pharmaceutical

Audit system

We have established the Regulations of the 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 through cooperation with the Audit & Supervisory Board, the Group Internal Inspection Office, and the Accounting Auditor.

The full-time Audit & Supervisory Board Member serves as the chairman of the 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 Audit & Supervisory Board to share information, collaborates and cooperates with External Audit & Supervisory Board Members. In addition, the full-time Audit & Supervisory Board Member regularly has opportunities to communicate with the Representative Director and President, and exchange information with the directors of subsidiaries and receive reports on their businesses. The full-time Audit & Supervisory Board Member 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 Member, who reports the contents to the Audit & Supervisory Board.

Governance Committee on Nominations & Remuneration

Sawai's Governance Committee on Nominations & Remuneration comprises directors elected by approval from the Board of Directors. Committee members with particular vested interests in matters deliberated on by the committee are required to refrain from voting on such matters.

Committee resolutions must be passed by a majority of the committee members in attendance, and a majority of all members able to vote must be in attendance. The primary matters deliberated on by the committee are the election and dismissal of Company leadership and the chief executive officer (CEO); succession plans for the CEO; compensation for Company leadership and corporate officers; and the basic policies, regulations, and procedures involved in these matters. The committee reports the results of its deliberations to the Board of Directors.

The Board of Directors is required to fully respect all advice and suggestions received from the committee.

Group Strategy Council

The Group Strategy Council 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 analyzes business results and discusses the countermeasures.

Group Governance Council

The Group Governance Council, which is made up of four committees, meets to build, maintain, and improve the governance system of the entire Group. The council works to improve the sustainable growth and raise the corporate value of the overall Group in the medium and long term.

Other committees

Group Investment Committee

The Group Investment Committee undertakes objective, rational, and careful deliberations when examining and making decisions regarding important investment projects and the annual investment budget.

Group Risk Management Committee

To reinforce the management of various risks that the Company and Group companies face, the Group Risk Management Committee oversees risk management and manages and evaluates progress in managing risks and works to continually improve risk management.

Group Compliance Committee

The Group Compliance Committee conducts education and enlightenment activities, etc. for officers and employees and strives to raise awareness of compliance throughout the Group.

Group Sustainability Committee

In addition to deliberating and deciding on the basic Group policy on sustainability, the Group Sustainability Committee builds and maintains a system to promote sustainability and undertakes various other activities, including supporting and receiving reports on the construction and maintenance of the promotion system at each Group company.

Group Information Security Committee

The Group Information Security Committee shares information on information security, examines and deliberates on responses to issues, and works to smoothly manage information security.



Listed company board member's information governance forum (Japanese language only) <https://govforum.jp/>

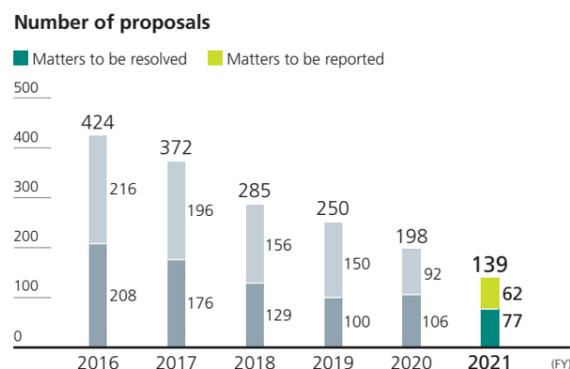
Improving the operation of the Board of Directors

Important matters will now be discussed by the Board of Directors following deliberation by the Group Strategy Council and Group Investment Committee, which was established with the Company's transition to a holding company system. Revising Regulations on the Management of Affiliated Companies made it possible for the Board of

Directors to conduct detailed deliberations on more important issues. In addition, reports on the main operations of each Group company are made to the Board of Directors in line with the same Regulations on the Management of Affiliated Companies.

Main opinion of external directors regarding the Board of Directors in fiscal 2021

- We should work for the future of Sawai even if it entails growth pains. I would like to properly invest in the future by not only expanding production but also securing R&D expenses.
- Shouldn't we place a slightly greater weight on the Company's material issues and inform people of our sustainability-related activities through our integrated report and other material?
- In addition to examining the appropriateness of the acquisition amount, we should properly examine how to conduct post-merger integration (PMI).
- Does the expected return on investment also incorporate the case of competitors recovering? I would also like an explanation of the idea related to expanding production capacity in the long term.



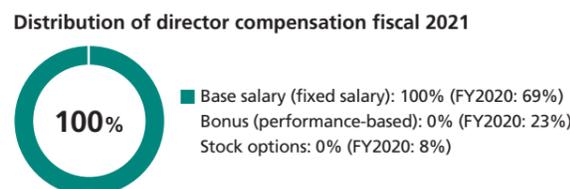
Compensation for directors and Audit & Supervisory Board members

Decisions concerning Director compensation are reported to the Board of Directors upon deliberation of matters concerning Director compensation at meetings of the Governance Committee on Nominations & Remuneration.

Compensation for Directors (excluding External Directors) consists of a base salary (fixed salary), bonus (performance-based compensation), and stock options as a medium- and long-term incentive. Base salary and bonuses are generally paid at a 3:1 ratio. Stock options generally account for at least 10% of total compensation and are granted based on Director position and years of service, and in accordance with the separately determined internal regulations of the Company.

The compensation limit for Directors is ¥670 million per year (of which, no more than ¥100 million is for External Directors). There is also a compensation limit for Audit & Supervisory Board Members of ¥50 million per year. The compensation system, including for Director compensation,

will be reviewed every three years, in principle, based on a comprehensive accounting of market trends concerning Director compensation, the Company's performance trends, and cost of living trends. However, in fiscal 2021, the full amount of all directors' bonuses was returned and monthly compensation for some directors in fiscal 2022 was cut based on their position to clearly indicate management's responsibility for earnings.



Distribution of remuneration for Directors and Audit & Supervisory Board Members (A & SB Members)

Classification	Total compensation (Millions of yen)	Total compensation by category (Millions of yen)			Number of eligible persons
		Fixed salary	Performance-based compensation	Stock options	
Directors (not including External Directors)	177	177	—	—	4
A & SB Members (not including External A & SB Members)	17	17	—	—	1
External Directors and A & SB Members	28	28	—	—	4

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.

Supporting system for external directors and/or Audit & Supervisory Board members

On almost a monthly basis, a report on Group earnings is submitted to the Board of Directors, and questions regarding progress compared to projections and unexpected developments if they occur are properly answered.

At least once a quarter, the IR Division provides External Board members with a report on meetings with investors, and if necessary, questions are answered at the Board of Directors meeting. Revisions to in-house basic regulations are noted in the minutes of Board of Directors meetings; therefore, there is an opportunity to obtain information on revisions to in-house regulations accompanying amendments to laws.

As for projects under consideration, the state of the examination is reported to the Board of Directors several times starting before the project is voted on by the Board of Directors. At that time, various measures are implemented, including letting all directors and Audit & Supervisory Board members, including external directors, provide instructions on issues that careful consideration should be given to and ask questions regarding unclear points, which the responsible department answers. Therefore, there is a system that makes it possible to share information on progress with various parties, including external directors.

Furthermore, the external board members Liaison Committee, consisting of external directors, external Audit & Supervisory Board members, and the full-time Audit & Supervisory Board member, meets periodically to exchange opinions and information. The Secretariat of the Board of Directors sends materials in advance to all participants of Board of Directors meetings, and provides them with prior explanations as necessary in order to enhance the quality of deliberations at the Board of Directors meetings. As for expenses necessary for external directors and external Audit & Supervisory Board members to execute their duties, such as the cost of examinations, there is a right to bill those expenses up to a reasonable amount, and members of the Group General Affairs Department and Internal Inspection

Office support some of the work of external directors and external Audit & Supervisory Board members so they can focus on their duties. This was done to reinforce information sharing and the supervisory function of external directors.

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. To evaluate the effectiveness of the Board of Directors in fiscal 2021—for the first time after the foundation of Sawai Group Holdings Co., Ltd. as a holding company—we adopted a system of self-assessment based on a questionnaire survey of directors and Audit & Supervisory Board members. The Board's Secretariat compiled, analyzed, and evaluated the survey responses, the results of which were reported to the Board of Directors for discussions. The results of the Board's discussions are summarized as follows.

Major items in which Sawai Group Holdings Co., Ltd. has been judged to meet the standards for listing on the Prime Market

- Establishment of an environment that supports appropriate risk-taking and full examination of proposals
- Management remuneration systems
- Effective supervision of strategy implementation
- Independent and objective judgment
- Audit & Supervisory Board members' and the board's appropriate expression of their views to management and independent directors' advice from the perspectives of sustainable growth and a medium- to long-term increase in corporate value
- Oversight of management and monitoring of conflicts of interest
- Appropriate representation of the views of stakeholders

Major item in which Sawai Group Holdings Co., Ltd. has been judged to be short of the standards for listing on the Prime Market

- Status of the appointment of independent external directors, including the absence of external directors with management experience

Based on the results of the above self-assessment, from fiscal 2022 onward, we will consider the appointment of external directors with management experience and the formulation of plans for the selection of successors to the CEO and other executives, which has long been a focus of our concern.

Listed Company Board Member's Governance Forum

The Company participates in the Listed Company Board Member's Governance Forum, creating a system in which all directors and Audit & Supervisory Board members can obtain information at any time. Operated by a law firm, audit firm, and liability insurance company, the forum provides information on laws, systems, risks, and other issues required for directors and Audit & Supervisory Board members to execute their duties. The forum also conducts monthly mini-tests.



Transparency guideline
(Japanese language only)
[https://www.sawai.co.jp/
company/transparency/](https://www.sawai.co.jp/company/transparency/)

Constructive dialogue with shareholders

The Representative Director and President, 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.

Senior management, directors or Audit & Supervisory Board members will respond positively to requests for dialogue (interviews) from shareholders and investors as long as their schedules permit. In case of schedule conflicts, the department in charge of IR will respond to the request, or respond to the main concerns of shareholders by posting them on our website or in writing.

Information security governance

We consider the protection of not only the Group's information assets and but also those of stakeholders one of our important social responsibilities and have worked each year to improve information security governance related to particular issues. In fiscal 2021, we conducted general training for all employees and technical training for employees responsible for information security in each department. Based on the assumption that "information security is not absolute, and incidences can occur at any time," we work to independently and continually improve and strengthen information security governance taking into consideration information security diagnosis by independent experts.

Compliance e-learning

In fiscal 2021, we conducted three e-learning sessions on the whistleblower system, insider trading, and so-called Subcontracting Act, for all Group employees in Japan. A total of 9,072 employees (Japan Sawai Group) have completed the training. We are working to raise compliance awareness and have it take root by continuing to provide learning opportunities on not only specialized topics unique for the work of officers and employees but also more routine topics.

Business ethics

Sawai Pharmaceutical

We have established an item on compliance with legal and promotional codes in the Sawai Code of Conduct, stipulating that we comply with relevant laws and industry standards in all activities involving product promotion and advertising, and ensure they are conducted ethically and appropriately.

We also strive to engage in appropriate corporate activities as a pharmaceutical company in line with the letter and spirit of relevant codes, including the Charter of Corporate Behavior, Compliance Program Guidelines, and Promotion Code for Prescription Drugs set out by the Japan Generic Medicines Association (JGA), as well as the Sawai Group Holdings Corporate Philosophy and Code of Conduct.

Moreover, to increase transparency in our business relationships with medical institutions, we have established our own guidelines based on the JGA's Guidelines on Transparency in Corporate Activities Business Relationships with Medical Institutions, as well as publishing information on payments and funding for medical institutions on a dedicated page. We also disclose information for Medisa Shinyaku Inc. and Kaken Shoyaku Co., Ltd. on the same page.

Upsher-Smith

Upsher-Smith's business standards include several policies on proper promotion of products and medical interactions with healthcare professionals.

The company has explicitly adopted the PhRMA Code on interactions with healthcare professionals, and its sales representatives are trained on appropriate product promotion activities that comply with the PhRMA Code and applicable laws and only use approved product promotion items. Upsher-Smith sales representatives also receive training on identifying and avoiding inappropriate interactions with healthcare professionals which could arise from the provision of other items of value in exchange for the use of the company's products.

Total financial loss incurred as a result of legal proceedings related to corruption and bribery

Sawai Pharmaceutical: ¥0 / Upsher-Smith: ¥0

Total financial loss incurred as a result of legal proceedings related to false marketing statements

Sawai Pharmaceutical: ¥0 / Upsher-Smith: ¥0

Messages from External Directors



Striving to maintain group governance that stresses rationality and fairness

Masatoshi Ohara External Director

I try to do the following in order to ensure governance and compliance within management. In regard to decisions on the direction and details of business execution, I focus my questions on information that the decisions are based on, the basis and reason for decisions, and the rationality and appropriateness of decisions. As a practitioner of law, I also ask questions and give my opinion from a legalistic perspective and based on my experience. For example, this fiscal year, I pointed out the importance of post-merger integration (PMI) regarding accepting workers when acquiring the assets of Kobayashi Kako Co., Ltd., and confirmed that this was properly handled.

The greatest problem this fiscal year was the U.S. business, which had a serious impact on consolidated earnings, and I handled this issue in the same way. We squarely faced the reality of the U.S. subsidiary, and the greatest issue was how to initially respond and then how to lead the U.S. business in the future. Because an impairment loss was recorded on the investment in the U.S. subsidiary, we reviewed the details of the business in order to limit future losses. This was probably unavoidable in order to prevent a deterioration in the Group's corporate value. The U.S. business

was the Company's first large-scale cross-border M&A. When considering future business expansions, it will be important to look at deals from the sobering perspective of this experience and respond in a way that avoids similar problems. This work has already been started.

Regarding this case, from the perspective of an attorney licensed in New York, I suggested that the Company obtain a statement and proof that the counterparty's claims are true and refrain from making payment until the facts can be confirmed. From another perspective, that of the Governance Committee on Nominations & Remuneration chair, I made a harsh decision regarding compensation for the Company's management team. I think that this response was necessary for the future.

This committee deliberates on important personnel and remuneration matters and reports to the Board of Directors. Criteria that incorporate points considered important for decisions are set in advance so that decisions are not arbitrary or unfair. So that these criteria are appropriately applied, I work to ensure that the deliberation process and conclusions are rational and fair by requesting the secretariat provide material for individual deliberations.



Doing everything possible as a member of company with various perspectives that contributes to the health of people

Nawomi Todo External Director

Sawai is a corporate group that considers what it can do for the health of all people. As a physician participating in management, my role is to communicate Sawai's view of the future to stakeholders, including employees. I always have hope regarding the reports on new endeavors I hear at Board of Directors meetings and think if there is anything that I can propose. I have commented on the importance of building a corporate culture that can communicate the Company's outlook for the future and have talked about the need for being bold but meticulous and willing to take on challenges.

In the previous fiscal year, Sawai recorded a massive impairment loss related to U.S.-based Upsher-Smith and efforts are being made to transform business conditions for the company. When this was being explained, I proposed that shareholders and investors be provided with information on not only the finances but also the Group's future outlook, and that employees receive a detailed explanation that this decision was made taking into consideration the future.

Generating synergies is an important issue for the various Sawai Group business companies, including those involved in the U.S. business. My opinion is that in a certain sense, it is inefficient

for the various companies to work on new businesses without there being a connection between them. The formulation process offers hints for supplements, and the supplement development process may offer hints for formulation. For the health management app that Sawai Pharmaceutical is now working on, linking this to supplements could open up sales channels for both. I have great expectations for the various companies to collaborate and create Sawai originality through extreme ideas that other companies lack.

As for the Company's corporate governance, there is movement toward actively promoting female employees. This is recognized as an important issue, and I proposed it at a Board of Directors meeting. Under the major principle of diversity, I think that creating an environment in which all employees, not only women but all genders, can give their opinion regardless of position and undertake lively exchanges of opinions is the foundation for talent development. It is critical. I will continue to do all that I can so that Sawai can remain a company that grows and contributes to the health of all people on account of the diverse perspectives within the Company and sustained earnest efforts.