

Monitoring and supervision that leverages specialization to achieve sustainable increase in corporate value

The Company has three external directors who are responsible for monitoring and supervising management from an outside perspective by leveraging their particular specializations. In fiscal 2023, there were multiple incidents that required difficult decisions, such as the disposal of U.S. subsidiary Upsher-Smith shares and the discovery of inappropriate Teprenone Capsules testing at the Kyushu Factory. In addition, there were lively deliberations regarding the new Medium-Term Business Plan, which was announced in June 2024. In this roundtable discussion, external directors look back at how the Board of Directors handled these issues from their particular expert perspectives.



Masayuki Mitsuka

Nawomi Todo

Masatoshi Ohara

Could you tell us about the deliberations and your thoughts on withdrawing from the U.S. business?

Ohara

With the usage ratio of generic drugs reaching nearly 80% in Japan, I think that following a search for a new market, management's decision to enter the U.S. market was not a mistake. However, when the business was actually launched, price competition was fiercer than expected due to the entry of some Indian manufacturers, which was not envisioned in due diligence, and it became clear that it would be difficult for conditions to improve because of our precarious market position. Considering the situation, it is my opinion that it was a rational decision to withdraw from the market in order to avoid even greater losses.

There was one difficult aspect of the withdrawal, which was that we had to obtain the consent and approval of Sumitomo Corporation, a joint investors. But after the decision to withdraw was made, we received reports on the cautious process to limit losses as much as possible, which I appreciate.

Mitsuka

I think this was a decision that was necessary so that both the U.S. business and Japan business could grow. Under the holding company, it was difficult for the U.S. business and Japan generic drug business to mutually generate synergy

because they handled different products and faced different market demands. As for the best way for each business to achieve a sound expansion in the medium and long term, it was determined that the U.S. business was more likely to grow through an alliance with Taiwan-based Bora Pharmaceuticals, which is aggressively investing in its U.S. generic drug business, than it would be by collaborating with Sawai Pharmaceutical.

On the other hand, in Japan, it is extremely important that companies of an appropriate size provide the Japanese people with quality generic drugs at an affordable price, not an excessively low price. I think that even for the Japan business, the time had come for a decision to focus the investment of business profit into the domestic business.

Todo

In the end, our reading of conditions was definitely overly optimistic, but we still retain the results and experience of this bold challenge. Even at the Board of Director meeting, I said that I want the Company to learn something from this.

What have you said about the inappropriate testing of Teprenone and related recurrence prevention measures?

Mitsuka

There are several key evaluation items related to improving quality reliability, which are managed internally by the

Manufacturing Division and Quality Control Department, and I have stated at the Board of Directors meetings that I would like to see those raised to company-wide targets and included in the next medium-term business plan if possible. I want them included as quantitative non-financial targets, which I want the whole company to pursue, and for those numerical results to be communicated to customers and investors.

Another point is that, although a report on this incident was submitted to external officers, I requested that two items be clarified, the first being criteria regarding what incidents should be reported, and the second being what should be included in future incident reports. Furthermore, discussions regarding measures to mitigate the impact of various problems are moving forward as part of recurrence prevention measures.

Ohara

That is exactly right. There are two issues here. The first one is to what extent is there a system to prevent this type of incident and whether that system is properly operating. The second one is whether there is a system so that we as external directors are sure to obtain this information in a timely manner.

Let's consider the first question. As a member of the legal profession, I have had the opportunity to be asked for advice on responding to various problems and scandals. Based on this experience, it is important to provide detailed and clear rules to prevent recurrences, and I think that the

necessary measures are being taken at the workplace level, even at Sawai Pharmaceutical. However, I do not consider these steps sufficient enough and believe that it is necessary to reform the corporate culture and the awareness of employees.

As for the second issue, external officers received a report on the incident shortly after it occurred. However the issue remains that it took time to determine the causes and detailed results and to report that to the Board of Directors. In response to this incident, the Board of Directors seriously deliberated on the issue, and there have been calls for the development and construction of a system for timely reports to the Board of Directors based on an appropriate process. I think that this will correct the issue.

Todo

I also said that what occurred should have been reported first to the Board of Directors. It was an inexcusable problem. We must further strengthen initiatives to prevent recurrences as well as initiatives regarding the quality we have built up. One element of corporate governance is supervising management, which includes compliance issues, and this is one of the core roles of external directors. This incident reinforced for me the notion that this duty must be fulfilled.

Mitsuka

Currently, there is a shortage of generic drugs throughout Japan, and there are still many items with supply restrictions. Therefore, manufacturing workplaces face a lot of pressure regarding production volume. To prevent recurrences, it is

extremely important that employees in production fully understand that they must both ensure quality and expand production while lowering costs, which the Company demands.

There are three key points for that understanding. First, there must be reforms of the organizational culture, as Director Ohara said. Second, the figures for important evaluation items related to improving product reliability, which each division already has, must become targets for the whole company. Finally, we must invest in equipment, systems, and people which includes factory equipment, systems that automatically record data, and employees who work at factories.

Regarding staffing, the current Medium-Term Business Plan includes plans to increase the number of employees, particularly for Quality Control Departments at factories, by about 130. However, although this has already been said, the most important point is that employees on the frontline of manufacturing understand that the company has united to give the greatest priority to the quality of its products. Without that, I am concerned that there is a risk that the same problem could occur again.

Could you tell us about the considerations and deliberations carried out in formulating the Medium-Term Business Plan?

Todo

Regarding deliberations on the Medium-term Business Plan, I noted that I would ask executive officers to focus on capturing the hearts of all stakeholders who want to support our employees and Sawai. Since taking up the



Masayuki Mitsuka
Having served as the Representative Director and President of Mitsubishi Tanabe Pharma Corporation for six years, since 2014, Masayuki Mitsuka is knowledgeable of management issues faced by pharmaceutical companies. He has served as a Director of the Company since 2023.

position of external director, I have repeatedly said that we should communicate a clear, appealing vision. Of course, without profit, we cannot pay our employees or pay dividends to our shareholders. I believe, however, that in order to ensure the sustainability of a company, the core element lies in its vision.

Ohara

As for figures, I think it is important to take a close look at the evidence that a target is achievable. Therefore, when deliberating on the new Medium-Term Business Plan, I expressed the opinion that we have to incorporate things that the company should be sure to implement based on figures grounded in reality, not forecasts of how we want things to be. I truly feel that during recent Board of Directors deliberations, not only those for the Medium-Term Business Plan, we have made quite good progress in examining things from a perspective of whether it is an effective use of capital.

Mitsuka

I think that non-financial indicators—that is, ESG related items—are extremely important. In particular, governance and sustainability issues are directly linked to the continuity of the generic drug business, our core business, and sustainable earnings growth. Building a strong governance system, manufacturing products in a stable manner, guaranteeing quality, collecting safety information, and supplying numerous products without shortages — for us, these efforts are directly tied to medium-term profits. Even for indicators that do not appear to be directly linked to finances, I believe that setting targets and being sure to improve efforts ultimately leads to profits.

The government also recognizes companies that are making efforts to ensure quality and stable supply, which is also reflected in NHI drug prices. This means that the

government will help ensure that our ESG efforts lead to increased profits in the medium term. Because this is a business for which it is easy to make the case that contributing to society is linked to growth as a company, it is important that we actively communicate this to society.

Todo

This means that the reason of the company's existence is aligned with generating a profit.

Mitsuka

For example, it would probably be good to have an ESG briefing after the Medium-Term Business Plan briefing. This would be regarded highly by people, and if we can build that reputation every year, we can link it to employee satisfaction and pride among employees and employee engagement with the company.

Todo

Pride is necessary. Pride can be said to be the source of sustenance for life.



Masatoshi Ohara
Masatoshi Ohara is a lawyer and partner at Kikkawa Law Offices. He is also a licensed attorney in New York, U.S. He has served as a Sawai Pharmaceutical Director since 2019 and as a Sawai Group Holdings Director since April 2021.

What do you think about the orientation of efforts to reinforce governance and the human asset strategy that the Company is aiming to implement?

Mitsuka

In terms of governance, our greatest priority should be strengthening the functions of the Board of Directors. Quite a while ago, we diligently worked to comply with the corporate governance code, and we are working to gradually make improvements every year.

We have also built a system that will, starting this time, use an external organization to evaluate the effectiveness of the Board of Directors. I believe this will produce quite a large amount of data that can be compared

to our competitors. I think that using this data to run through the PDCA cycle to decide how to improve the necessary items and then communicating that to people outside the Company will make it easier for people to understand how we are reinforcing governance.

Another point I would like to stress is that human capital is extremely important in our business. Unfortunately, there continues to be a high turnover rate, particularly at manufacturing workplaces. When frontline workers are asked about this, they say that they are busy working in a difficult situation. I think that it is important to encourage people to work for the Company for a long time and to develop an environment in order to improve conditions and raise employee skills.

Ohara

For human resources-related issues, it is extremely important to utilize diverse human resources. We continue to welcome experienced people from various companies through mid-career hiring, but it will become important to have an HR policy that develops people from within the Company, rather than just human resources from outside the Company.

Todo

I have always said that we need to take our time and develop all employees, not only women, within the company. I also believe that one of our most important issues is to have female directors and executive officers from within the Company.

Mitsuka

Our Group makes aggressive use of mid-career hires, and many members of management joined the Company as mid-career hires. I think that the Company already has diversity in know-how and experience. This raises several questions. To what extent can we match them with employees who have worked at the company for many years, and to what extent can we make the most of them by developing their skills? How can we match them to the management strategy and HR strategy outlined in the current Medium-Term Business Plan? I would like executive officers to actively explain these points.

Ohara

Fortunately, each external director has a different area of expertise. We have Director Todo, who is knowledgeable about healthcare, and Director Mitsuka, who is well-versed in business, particularly pharmaceutical companies. As a lawyer, I am well informed of legal issues, trends, and cases outside the company and express my opinions from a governance and compliance perspective. I believe that not only internal deliberations and perspectives but also Board of Directors discussions that include a broad range of diverse opinions based on different areas of expertise will be beneficial for the company.











Nawomi Todo
Nawomi Todo is a physician and an occupational physician licensed by the Japan Medical Association. She has served as a Sawai Pharmaceutical Director since 2015 and as a Sawai Group Holdings Director since April 2021.

Board of Directors (as of June 25, 2024)

Board of Directors information

- Directors
- Audit & Supervisory Board Members

Name	Mitsuo Sawai	Shoji Yokota, Ph. D.	Masatoshi Ohara		Nawomi Todo	Masayuki Mitsuka, Ph. D.	Tadao Tsubokura	Takanobu Tomohiro	Junichi Hirano
Position									
Position	Representative Director, Chairman and President (Group Chief Executive Officer and Group Chief Operating Officer)	Director, Senior Managing Executive Officer, and Group Chief Research & Development Officer	External Director (Independent Officer)		External Director (Independent officer)	External Director (Independent officer)	Full-time Audit & Supervisory Board Member	External Audit & Supervisory Board Member (Independent officer)	External Audit & Supervisory Board Member (Independent officer)
Date of birth	Born in 1956	Born in 1957	Born in 1951		Born in 1959	Born in 1954	Born in 1961	Born in 1958	Born in 1955
Governance Committee on Nominations & Remuneration	●		● (Committee Chairman)		●	●			
Board of Directors meeting attendance*	14/14 times	11/11 times (elected June 2023)	13/14 times		14/14 times	11/11 times (elected June 2023)	14/14 times	14/14 times	14/14 times
Audit & Supervisory Board meeting attendance*	—	—	—		—	—	13/13 times	13/13 times	13/13 times
Shares of the Company held	1,057,200 shares	700 shares	1,100 shares		1,200 shares	0 shares	1,000 shares	400 shares	400 shares
Career summary	<p>April 1982 Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.)</p> <p>January 1989 Joined Sawai Pharmaceutical Co., Ltd.</p> <p>June 2000 Director and Deputy Senior Vice President of Sales Division of Sawai Pharmaceutical Co., Ltd.</p> <p>June 2002 Managing Director and Senior Vice President of Sales Division of Sawai Pharmaceutical Co., Ltd.</p> <p>June 2008 Representative Director and President of Sawai Pharmaceutical Co., Ltd.</p> <p>June 2020 Representative Director and Chairman of Sawai Pharmaceutical Co., Ltd. (incumbent)</p> <p>April 2021 Representative Director and Chairman and Group Chief Executive Officer of Sawai Group Holdings Co., Ltd.</p> <p>June 2023 Representative Director, Chairman and President, Group Chief Executive Officer and Group Chief Operating Officer of Sawai Group Holdings Co., Ltd. (incumbent)</p>	<p>April 1982 Joined Yamanouchi Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)</p> <p>September 2016 Joined Sawai Pharmaceutical Co., Ltd.</p> <p>June 2017 Corporate Officer, Deputy Senior Vice President of Research & Development Division, and Director of Analytical Chemistry Department of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2021 Senior Executive Officer of Sawai Group Holdings Co., Ltd.</p> <p>June 2023 Director, Senior Managing Executive Officer, and Senior Vice President of Research & Development Division of Sawai Pharmaceutical Co., Ltd. (incumbent)</p> <p>June 2023 Director, Senior Managing Executive Officer of Sawai Group Holdings Co., Ltd. (incumbent)</p>	<p>April 1979 Registered as a lawyer at Osaka Bar Association</p> <p>Joined Kikkawa Sogo Law Offices (currently Kikkawa Law Offices)</p> <p>February 1987 Attorney registered in the State of New York, in the U.S.</p> <p>January 1988 Partner of Kikkawa Law Offices (incumbent)</p> <p>April 2017 President of Osaka Bar Association, Vice President of Japan Federation of Bar Associations</p> <p>June 2019 Director of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2021 Director of Sawai Group Holdings Co., Ltd. (incumbent)</p>		<p>June 1984 Obtained doctor's license</p> <p>July 1984 Staff Doctor at Osaka University Hospital</p> <p>January 2002 Staff Doctor at Osaka-tetsusyou Health Insurance Society (incumbent)</p> <p>January 2007 Obtained Certified Occupational Physician Qualification of Japan Medical Association</p> <p>June 2015 Director of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2021 Director of Sawai Group Holdings Co., Ltd. (incumbent)</p>	<p>April 1982 Joined Mitsubishi Chemical Industries Co., Ltd (currently Mitsubishi Chemical Corporation)</p> <p>June 2009 Board Director, Executive Officer, General Manager of Global Product Strategy Department of Mitsubishi Tanabe Pharma Corporation</p> <p>April 2012 Board Director, Managing Executive Officer, Division Manager of Development Division of Mitsubishi Tanabe Pharma Corporation</p> <p>June 2014 President & Representative Director, Chief Executive Officer of Mitsubishi Tanabe Pharma Corporation</p> <p>June 2023 Director of Sawai Group Holdings Co., Ltd. (incumbent)</p>	<p>July 2008 Joined Sawai Pharmaceutical Co., Ltd. General Manager, Controller Department of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2012 General Manager, General Affairs Department of Sawai Pharmaceutical Co., Ltd.</p> <p>June 2018 Full-time Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2021 Full-time Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. and Auditor of Sawai Pharmaceutical Co., Ltd. (incumbent)</p>	<p>April 1991 Registered as an attorney Joined Kogoshi Takizawa Law Office (currently Kobe-Kaito Law Office)</p> <p>April 1994 Partner of Kobe-Kaito Law Office (incumbent)</p> <p>June 2016 Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2020 President of Hyogo Bar Association</p> <p>April 2021 Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)</p>	<p>July 2013 Director, Co-ordination Division, Second Large Enterprise Examination Department, Osaka Regional Taxation Bureau</p> <p>July 2014 District Director, Higashi Yodogawa Tax Office</p> <p>July 2015 District Director, Himeji Tax Office</p> <p>August 2016 Established a certified tax accountant office, which he serves as representative of (incumbent)</p> <p>June 2017 Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd.</p> <p>April 2021 Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)</p>

* Period April 1, 2023–March 31, 2024

Skill matrix

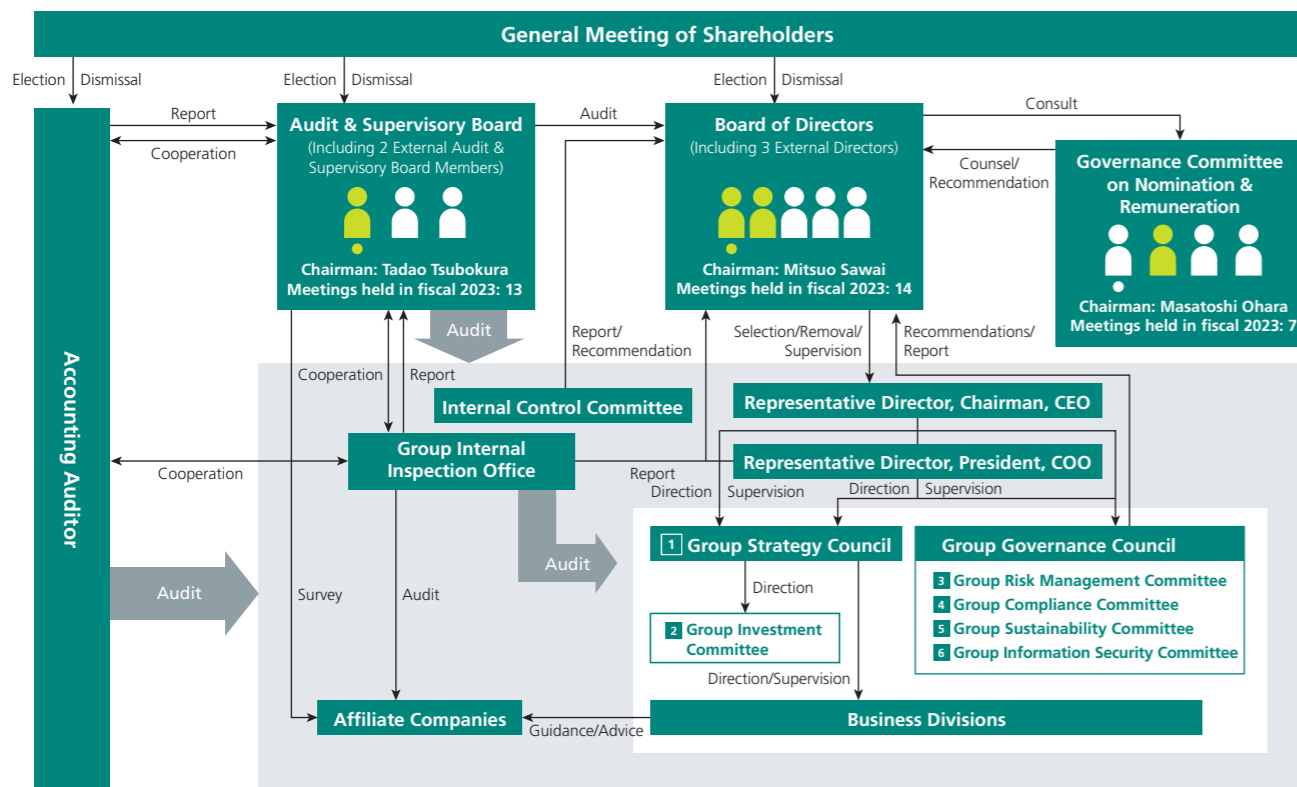
	Reason considered important	Mitsuo Sawai	Shoji Yokota	Masatoshi Ohara	Nawomi Todo	Masayuki Mitsuka	Tadao Tsubokura	Takanobu Tomohiro	Junichi Hirano
Corporate management	Experience in making decisions in line with the corporate philosophy and being responsible for business is important for the Group's management decisions.	●				●			
Legal affairs/risk management	When trying to maximize corporate value, it is important to make decisions that balance set rules and risk tolerance.			●				●	
Finance, accounting, tax affairs	These are important for accurately ascertaining and calculating the Group's corporate value and properly paying taxes.						●		●
Production and quality	Advanced quality and production management are important so that consumers can use the Group's products, etc. with peace of mind.		●						
Marketing and sales	Communicating the merits of products and services that the Group produces and provides and broadly gathering information on needs are important.	●							
Research, development, technologies	This is important to continue to provide high value-added products and services that meet the needs of society.		●			●			
Medicine and pharmaceuticals	Medicine and pharmaceuticals-related skills are important for the Group, which aims to become a general healthcare company related to life and health.		●		●	●			



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 25, 2024)



	Chairman	Role/function	Meetings held in fiscal 2023
1 Group Strategy Council	Representative Director and President (Group COO)	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.	14
2 Group Investment Committee	Representative Director and Chairman (Group CEO)	The Group Investment Committee undertakes objective, rational, and careful deliberations when examining and making decisions regarding important investment projects and the annual investment budget.	17
3 Group Risk Management Committee	Group Chief General Affairs Officer	To reinforce the management of various risks that the Company and Group companies face, the Group Risk Management Committee oversees risk management, manages and evaluates progress in managing risks, and works to continually improve risk management.	2
4 Group Compliance Committee	Group Chief Compliance Officer	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 (total of 9 times*)
5 Group Sustainability Committee	Group Chief Sustainability Officer	The Group Sustainability Committee deliberates and decides on the Group's basic policy on sustainability, establishes and maintains a system for promoting sustainability, assists Group companies in establishing and maintaining their own systems for promoting sustainability, and receives reports.	4
6 Group Information Security Committee	Group Chief Digital Transformation Officer	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

* Held monthly, five times between November and March, as part of the Corporate Culture Reform Project

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 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 medicine and pharmaceutical sciences and provide useful advice, make decisions, and audit and supervise from an independent perspective.

The Governance Committee on Nominations & Remuneration, to which one more external director with experience in management was added in fiscal 2023, conducted extensive deliberations regarding such issues as the appointment, termination, and remuneration of the management team.

Governance system charts

Organizational design	Company with an Audit & Supervisory Board
Board of Directors Chairman	Chairman
Number of directors	5 (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 and stock options scheme, which includes evaluation of ESG-related initiatives
Accounting auditor	KPMG AZSA LLC Japan



Corporate Governance

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

Main items

- Policy and Basic concept
- Governance system
- Audit system
- Nomination, Remuneration and Other Governance Committee
- Group Sustainability Committee
- Group Governance Council
- Other committees
- History of measures to strengthen governance

Remuneration for directors and Audit & Supervisory Board members

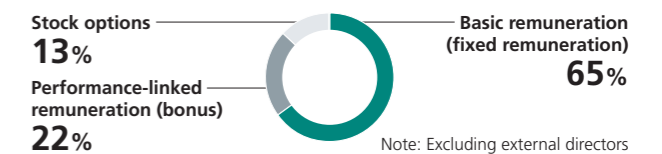
Decisions concerning Director remuneration are reported to the Board of Directors upon deliberation of matters concerning Director remuneration at meetings of the Governance Committee on Nomination & Remuneration.

Remuneration for Directors (excluding External Directors) consists of a basic remuneration (fixed remuneration), performance-linked remuneration (bonus), and stock options (new share acquisition rights) as a medium and long-term incentive. Basic remuneration 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. Taking seriously the administrative punishment for inappropriate testing found at Sawai Pharmaceutical in fiscal 2023, the Governance Committee on Nominations & Remuneration carefully deliberated on the appropriateness of the punishment of the officers concerned and the offer to return executive remuneration, and made a recommendation to the Board of Directors, which then resolved the punishment at its meeting.

Distribution of director remuneration fiscal 2023



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 remuneration	Performance-linked remuneration	Stock options	
Directors (not including External Directors)	118	77	26	15	5
A & SB Members (not including External A & SB Members)	18	18	–	–	1
External Directors and A & SB Members	42	42	–	–	5



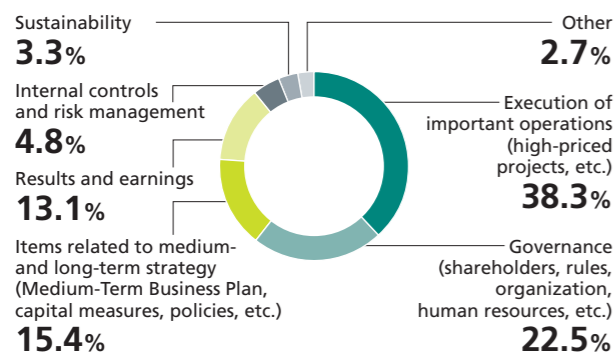
ESG Data: <https://global.sawaigroup.holdings/sustainability/esg/>
SASB Index: <https://global.sawaigroup.holdings/sustainability/sasb/>

Main Board of Directors Issues

The Company continually implements improvements of the operation of the Board of Directors and ensures in-depth deliberations on management by securing the necessary time for deliberations. The following are important issues deliberated on by the Board of Directors in fiscal 2023.

- (1) Analysis of the causes for not achieving business results and examination of strategic projects
- (2) Investments that lead to new growth
- (3) Business portfolio that takes into consideration cost of capital
- (4) Ascertaining risks accompanying promotion of the management strategy
- (5) Risk management, including whistleblower system and representations and warranties
- (6) Examination of quality problems and formulation of recurrence prevention measures
- (7) Human capital investments that lead to growth
- (8) Disposal of pediatric formulations, unconscious bias, etc.
- (9) Accountability to shareholders and shareholders return policy

Breakdown of time spent on deliberations and reports



Analysis and evaluation of the Board of Directors' effectiveness in fiscal 2023

Implementation method and results	Main opinions	Fiscal 2024 initiatives
<ul style="list-style-type: none"> The third-party organization administered self-evaluation by anonymous questionnaires The third-party organization collected the questionnaires and analyzed the results The Board of Directors verified and discussed the results based on the report received from the third-party organization Based on the above results, the Company's Board of Directors is considered to fulfill its roles and functions properly 	<ul style="list-style-type: none"> Active discussion and suggestions should be made on developing and operating the succession planning for the CEO, etc. There are some inadequacies in the follow-up of matters resolved by the Board of Directors. The Board needs to discuss the Group's long-term (5-10 years) business strategy more actively. The Board of Directors should avoid a skills (map) shortage associated with the relative decline in the number of internal directors. The Board of Directors should to increase opportunities for information sharing and opinion exchange with the internal audit department. 	<p>We will work to improve the following five items.</p> <ol style="list-style-type: none"> Succession planning Follow-up monitoring of progress Further enhancement of discussions on management strategies and plans Composition and skills of the Board of Directors Operational method of the Board of Directors

Board of Director deliberations regarding ESG

The Board of Directors receives regular reports on the Group Sustainability Committee and deliberates on related issues. During fiscal 2023, the Board of Directors deliberated on the following issues.

In the environment field, there was an examination of the response to climate change risk, more efficient use of resources, and biodiversity preservation.

In the society field, there was an examination of securing human resources (human capital investment, engagement, diversity, recruiting, and labor environment), in-house and outside supply chain management, and contributions to local communities. In the field of governance, response to the Corporate Governance Code, internal controls, compliance, and risk management were examined.

In response to these deliberations, it was decided to set sustainability-related targets in the Medium-Term Business Plan.

Evaluation of the effectiveness of the Board of Directors

The Company regularly analyzes and evaluates the effectiveness of the Board of Directors once a year and strives to implement continual improvements. An evaluation of the effectiveness of the Board of Directors was conducted in fiscal 2023 as outlined below. Initiatives regarding the following three issues were launched in response to the finding of the previous year's evaluation.

Fiscal 2023 initiatives in response to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year

- Expanding deliberations related to management strategy and plans
- Relationship of human capital and human resource training outlook with management strategy
- Strengthening relationship with stakeholders

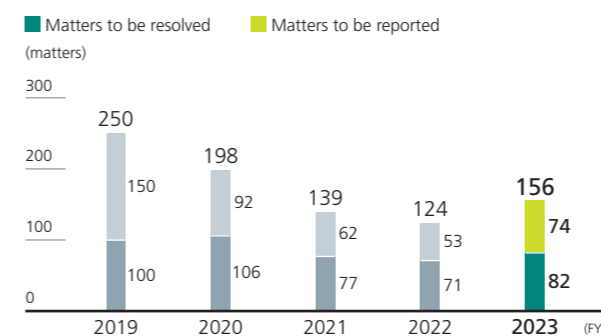
Improving the operation of the Board of Directors

The Board of Directors deliberates important matters in the Group Investment Committee and the Group Strategy Council before referring them to the Board of Directors, in order to ensure that in-depth discussions focus on the most important points. In addition, based on "the Regulations on Affiliated Company Management," the Board of Directors is informed of the important management status of Group companies and delegates authority to Group companies to make decisions on matters within certain criteria, thereby achieving a balance between supervision of Group companies and speedy decision-making.

Key questions and comments from external directors at the fiscal 2023 Board of Directors meeting

- (In response to the findings of the investigation into inappropriate testing) We can be reassured by the findings that there was no evidence of organizational involvement, but there may have been a disposition that supply could not be stopped or that growth was a priority above all else.
- (Regarding investment in human capital) We should put this forward as one of the major issues for future growth.
- (In terms of cost-of-capital management) It is important to manage the business portfolio with an awareness of the cost of capital, as well as shareholder returns.
- (In terms of defensive risk measures) The system should be strengthened by including someone familiar with GMP/GQP in the whistle-blowing office. Speed and depth are important.
- (In terms of contributions to the sustainability of society) Pediatric formulations should be discussed, including the issue of disposal, while removing the unconscious bias.

Number of proposals



Board of Directors

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

Main items

- Skills Matrix
- Improving the operation of the Board of Directors
- Corporate Officer Remuneration System
- 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
- Evaluation of the effectiveness of the Board of Directors
- Policy and process for appointing Executive Officers, candidates for Directors and candidates for Audit & Supervisory Board members
- Succession planning for the CEO and other executives
- Policy for cross-shareholdings, and voting Guidelines

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 and 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, and the opinions of shareholders shall be actively utilized in the management of the Company.

The department responsible for IR handles reasonable 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 2023 IR meetings

Meetings with Japanese and overseas investors	191
Meetings with the media	38

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 we use those objective evaluations to develop a medium-term information security plan.

In fiscal 2023, we offered two e-learning classes as part of employee education, two targeted email-attack training classes, and a cybercrime response class, which was taught by an outside instructor, as part of responsible staff training. Furthermore, the Group IT department handled the ISMS certification audit following revisions to certification criteria, objective proof that we properly conduct information security management and countermeasures. Every year, we strengthen our technical response, which includes such activities as expanding the scope of various logs collected with a follow-up survey in mind.