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March 17, 2025

To whom it may concern:

TOWA PHARMACEUTICAL CO., LTD.

## **Notice of Partial Revision of the Basic Policy for the Development of an Internal Control System**

Towa Pharmaceutical Co., Ltd. (Head office: Kadoma, Osaka; President and Representative Director: Itsuro Yoshida; hereinafter, the “Company”) has announced that it resolved at the Board of Directors’ meeting held today to partially revise the Basic Policy for the Development of an Internal Control System effective April 1, 2025, as detailed below. (Changes are underlined.)

The Company shall develop a control environment and internal control system to ensure the effectiveness and efficiency of operations, the reliability of financial reports, compliance with laws and regulations related to business activities, and the protection of assets, and shall promote corporate management with the primary objective of continually increasing its corporate value and gaining the trust of all stakeholders.

(1) Structure to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation

The Company has established Our Commitments (T-SMILE) and the Towa Group Code of Conduct to be observed by all officers and employees of the Company and its Group companies (hereinafter collectively, the “Group”), based on which the Company shall conduct proper corporate activities with high ethical standards and social good sense so that it can gain the trust and support of society. The Company shall hold Board of Directors’ meetings regularly once a month in principle as well as whenever necessary to thoroughly examine important issues with the due care of a good manager, and make appropriate and prompt decisions regarding management. The Company shall established Basic Compliance Regulations in an effort to ensure ethical and law-abiding corporate conduct while fostering an open corporate culture and compliance awareness and enabling employees to acquire accurate knowledge through compliance training and other means, under the supervision of the Compliance Committee.

The Company shall also properly operate the whistleblowing system, which has been established for the early detection and correction of any misconduct by the Group's officers or employees.

The Internal Audit Office, which is under the direct control of the President and Representative Director, shall conduct internal audits of all departments and report the results directly to top management. If the Internal Audit Office finds any matters that require improvement, it shall conduct a follow-up audit to confirm the progress of such improvement.

(2) Structure for storage and management of information related to the execution of duties by Directors

The Company preserves and manages information related to the execution of duties by Directors in an appropriate manner in accordance with applicable laws and regulations and internal company regulations, including the Document Management Regulations and the Information Security Management Regulations. A Director may request the submission of relevant documents at any time.

(3) Regulations and other structures for managing the risk of loss

The Company has established the Basic Regulations for Risk Management, pursuant to which officers and employees in all departments of the Group thoroughly implement company-wide risk management.

Swift and precise response to the risks surrounding the Group is essential for the survival and development of the Group. Therefore, our company-wide risk management shall be based on preventing risks before they occur and minimizing the loss of profit to stakeholders and the impact on corporate management when a risk materializes.

The Group's risk management system shall be headed by the President and Representative Director, who is the chief risk management officer, and a "Risk Management Committee" shall be established to promote and oversee risk management throughout the Group in coordination with each department.

(4) Structure to ensure the efficient execution of duties by Directors

Important management issues faced by the Company are deliberated at the Executive Strategy Meeting and the Executive Monitoring Meeting as well as at the meetings of the Board of Directors. In addition, a project team shall be formed on an individual basis as necessary to identify and analyze management issues and report

them to Directors, executive officers, and equivalents of the Company.

The Company shall formulate a medium-term business plan in line with its management policy to clarify basic strategies and management targets, and set sales and profit targets in the annual budget to implement management aimed at achieving these targets. In terms of day-to-day execution of duties, the Company shall establish Regulations for Administrative Authority and Regulations for Division of Duties to clarify authority and responsibility, while adopting a *ringi* system (a system of making decisions through collective consensus) to clarify and expedite the decision-making process.

(5) Structure to ensure the appropriateness of operations in the Group

The Company shall establish Regulations for Management of Affiliate Companies to put in place a structure to ensure the appropriateness of operations within the Group. In accordance with these regulations, the Company shall comprehensively manage the operating status of Group companies.

At least one Director or auditor of each significant Group company shall also serve as a Director, executive officer, or equivalent of the Company. Each department in charge of Group company supervision at the Company shall manage Group companies based on reports received regularly from them on their day-to-day business operations. Furthermore, any important matters at Group companies are subject to the approval of the Board of Directors of the Company or are required to be reported to it.

While Audit and Supervisory Committee members shall work in coordination with Directors and auditors of Group companies to examine the operation status of structures to ensure the appropriateness of their operations, the Internal Audit Office shall conduct internal audits of Group companies in order to examine, among other things, the status of their business execution, the status of their compliance with laws and regulations and internal company regulations, and the status of their risk management.

In addition, the “Compliance Committee” has developed a whistleblowing system that is available to all officers and employees of the Group, established common basic rules on compliance for the entire Group, and implemented and operated necessary measures, training, etc. across the entire Group to ensure thorough compliance management.

(6) Structure to ensure efficient execution of duties by Directors and other senior

executives of Group companies

The Company shall also work to facilitate smooth business operations of Group companies by having its Directors, executive officers, or equivalents concurrently serve as officers of significant Group companies and attend their important meetings, such as Board of Directors' meetings, thereby working to improve the management efficiency of the entire Group.

Furthermore, the Company shall work to increase the efficiency of business operations of Group companies and to expedite their decision-making process through the standardization of Group business operations, such as Group finance, work flows assisted by IT technologies, and the shared use of information sharing and management systems.

(7) Structure to ensure the effective execution of audits by the Audit and Supervisory Committee

In order to enhance the effectiveness of audits and smoothly carry out audit duties, the Company shall assign employees to assist the Audit and Supervisory Committee. The consent of the Audit and Supervisory Committee is required for any personnel changes and evaluation of such employees in order to ensure their independence. If such employees are also engaged in work in another department, priority shall be given to assisting the Audit and Supervisory Committee in order to ensure the effectiveness of their assistance. Such employees shall not be under the direction or order of any Directors (excluding Directors who are Audit and Supervisory Committee members) or other employees with regard to the matters for which such employees received an order from the Audit and Supervisory Committee.

When a Director of the Company has detected any fact that may cause significant damage, the Director shall immediately report the fact to the Audit and Supervisory Committee. If requested by the Audit and Supervisory Committee to report on matters concerning the execution of duties, Directors and employees of the Group shall also promptly do so. The Company shall prohibit any disadvantageous treatment of Directors or employees of the Group who have made a report to the Audit and Supervisory Committee on the grounds that they have made such a report, and shall ensure that all Directors and employees of the Group are informed to that effect. The Compliance Committee, which is responsible for whistleblowing, shall regularly report to the Audit and Supervisory Committee on the status of whistleblowing from Directors and employees of the Group.

Full-time Audit and Supervisory Committee members may attend the Executive

Strategy Meeting, the Executive Monitoring Meeting, meetings of the Risk Management Committee and the Compliance Committee, and other important meetings or committee meetings in order to facilitate effective audits by the Audit and Supervisory Committee. The Audit and Supervisory Committee shall, based on the annual audit plan, share information and exchange opinions with the Representative Director and other Directors, those responsible for business execution, and presidents of Group companies on the Company's business operation status, issues, important challenges, etc. Furthermore, in order to efficiently carry out its audit duties, the Audit and Supervisory Committee shall coordinate with the Internal Audit Office, and the Internal Audit Office shall regularly report to the Audit and Supervisory Committee on the implementation status of internal audits. In addition, the Audit and Supervisory Committee shall work in coordination with the accounting auditor to obtain audit plans and receive reports from the accounting auditor on a regular or as-needed basis for information sharing and exchange of opinions.

The Company shall promptly process any request from Audit and Supervisory Committee members for the reimbursement of expenses arising in connection with the execution of their duties.

End of Notice