

Sharing our progress in corporate culture reforms and actions to resolve issues with investors



IR Day 2025 Overview

Date	March 25, 2025	Location	Nihonbashi, Chuo-ku, Tokyo (streamed online)
Speakers	Mitsuo Sawai, Group CEO and COO / Shoji Yokota, Director, Senior Managing Executive Officer, and Group Chief Research & Development Officer / Masatoshi Ohara, Outside Director / Nawomi Todo, Outside Director / Masayuki Mitsuka, Outside Director / Motohiko Kimura, Senior Managing Executive Officer, Representative Director, President of Sawai Pharmaceutical Co.,Ltd. / Taku Nakaoka, Executive Officer, and Group Chief Financial Officer		

Note: Affiliations and positions are as of the date of the meeting.

The Sawai Group’s IR Day was held in March 2025 with the aim of further deepening dialogue with investors. On the day of the meeting, attending members of the Board of Directors explained in detail the status of the Board’s monitoring activities and the Group’s R&D capabilities enabling it to launch generic drugs which are the first or the sole item in their market category. Outside directors in attendance also engaged in a lively exchange of views on themes of importance of investors and future prospects through a question-and-answer session.

Here, we compile some topics of particular interest from the day’s Q&A session.

Q.1 Outside directors’ roles and actions after discovery of inappropriate testing

Investor: At what point were you informed and what was your reaction to the inappropriate testing that was discovered in 2023? Please also tell us what role the outside directors played in the subsequent formulation of measures to prevent recurrence, strengthening of monitoring, cooperation with the third-party committee, and holding

senior management accountable.

Ohara: We apologize for the great concern this incident has caused Sawai’s shareholders and investors.

The incident in question was first discovered in April 2023, and the Board of Directors received the first report of the occurrence on May 11, 2023. At that stage, it was said that a proper investigation would be carried out and another report would follow. Board meetings were subsequently held on May 22 and June 27, but as of May 22, there was no report on this investigation. The reason given was that

quality assessment had been made a top priority to determine if a product recall was necessary.

The quality assessment work was completed on June 19, and at the June 27 Board of Directors meeting, the director in charge at the time reported on developments so far and that a special investigation committee had been established. Since then, each Board meeting has involved discussions and reports on this matter.

Furthermore, as part of measures to prevent recurrence, we, the outside directors and Audit & Supervisory Board members have inspected the Daini Kyushu Factory, most recently on February 26, 2025, to confirm the status of quality assurance and quality control.

As for what measures were taken, we took two approaches to tackling this issue. One is how to establish a system to investigate the cause of the incident and prevent recurrence. The other is that there may have been a delay in reporting to the administrative authorities and, presumably, a delay in sharing information with the Board of Directors. These are two issues we have identified and pointed out.

The special investigation committee has made recommendations to investigate the causes and prevent recurrence, and my understanding is that the Company has properly established systems so misconduct is not repeated. However, building a system is not the end of the process; it is necessary to see that it is properly operated. In this regard, as an outside director, I have access to and review the minutes of the monthly Group Compliance Committee meetings.

Regarding the reform of the corporate culture that led to this misconduct, as outside directors, we have asked for closer communication with those working on site to improve openness, and also for changes in mindsets of those working at the factory. In this regard, education and study are not the only tools; we also hold town hall meetings to facilitate smooth communication and exchange of opinions between those actually working on the front lines and their supervisors and senior management, and we believe this is proving to be effective.

As for the second issue pointed out, which is the review of the system for reporting to the Board of Directors, in addition to regular reports, any other events are to be reported to the holdings company’s Board of Directors on an ad-hoc basis. A great deal of time has been spent among Sawai Group Holdings’ Board of Directors, and reports have been very thorough; I have also asked questions and offered my opinions. My feeling is that the Board of Directors will discuss what we as outside directors will do in response to the timely sharing of information.

Next is how Sawai fulfilled its responsibilities as a pharmaceutical supplier. I also serve as the Chairman of the Nomination, Remuneration, and Other Governance Committee, and the committee has held Sawai’s officers at the time of the incident clearly accountable by giving them

pay cuts. As mentioned just a moment ago, we outside directors will do our utmost to ensure that such a thing never occurs again, and if, for some reason, it does, we will do our best to deal with it as swiftly as possible.

Q.2 Monitoring by the Board of Directors and fostering corporate culture

Investor: What kind of monitoring does the Board of Directors do? I’d like to particularly ask Director Mitsuka, what do you think needs to be done and monitored in the future to foster culture, based on your experience?

Mitsuka: I would like to divide my explanation into two parts: monitoring at what we call the “management level,” and, especially in the area of culture, understanding and monitoring what is happening in the field.

First of all, in the formulation of the medium-term business plan, we imposed quite demanding requirements for monitoring in light of the aforementioned incident. Specifically, we asked that KPIs be established not only for financial indicators but also for non-financial indicators: for example, KPIs for manufacturing and quality information management, as a company, and more detailed KPIs for divisions.

In fact, many KPIs are not disclosed externally because of issues related to product quality, but the KPIs formulated in the new plan are shared internally, and the Senior Vice President of the Reliability Assurance Division has explained to us at Board meetings how the Company is progressing in accordance with the KPIs.

To give a sense of the Group’s KPIs, let me give an example in the area of quality. The worst-case scenario here would be a product recall, but the Group determines the severity of quality deviation, whether it falls into Class I, Class II, or Class III, before reaching that scenario. In addition, there had previously been a lack of corrective action and preventive action (CAPA) to address such deviations, and there were many cases where we knew we had to take action, but we did not have enough people to do so. Now, we are monitoring how well that is being handled on average as a KPI.

Secondly, as for fostering culture and what issues are currently present in the field, there are three major issues that need to be remedied, in my opinion.

The first is about the pressure to increase production. When I read the records and exchanges when the inappropriate testing was in its earliest stages, it was all about boosting production as a top priority, with a tendency to justify production increases because the market wants it. I also think that the Group needed to address the rapidly growing market. It should be noted that even today, the pressure to increase production continues to remain in the

policy of building new plants and supporting increased production while ensuring quality.

The Group's corporate commitment to ensuring quality as a vital mission, not just production volumes and sales, have been set out as KPIs. Now, it is necessary to pass these down to the senior vice president of each division, or to their subordinate or even further down the line as officers constantly assess whether these KPIs are moving toward improvement over the medium to long term.

The second issue is how we approach the pressure to ensure zero quality irregularities or issues. I think we, as a Group, need to explore what the proper approach should be in the culture of our workplaces.

Third is the issue of securing personnel. Just giving a command is unlikely to solve this kind of concern. What I personally think is particularly important is not simply to increase headcount, but to secure talent at a level that can provide guidance in the field—people who can answer questions from operators in the field, and of course the skill level is important.

Also, though you may never be able to completely eliminate the reticence that a line worker will have to consult with their busy supervisor despite a tough situation in the field, I believe it is important to establish a system facilitating open consultation.

To relieve the pressure to totally eliminate problems, it is important to first instill the idea that low-level problems can happen, and then let them handle these so that they do not lead to major problems.

In fact, the system for handling production problems was originally established by GMP, and it is based on the premise that deviations can occur, and when deviations do occur, it is stipulated that this should be done and that CAPA should be performed. It will be important to keep an eye on these issues in the long run as to how to control them so that they do not pop up again.

Deviations have also occurred as reported by the Reliability Assurance Division. In the short term, there has been an increase. We believe that this is due to increased sensitivity, and we are now in the process of monitoring how accurately these deviations are being handled over the long term. In a year or two, we hope to see a reduction in the number of items ending in recall.

In addition, the Group's large factories are dispersed throughout Japan, and we are very careful to watch for information barriers between the headquarters and production sites, and to make sure that they are not being unilaterally given unreasonable expectations.

Looking at the exchanges at the earliest stages of the inappropriate testing in question, there were instances where the problem was actually in the field, and emails sent to the headquarters went unanswered. Therefore, during my recent visit to the Daini Kyushu Factory, I have been able to review in detail through documents how the

factory is communicating with the headquarters as part of the ongoing project for inspection based on certification of approval.

At least from what the general manager said, I could see that the headquarters was willing to take ownership and cooperate to solve the problems at that factory. As a member of the Board of Directors, I would like to make sure that this is the case at all factories going forward.

Q.3 Human resource retention initiatives

Investor: I have a question regarding personnel retention. I believe it was mentioned in the Integrated Report 2024 that the working environment is unavoidably challenging and that there is turnover, especially among young employees. What are your thoughts on retention?

Mitsuka: To your point, it has been two years since I joined the Sawai Group, and when I first visited various sites, I was surprised to hear that there was a lot of turnover in the workforce. What is particularly noticeable when visiting a production site is that physical strength is required there, such as when handling heavy items.

Reviewing the data through December 2024 shows an annualized resignation rate of 3.94% overall, and 4.21% at the Manufacturing Division. My impression was that this was a high retirement rate for a new drug manufacturer versus my general perception at around 2% to 3%. However, since employees who have resigned account for about 10% in the entire manufacturing industry in Japan, Sawai's figure of about 4% is not particularly high when viewed through the lens of the manufacturing industry as a whole. Since approximately 70% of Sawai's workforce is in production, and the Manufacturing Division has a large number of part-time workers, the figure of 4.21% for the Manufacturing Division and 3.94% for the Group as a whole is not particularly high, but rather normal.

However, as we consider increases in factory capacity utilization rates in order to further boost production, this resignation rate will undoubtedly become a bottleneck in securing and training human resources, and I believe that how to improve this situation is an issue that should be addressed.

Fortunately, compared to the previous fiscal year's data, the numbers have improved slightly. In fiscal 2023, the annualized resignation rate was 4.1% for the Group overall, while in fiscal 2024, the annualized rate through December was 3.94%, a slight improvement. As a member of the Board of Directors, I can confirm that the most recent trend is in the right direction. However, when we look into resignation details, we find that many, especially in the Manufacturing Division, resigned due to job changes and



poor health, and we surmise that the workplace must be a considerably busy and stressful one.

In any case, Sawai produces so many items that the kiln where medicine is made changes items every two days. In addition, in order to log all factory data, a manufacturing test support system ensures that a record is kept of what and how much was weighed, one by one. I saw the work site myself, and there was a considerable amount of going back to the previous stage and redoing work. My feeling was that, for those who were not used to such a practice, the stress of having to ensure zero issues must be even greater than the physical exhaustion.

Therefore, I see one of the major challenges in health management as how to reduce the stress of those working in the Manufacturing Division. I also feel that it is an urgent and important management issue to have each and every person in the Manufacturing Division work in a healthy, happy and energetic manner in order to make the generic drug business a sustainable and healthy business. I would like to keep an eye on resignation rate figures while taking such details into account.

Q.4 Discussion on increasing the number of female leaders

Investor: Ms. Todo, you commented that cultivating female directors and executive officers from within is an important issue. We would like to know the context behind your awareness of this issue.

We would also like to know what kind of discussions are taking place in the Board of Directors regarding increasing the number of female executives and other diverse leaders.

Todo: Since I took office, I have said that it is my goal and dream to sit on the Board of Directors with female directors from within the company. As a sign of my intent to make this a reality, I held a roundtable discussion with female employees together with the now-Chairman Sawai shortly after assuming my position, and the discussion was published

in the company newsletter.

Despite this, the goal of appointing a female director from within the Company has not yet been achieved. Though it may not be appropriate for me to speak on the issue considering I am in this very same position, recruiting female directors from outside Sawai will not help it realize the active engagement of women. I believe it only makes sense to find such a person within the Company.

However, I cannot say that there are many female employees at Sawai today who are in management positions or who wish to be in management positions. It has long been my view that active engagement by women can only be realized in a company where all employees, not just women, are actively engaged. I believe that Sawai's female employees understand this concept, as I have expressed it at each conversation I have had with them and at our Board of Directors meetings.

To put it simply, I believe that a company cannot be a place where all employees can be actively engaged, especially in management positions, without the active engagement of women, and other minorities. In other words, to conceptualize an environment in which women can be actively engaged will lead to a corporate attitude that conceptualizes facilitative working environments for all employees.

I am aware that this concept is understood and that Sawai is taking actions in this area. Furthermore, I understand that through the implementation of unconscious bias training for all employees, Sawai has achieved results such as broadening the understanding of what constitutes a facilitative working environment.

Board of Directors

(as of June 25, 2025)

Directors

● Years of service as a Director (numbers in parentheses show service period at Sawai Pharmaceutical when it was publicly listed)
○ Board of Directors meeting attendance (FY2024) 🌐 Shares of the Company held



Mitsuo Sawai
Representative Director, Chairman and President
(Group Chief Executive Officer
and Group Chief Operating Officer)

● 4 years (21 years) ○ 14/14 times 🌐 3,171,700 shares



Shoji Yokota, Ph. D.
Director, Senior Managing Executive Officer,
and Group Chief Research & Development Officer

● 2 years ○ 14/14 times 🌐 2,500 shares



Masatoshi Ohara
Outside Director (Independent Officer)

● 4 years (2 years) ○ 11/14 times 🌐 4,000 shares



Masayuki Mitsuka, Ph. D.
Outside Director (Independent Officer)

● 2 years ○ 14/14 times 🌐 100 shares



Yasuko Aitoku New appointment
Outside Director (Independent Officer)

● New appointment

Directors, Audit & Supervisory Committee Members

● Years of service as a Director ○ Board of Directors meeting attendance (FY2024) 🌐 Shares of the Company held



Tadao Tsubokura
Director, Full-time Audit and
Supervisory Committee Member

● New appointment* ○ 14/14 times 🌐 3,200 shares



Etsuko Taniguchi New appointment
Outside Director, Audit and Supervisory
Committee Member (Chair) (Independent Officer)

● New appointment



Yukiyo Nose New appointment
Outside Director, Audit and Supervisory
Committee Member (Independent Officer)

● New appointment

* Appointed as a Full-time Audit & Supervisory Board Member of Sawai Pharmaceutical in 2018, and as a Full-time Audit & Supervisory Board Member of the Company in 2021

Skill matrix

	Reason considered important	Mitsuo Sawai	Dr. Shoji Yokota	Masatoshi Ohara	Dr. Masayuki Mitsuka	Yasuko Aitoku	Tadao Tsubokura	Etsuko Taniguchi	Yukiyo Nose
Corporate management	Experience in making decisions in line with the corporate philosophy and being responsible for business is important for management decisions that lead to the Group's sustainable growth.	●	●		●	●			●
Healthcare	Knowledge and experience in a wide range of healthcare fields is important to expand our core business, including new businesses as well as pharmaceuticals, and to increase corporate value.	●	●		●	●	●		●
Global	Understanding global markets and regulations is important for business operations, including international supply chains.		●	●		●			●
Medicine and pharmaceuticals	As a general healthcare company, medicine and pharmaceuticals are important for creating value in overall management, including quality improvement, by capturing the needs of healthcare professionals and patients.		●		●	●			●
Finance, accounting, tax practice	Knowledge of finance, accounting, and tax practice is important to accurately calculate corporate value, improve capital efficiency, and properly pay taxes.						●	●	●
Legal affairs/risk management	Legal affairs and risk management insights to ascertain and judge rules and risks is important to maximize corporate value through optimal decision making.			●					
Sustainability/ESG	ESG perspectives are important for the Group to both achieve sustainable growth and address social issues.			●	●				●

Message from newly appointed outside directors

Working toward sustainable growth and strengthening trust building

Yasuko Aitoku Outside Director (Independent Officer)

With experience gained at a R&D-focused global pharmaceutical company, I will fulfill my responsibilities as an independent officer to ensure that the Sawai Group plays its role in healthcare. I will also support the strengthening of governance systems from an external perspective to ensure the continuity of corporate activities as a pharmaceutical manufacturer that pursues scientific progress, maintains high ethical standards, and is trusted by patients, healthcare professionals, and society at large. Furthermore, I will discuss medium- to long-term solutions to concerns such as environmental considerations, drug price revisions, stable supply, and the increasingly sophisticated generic drug business with Board members to help establish a sustainable profit model.

I hope to build greater momentum for transformation by leveraging the diversity of Sawai's employees and visualizing the new corporate value that will be created.

Striving to establish a trusted corporate foundation

Etsuko Taniguchi Outside Director, Audit and Supervisory Committee Member (Chair)(Independent Officer)

Based on my experience as a certified public accountant, I am committed to establishing a trusted corporate foundation, an underlying element of "Beyond 2027," our medium-term business plan. To this end, I intend to fulfill my role as an outside director from a medium- to long-term perspective with a keen awareness of the Five Principles for Board of Directors to Enhance "Growth Power" as published by the Ministry of Economy, Trade and Industry, especially "while being mindful to avoid micromanagement...encourage the management team to ensure that the decision-making process and structure contribute to its timely and decisive decision-making."

In addition, I will monitor the progress of the Generic Drug Provider Evaluation System that we will be launching in earnest this fiscal year, seeing the deepening of this initiative as directly connected to the enhancement of the management base and the growth of the entire Group.

Contributing to greater corporate value from a global perspective

Yukiyo Nose Outside Director, Audit and Supervisory Committee Member (Independent Officer)

My name is Yukiyo Nose, and I am a Japanese-American certified management consultant and physician. My desire is to bring a breath of fresh air to Japanese companies with a global mindset cultivated through 25 years of international experience in 50 countries around the world.

I will strive to ensure my presence supports the future of the Group with more open perspectives and creative ideas. In addition to CSR and ESG initiatives, I would like to encourage both employees and their company to grow alongside each other and build a future-oriented corporate culture that is trusted by society.

I will contribute to sustainable growth and strengthen governance, and take on the challenge of creating value for the 22nd century.

Corporate governance

Governance system and reason for its adoption

The Sawai Group Corporate Philosophy is “Dedicated to building a healthier future for all,” while the Sawai Group Vision is “To create a healthier, more sustainable world where people have easier access to healthcare services and can live a full life with peace of mind.” In order to make this vision a reality, as well as to ensure the sustainable growth of our Group and increase our corporate value over the medium to long term, we recognize the importance of continuously strengthening corporate governance as a foundation for ensuring sound, transparent, and efficient management.

Guided by this basic approach, the Group has sought to enhance the supervisory function of the Board of Directors and accelerate business execution by increasing the number of outside directors, establishing a Nomination, Remuneration, and Other Governance Committee, and transitioning to a holding company structure. Through these efforts, we strive to increase corporate value by building highly effective oversight and a swift decision-making framework.

In addition, to strengthen our response to the rapidly

changing external environment and achieve further growth, we have decided to transition from a Company with an Audit & Supervisory Board to a Company with an Audit & Supervisory Committee, approved at the 4th Annual General Meeting of Shareholders held on June 25, 2025. We have determined that it is optimal to establish a structure in which directors who are well versed in the prescription pharmaceutical industry and internal affairs execute their duties with high ethical standards, and in which outside directors and the Audit & Supervisory Committee supervise management from an independent standpoint, taking into consideration the overall corporate size and management style.

We expect our outside directors to provide valuable advice, sound judgment, and effective audit and supervisory functions from an independent perspective, drawing on their specialized knowledge in fields such as corporate management, healthcare, global business, medical and pharmaceutical science, finance / accounting / tax practice, legal affairs / risk management, and sustainability / ESG.

audits the execution of duties by directors on behalf of shareholders, this committee bears the responsibility for establishing a sound corporate governance system.

In accordance with our audit policy and plan, the Audit & Supervisory Committee, in cooperation with units involved in internal controls, investigates the status of the Group’s operations and assets. In addition to attending important meetings, members of the Audit & Supervisory Committee also meet regularly with our internal audit department (Group Internal Inspection Office) and the accounting auditor to ensure close collaboration. As well as examining the status

of the execution of duties by directors and executive officers and the maintenance and operation of internal control systems, committee members conduct audits on the legality and appropriateness of the execution of duties by directors and the appropriateness of the auditing methods and results of the accounting auditors, and compile the contents of these audits in the form of an audit report.

Furthermore, by utilizing the independent viewpoints and expertise of outside directors to provide opinions to senior management, they contribute to the soundness, transparency, and efficiency of management.

Message from an Audit & Supervisory Committee Member

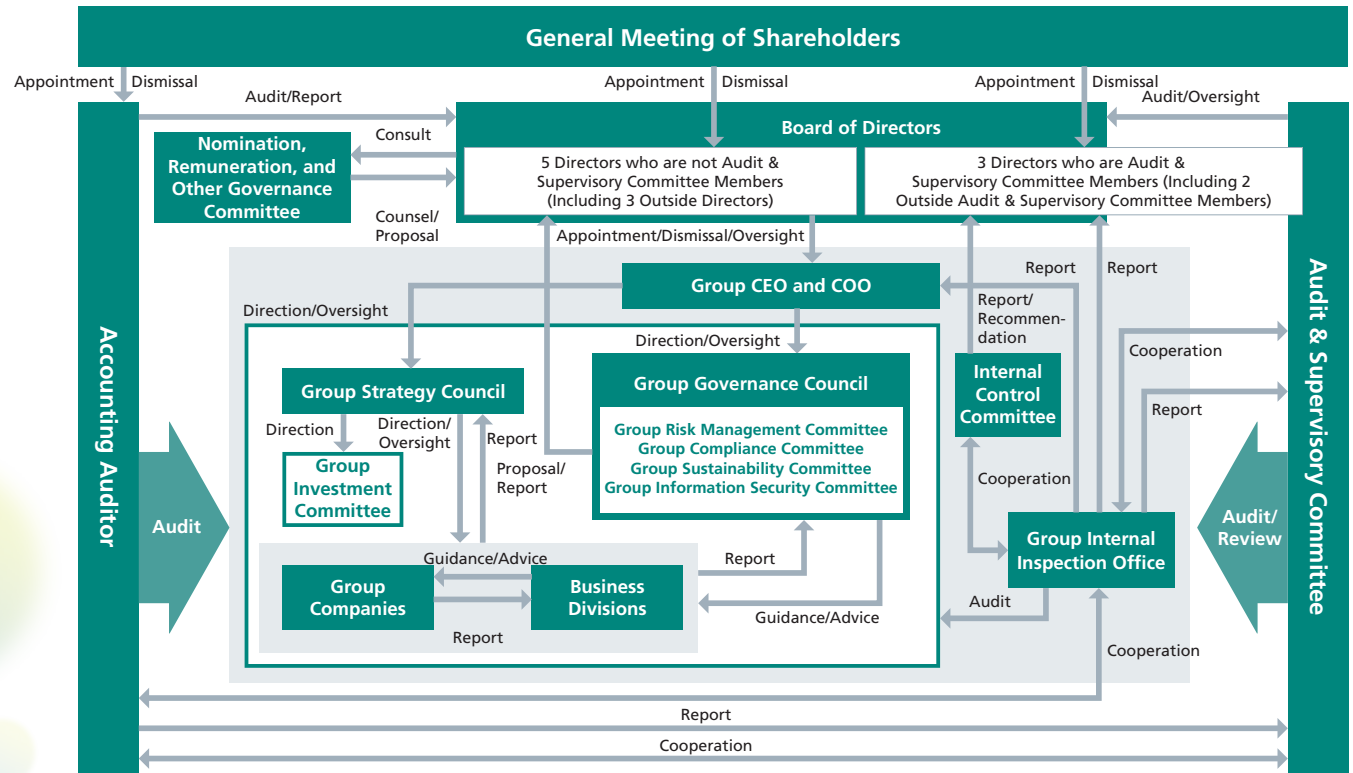
Tadao Tsubokura Director, Audit & Supervisory Committee Member

I was appointed as a full-time Audit & Supervisory Committee member following the transition of the Sawai Group from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee. Previously, I had served as a full-time Audit & Supervisory Board member, but before that, I worked on the establishment of management control systems and governance structures, including accounting, finance, performance management, and investor relations.

With the Group’s transition, the Board of Directors now consists of five outside directors and three internal directors. In addition, an outside officer liaison meeting is regularly held with six members—three Audit & Supervisory Committee members (including two outside directors) and three outside directors who are not Audit & Supervisory Committee members—to exchange information and share recognition to ensure the effectiveness of audits, etc. and to improve the effectiveness of the Board of Directors.

Together with newly appointed members Etsuko Taniguchi and Yukiyo Nose, we will utilize their expertise to further enhance corporate governance as a foundation for ensuring sound, transparent, and efficient management, which is necessary for the Group’s sustainable growth and medium- to long-term enhancement of corporate value.

Corporate governance structure

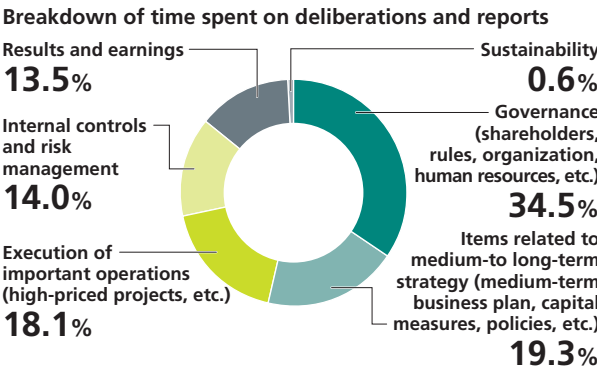


Main Board of Directors Issues

The Group 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 2024.

- (1) Formulation and announcement of the medium-term business plan
- (2) Transition to a company with an Audit & Supervisory Committee
- (3) Signing of agreements for alliances, licensing-in, etc. related to new businesses
- (4) Analysis of reasons for not meeting performance forecasts, making full-year forecasts
- (5) Initiatives to prevent recurrence of misconduct and reporting business improvement indicators
- (6) Patent actions to unlock new product development

- (7) Shareholder return policy, including stock splits, purchases of treasury shares, etc.
- (8) Progress on capital efficiency KPIs
- (9) Senior management transfers, personnel planning and hiring progress, resigned employee analysis, etc.
- (10) Engagement with shareholders



Evaluation of the effectiveness of the Board of Directors

The Group analyzes and evaluates the effectiveness of the Board of Directors once a year and strives to implement continual improvements. A summary of results from the evaluation conducted in fiscal 2024 is outlined

below. Initiatives regarding the following five issues were launched in response to the findings of the previous year’s evaluation.

Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three members, including two outside directors, and plays a role

in corporate supervision in cooperation with the Board of Directors. As a legally mandated independent body that

Fiscal 2024 initiatives in response to the evaluation of the effectiveness of the Board of Directors for the previous fiscal year

- 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

Analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2024 and future policy

Evaluation method / results	Major comments	Fiscal 2025 initiatives
• A third-party organization conducts a self-assessment questionnaire using a confidential written format. • The third-party organization compiles the responses and analyzes the results. • The Board of Directors reviews and discusses the findings based on the report provided by the third-party organization. • Based on the results of the above, the Group's Board of Directors is generally functioning and playing its role appropriately.	• Discussions around human capital development—specifically CEO and executive succession planning—remain insufficient. • In some cases, the link between the mid-term plan and overall management policy is not clearly articulated in materials for meetings of the Board of Directors. • We believe that decisions made by the Board of Directors are most effective when they are communicated to the operational frontlines, with appropriate context and circumstances considered. However, we recognize that there are currently areas where this process remains insufficient. • The Board is encouraged to communicate new business initiatives at an early stage and ensure it gathers ample information and stakeholder input.	We will work to improve the following three items. • Succession planning, ensuring diversity, developing core talent, and enhancing the internal environment • Following up on and monitoring progress with respect to the management plan and key resolutions • Deepening discussions and enhancing information sharing related to sustainable growth and the creation of corporate value

Corporate Officer Remuneration System

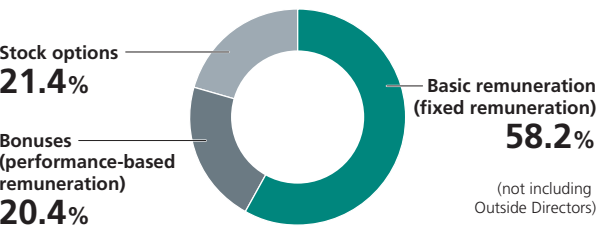
Remuneration for directors of the Company (excluding directors who are members of the Audit and Supervisory Committee and outside directors) consists of a basic remuneration (fixed remuneration), bonus (performance-based remuneration), and restricted stock remuneration as a medium- to long-term incentive. Restricted stock remuneration consists of the continuous service type, which is granted in advance according to the position, etc., and the performance-based type, which is granted after the fact according to the degree of achievement of medium- to long-term corporate value improvement. Based on position and years of service, and in accordance with separately established internal regulations, a target of at least 10% of total remuneration is allocated, and basic remuneration and bonuses are generally paid at a 3:1 ratio.

The maximum amount of remuneration for directors (excluding directors who are Audit and Supervisory Committee members) is set at ¥620 million per year (of which, no more than ¥100 million is for outside directors). The Group has established a policy for determining the content of remuneration for individual directors, and

restricted stock remuneration is in line with this policy. Among the restricted stock remuneration, the total amount of monetary remuneration claims to be paid as continuous service type remuneration is set at up to ¥50 million per year, and the total amount of performance-based remuneration is set at up to ¥100 million per year.

The maximum amount of remuneration for directors who are Audit and Supervisory Committee members is set at ¥100 million per year. The specific amount and timing of payment to each Audit and Supervisory Committee member shall be determined through consultation among the Audit and Supervisory Committee members.

Balance of Director remuneration for fiscal 2024



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 Outside Directors)	98	57	20	21	2
A & SB Members (not including Outside A & SB Members)	18	18	—	—	1
Outside Directors and A & SB Members	45	45	—	—	5

Message from the Nomination, Remuneration and Other Governance Committee Chair

Masatoshi Ohara Outside Director

The Nomination, Remuneration and Other Governance Committee deliberates on the appointment and dismissal of senior management, the selection and dismissal of the CEO and other key positions, remuneration and the basic policy for the same, and other matters to enhance and strengthen the corporate governance system based on the Group's Corporate Philosophy, "Dedicated to building a healthier future for all," with the aim of continuously increasing corporate value and securing the trust of shareholders and other stakeholders. The committee consists of diverse and experienced outside directors selected by the Board of Directors, and deliberates important governance-related matters from a standpoint of independence and fairness, with an emphasis on objectivity and transparency, in consultation with the Board of Directors or at the committee's discretion. In fiscal 2024, in order to strengthen the supervisory function of the Board of Directors and accelerate business execution, the committee advised that the Group should transition to a Company with an Audit & Supervisory Committee so that business execution by internal directors with business expertise and supervision by outside directors with expertise and experience and the Audit and Supervisory Committee will function properly.

With regard to nominations, in selecting the most suitable senior management team and directors who can achieve our Corporate Philosophy and management strategies, we select candidates with the necessary expertise, experience, and track record, while giving due consideration to diversity. We also strive to develop future management leaders and build a system that can respond quickly and appropriately to risks and changes in the business environment. With regard to remuneration, we are committed to enhancing the motivation of senior management and attracting and retaining excellent human resources by maintaining a remuneration system that contributes to sustainable corporate growth and enhanced shareholder value, and by continuously verifying remuneration standards and their fair application in light of external benchmarks and changes in the business environment, and by balancing short-term, medium-term, and long-term incentives.

Going forward, we will continue to enhance the sophistication of our governance system, adapt appropriately to changes in the business environment and social demands, and conduct fair, transparent, and substantive deliberations. We will continue to fulfill our responsibilities with sincerity to share value and earn the trust of our stakeholders.

Group Compliance Committee

In order to fulfill our social responsibility as a pharmaceutical company, we have positioned rigorous compliance as an issue of utmost importance and established the Group Compliance Committee.

The committee meets monthly, is chaired by the Group Chief Compliance Officer, and includes representatives of each company and outside experts (attorneys). Its activities include deliberation and decision-making on compliance policies, support for the establishment and maintenance of structures, identification of important matters and reporting them to the Board of

Directors, handling of cases reported to the Corporate Ethics Helpline, and decision-making and progress management of compliance improvement measures. Monthly e-learning training is also provided for all employees, including regarding the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices, GMP, and GQP.

Through these efforts, we will strive to raise compliance awareness and foster a sound corporate culture, aiming to become a corporate group trusted by society.

Group Risk Management Committee

The Group is working to strengthen risk management in order to appropriately respond to various risks associated with its business activities and to maintain and enhance its corporate value. The Group Risk Management Committee, chaired by the Group Chief General Affairs Officer, has been established at the core of these activities.

The committee identifies risks that may affect financial position, operating results, and cash flow, and identifies significant risks based on frequency of occurrence and impact on business. Each responsible department implements measures, and the committee periodically

checks and evaluates their progress and effectiveness, leading to continuous improvement.

The committee meets twice a year, identifying risks and managing the progress of countermeasures. In fiscal 2024, the committee also conducted practical training, including an all-hazard business continuity plan (BCP) training session in July 2024 with an outside lecturer and AED training for committee members in December of the same year.

Through these efforts, we will strive to strengthen the Group's overall risk management system and make corporate operations safer and more secure.