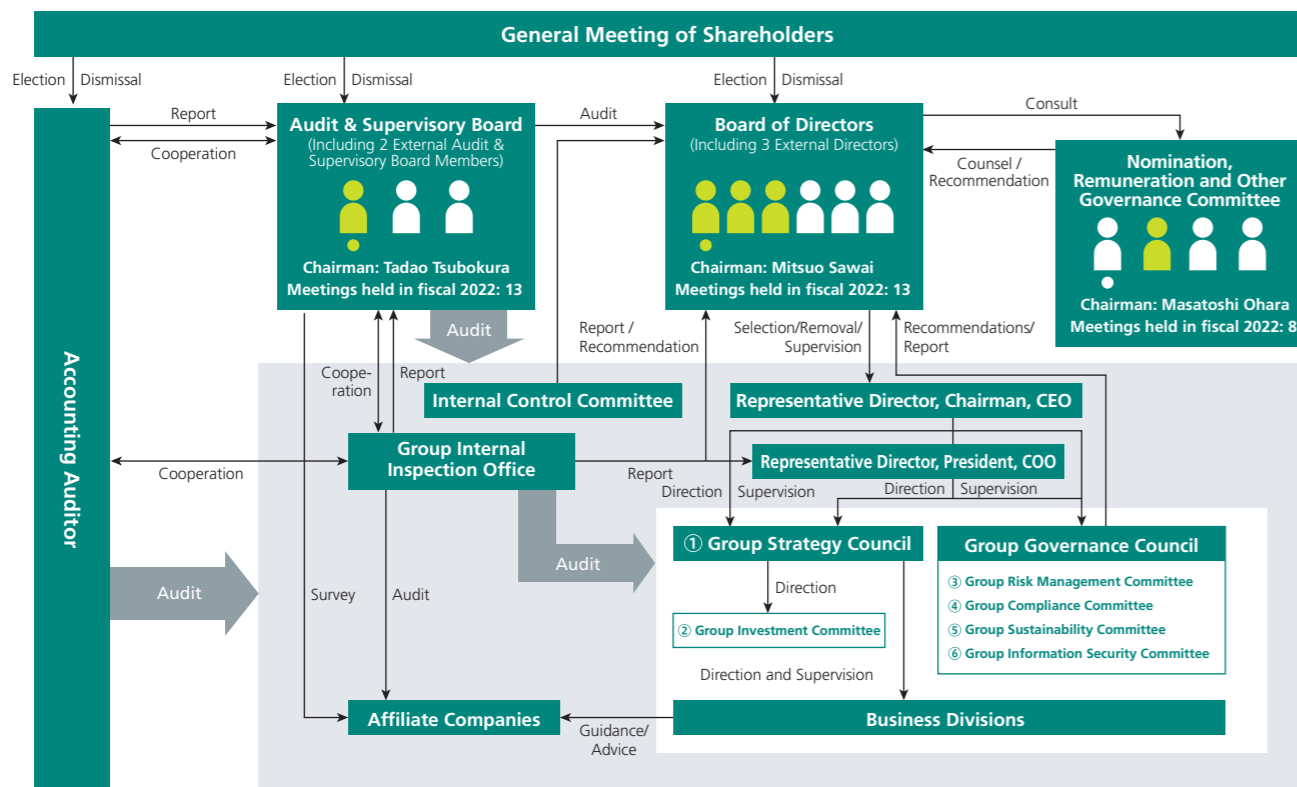




ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>
SASB Index: <https://global.sawaigroup.holdings/sustainability/sasb/>

Corporate governance

Corporate governance structure ● Internal ● External ● Chairman (as of June 27, 2023)



	Chairman	Role/function	Meetings held in fiscal 2022
① Group Strategy Council	Representative Director and President (Group COO) Mitsuo Sawai	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.	11
② Group Investment Committee	Representative Director and Chairman (Group CEO) Mitsuo Sawai	The Group Investment Committee undertakes objective, rational, and careful deliberations when examining and making decisions regarding important investment projects and the annual investment budget.	8
③ Group Risk Management Committee	Representative Director and President (Group COO) Mitsuo Sawai	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.	2
④ Group Compliance Committee	Representative Director and President (Group COO) Mitsuo Sawai	The Group Compliance Committee conducts education and enlightenment activities, etc. for officers and employees and strives to raise awareness of compliance throughout the Group.	4
⑤ Group Sustainability Committee	Representative Director and President (Group COO) Mitsuo Sawai	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.	2
⑥ Group Information Security Committee	Representative Director and President (Group COO) Mitsuo Sawai	The Group Information Security Committee shares information on information security, examines and deliberates on responses to issues, and works to smoothly manage information security.	3

Governance system and reason for its adoption

Having directors with detailed knowledge of the prescription drug industry, the Group's core business, and the state of the Company being involved in running the business while maintaining high ethics and keeping an eye on the various parts of the Company is the best way to pursue management efficiency and legality. Furthermore, an Audit & Supervisory Board, in which external directors and Audit & Supervisory Board members supervise management, was adopted as it is considered the most appropriate, taking the size of the Company, the direction management is moving,

and other issues into comprehensive consideration. It is expected that external directors and external Audit & Supervisory Board members possess professional knowledge of such fields as law, taxes, accounting, and medical care and provide useful advice, make decisions, and audit and supervise from an independent perspective. The Group Internal Inspection Office, which now has six staff to strengthen its capabilities, reported on the results of and plans for business audits based on a risk approach to the Board of Directors twice in fiscal 2022.

Governance system charts

Organizational design	Company with the Audit & Supervisory Board
Board of Directors Chairman	Chairman
Directors	6 (including 3 external directors)
Term of directors	1 year
Introduction of corporate officer system	Yes
Board of Directors optional advisory committee	Nomination, Remuneration and Other Governance Committee
Incentives for directors (excluding external directors)	Introduced performance-linked remuneration scheme Introduced stock options scheme
Accounting auditor	KPMG AZSA LLC Japan



Corporate governance

https://global.sawaigroup.holdings/sustainability/governance/corporate_governance/

Main items

- Governance system
- Audit system
- Nomination, Remuneration and Other Governance Committee
- Group Strategy Council
- Group Governance Council
- Other committees
- History of measures to strengthen governance

Remuneration for directors and Audit & Supervisory Board members

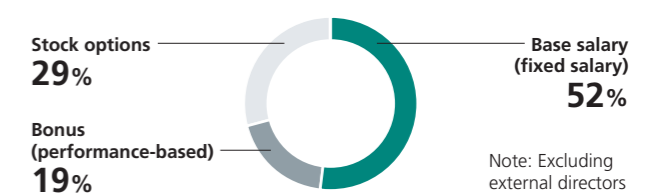
Decisions concerning Director remuneration are reported to the Board of Directors upon deliberation of matters concerning Director remuneration at meetings of the Nomination, Remuneration and Other Governance Committee

Remuneration for Directors (excluding External Directors) consists of a base salary (fixed salary), bonus (performance-based remuneration), 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 remuneration and are granted based on Director position and years of service, and in accordance with the separately determined internal regulations of the Company.

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

remuneration system, including for Director remuneration, will be reviewed every three years, in principle, based on a comprehensive accounting of market trends concerning Director remuneration, the Company's performance trends, and cost of living trends. To clarify management's responsibility for performance, in addition to all Directors returning their bonus for fiscal 2021, monthly remuneration for fiscal 2022 was cut as planned, but payment of performance-linked remuneration (bonus) was restarted in line with rules as fiscal 2022 earnings recovered.

Distribution of director remuneration fiscal 2022



Distribution of remuneration for directors and Audit & Supervisory Board members (A & SB members)

Classification	Total remuneration (Millions of yen)	Total remuneration by category (Millions of yen)			Number of eligible persons
		Fixed salary	Performance-based remuneration	Stock options	
Directors (not including External Directors)	292	153	55	84	4
A & SB Members (not including External A & SB Members)	17	17	—	—	1
External Directors and A & SB Members	30	30	—	—	4

ESG Data: <https://global.sawaiigroup.holdings/sustainability/esg/>
SASB Index: <https://global.sawaiigroup.holdings/sustainability/sasb/>

Evaluation of the effectiveness of the Board of Directors

The Company regularly analyzes and evaluates the effectiveness of the Board of Directors and strives to implement continual improvements. An evaluation of the effectiveness of the Board of Directors was conducted in fiscal 2022 as outlined below. Initiatives regarding the following three issues were launched in response to the finding of the previous year's evaluation.

Fiscal 2022 initiatives in response to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year

- Examined external director candidates who possess management experience
- Examined increasing the number of external directors
- Created summary of the succession plan for CEO and other officers

Improving the operation of the Board of Directors

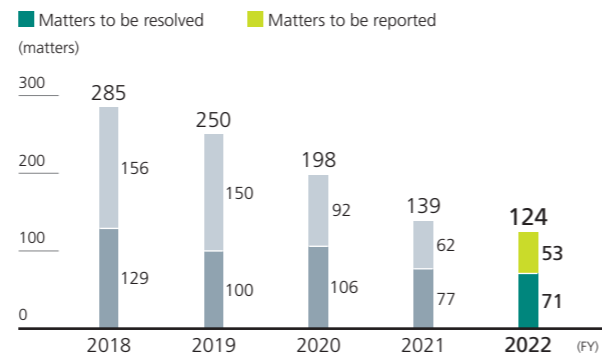
The Company's Board of Directors implement ingenious measures so that deep deliberations focused on more important issues can be held regarding matters referred to the Board of Directors following deliberations by the Group Investment Committee and Group Strategy Council. Reports on the state of management at each group company are submitted to the Board of Directors in line with the Regulations on the Management of Affiliated Companies,

and efforts are made to balance Group company supervision and decision making speed by delegating authority so that Group companies can make decisions regarding matters up to a certain level of importance.

Main questions and opinions from external officers at fiscal 2022 Board of Directors meetings

- (Regarding Trust Pharmatech) What should be done about including the 400 employees who joined the Group from the former Kobayashi Kako?
- (Regarding basic policy on internal controls) How should we inform and educate employees about the quality policy and other items during business execution?
- (Regarding Group Governance Council report) I would like to see the number of female committee members increase a bit.
- (Regarding Group Sustainability Committee report) What orientation regarding human capital, which must be included in the fiscal 2022 securities reports, is going to be disclosed?
- (Regarding Risk Management Committee report) Has there actually been a review of risk countermeasures following the evaluation of the measures?

Number of proposals



Analysis and evaluation of the Board of Directors' effectiveness in fiscal 2022

Implementation method	Evaluation results	Policy on fiscal 2023 measures
<ul style="list-style-type: none"> • Conducted self-evaluation using survey of Directors and Audit & Supervisory Board members • Regarding 14 principles and 23 supplementary principles stipulated in section 4 "Responsibilities of the Board" of the Corporate Governance Code, conducted evaluation using the level required of companies listed on the Prime Market as the standard • Used the Company's governance evaluation score provided by outside evaluation organization, too • Deliberated on evaluation results at the May 23, 2023, Board of Directors meeting 	<p>Main items that the Company meets the criteria for companies listed on the Prime Market</p> <ul style="list-style-type: none"> • Expand deliberation time, hold meetings at an appropriate frequency, distribute material in advance, etc. • Collect and understand information through external board members Liaison Committee • Receive reports by the Internal Inspection Office and various committees • Hold frank and open discussions • Have a functioning Nomination, Remuneration and Other Governance Committee • Identify necessary skills for Board of Directors and ensure a balance of people with those skills • Receive advice regarding diversity, including gender, from external directors • Possess an environment in which it is possible to obtain required governance-related information <p>Main items that the Company failed to meet the criteria for companies listed on the Prime Market</p> <ul style="list-style-type: none"> • Have more than half of directors be external directors • Hold extensive deliberations on management strategy and plans • Link outlook for human capital and human asset training to the management strategy • Strengthen relationship with stakeholders 	<p>We will work to improve the following three points while examining "how to achieve management conscious of cost of capital and stock price."</p> <ol style="list-style-type: none"> (1) Expand deliberations related to management strategy and plans (2) Link outlook for human capital and human asset training to management strategy (3) Strengthen relationship with stakeholders

Board of Directors

<https://global.sawaiigroup.holdings/sustainability/governance/board/>

Main items

- Training policy for directors and Audit & Supervisory Board members
- Supporting system for External Directors and/or Audit & Supervisory Board members
- Independence Standards for External Directors / Audit & Supervisory Board members
- Policy for Cross-shareholdings and Voting Standards

IR communication

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.

The department responsible for IR handles requests for dialogue from shareholders and investors, and directors and senior managers play an active role when their schedules permit. The department responsible for IR also handles e-mail and phone inquiries orally or in writing.

Fiscal 2022 communication activities

Meetings with Japanese and overseas investors	154
Meetings with the media	59

Information security governance

The Group stresses information security governance in order to preserve and manage information assets. We undergo regular information security assessments by independent entities, and use those objective evaluations to develop a medium-term information security plan.

In fiscal 2022, in addition to switching to a zero trust network, we conducted e-learning for all employees (3 times), training on phishing attacks (2 times), and held a cybercrime lecture by an outside instructor for persons in charge of information security in each department. Furthermore, the Group IT Department obtains ISMS certification, objective proof that we properly conduct information security management and response.

Business ethics

Sawai Pharmaceutical

Domestic Sawai Group companies

For domestic Sawai Group companies, which includes Sawai Pharmaceutical, we strive to conduct proper corporate activities as a pharmaceutical company by complying with the letter and spirit of the Charter of Corporate Behavior, Compliance Program Guidelines, and Promotion Code for Prescription Drugs set out by the Japan Generic Medicines Association, as well as the Sawai Group Holdings Corporate Philosophy and Code of Conduct. Furthermore, even in terms of business with entities such as medical institutions, we have formulated guidelines based on the JGA's Guidelines on Transparency in Corporate Activities Business Relationships with Medical Institutions and disclose information on payments and funds provided to such entities on a dedicated webpage. We also disclose information for Medisa Shinyaku Inc. and Kaken Shoyaku Co., Ltd. on the same page.

In fiscal 2022, we formulated an Anti-Bribery and Corruption Policy, which is based on the Sawai Pharmaceutical Anti-Bribery and Corruption Guidelines and should be adhered to by all Group companies. One of the reasons we did this is because a lack of fair competition on account of misconduct, such as bribery or corruption, hinders continued development of a sound society and economy, and for the Group, which conducts such businesses related to people's lives and healthier lives, such as healthcare, "existence of a sound society and its sustainable development" are the foundation for that. It is precisely by maintaining a firm relationship of trust with all stakeholders, that we can achieve the sustainability for the Group. We formulated this precisely because of that.

Upsher-Smith

Overseas Sawai Group companies

At Upsher-Smith, efforts related to high quality standards and ethics over many years have been the key to its success, and this is thought to have led to the Company winning the trust of customers who purchase and use its products. The Company conducts business based on high ethical standards and a strict code of conduct.

Upsher-Smith also operates a compliance system program that it created itself and complies with all laws and regulations that apply to business. In addition to information on the Company's initiatives related to California's Transparency in Supply Chains Act and Sunshine Law (laws to increase transparency and requires that pharmaceutical companies, medical device manufacturers, and similar entities disclose information on payments to doctors and other issues), information on Upsher-Smith's compliance program and code of conduct are disclosed on its website.