



## Kazuhiko Sueyoshi

Representative Director,  
President,  
Group Chief Operating Officer and  
Group Chief Administrative Officer

# Steering a new direction toward growth in 2030 under a new structure while preserving a corporate culture that values people

### Kazuhiko Sueyoshi PROFILE

Kazuhiko Sueyoshi was born in 1957 and in April 1980 joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation), where he was primarily involved in corporate lending services. He joined Sawai Pharmaceutical Co., Ltd. in 2012. After serving as General Manager of the Controller Department at Sawai Pharmaceutical as well as the Executive Administration at Upsher-Smith Laboratories, LLC, he became a Director (Senior Executive Officer, Senior Vice President of the Corporate Administration Division and Supervisor of the Corporate Strategy Department) at Sawai Pharmaceutical in 2018. In April 2021, he was appointed Representative Director, President, Group Chief Operating Officer (Group COO) and Group Chief Administrative Officer (Group CAO) of Sawai Group Holdings Co., Ltd.

### On being appointed president

## We will continue venturing into new business domains in the midst of a turning point for the generic drug industry.

My name is Kazuhiko Sueyoshi, and I was recently appointed as President and Representative Director, and Group Chief Operating Officer (Group COO) of Sawai Group Holdings Co., Ltd.

I joined Sawai Pharmaceutical, the core company in the Sawai Group, 10 years ago and have been mainly involved in finance-related work. Before joining Sawai Pharmaceutical, I spent 32 years in banking, largely involved in corporate business. When I was in my 30s and 40s, Japan's so-called bubble economy collapsed, and companies in a variety of industries, including major corporations, plunged into a challenging business environment. The work I was involved in for the longest time was working with client companies to figure out how to extricate them from the challenging business environment and supporting them through the rebuilding process. This experience convinced me that even a company going through hard times always has some kind of strength or value and the potential for revival if we can find a way to take advantage of its strengths and values. The same is true for people, and everyone has some outstanding characteristics. I have come to the belief that finding and utilizing these is the key to management.

Since joining Sawai Pharmaceutical, I have been observing the generic drug industry, and, about two years ago, I began to think that we are approaching a turning point for the survival of each of the companies in the industry. As a result of advocating the need to change the corporate structure in response to these changes to the management team at the Management Meeting, the holding company structure was realized, and I am now in the unexpected position of assuming leadership of the Company.

Nevertheless, the transition to a holding company structure is a method rather than an objective. On May 11, 2021, we announced the Sawai Group Vision 2030, the long-term vision that will guide how we should change in the future given the external environment of slowdown in the market growth rate in an era when generic drugs account for an 80% volume share and the increasingly diverse and sophisticated needs of healthcare and medicine. The true objective for the transition to a holding company structure is the realization of our long-term vision.

The Sawai Group has the greatest ability to generate profit in Japan's generic drug industry. I recognize that my role is to further extend this ability while simultaneously venturing into new business domains.

### Summary of business results for fiscal 2020

## Revenue increased slightly, securing core operating profit on the same level as in the previous fiscal year.

In fiscal 2020, in a challenging business environment due to the COVID-19 pandemic, revenue rose 2.6% year on year to ¥187,219 million, and the Company secured core operating profit of ¥34,043 million, on the same level as in the previous fiscal year (down 1%).

The Japan business was affected by two drug price revisions in addition to a decrease in the number of medical consultations due to COVID-19, but both revenue and core operating profit increased from the previous fiscal year due to steady expansion of new products, mainly those with few competitors. Meanwhile, in the U.S. business both revenue and core operating profit decreased from the previous fiscal year due to the negative impact of the COVID-19 pandemic on acute branded products and the entry of new competitors for major generic products.

Growth strategy for the future

**We will work on further expansion of the generic drug business inside and outside Japan and cultivation of new growth areas.**

Under START 2024, the new Medium-Term Business Plan formulated as a three-year first step toward realizing the long-term vision, Sawai Group Holdings has set three focus strategies, which are (1) Expanding share in the Japanese generics market; (2) Business investment for future growth in the U.S.; and (3) Cultivating new growth areas. Kenzo Sawai, President of Sawai Pharmaceutical, will tell you the details of our strategy in the area of (1) Expanding share in the Japanese generics market (see page 23), so I will explain the U.S. business and new growth areas.

**U.S. business Promoting long-term growth through differentiation from competitors**

In 2017, Sawai Pharmaceutical acquired Upsher-Smith Laboratories LLC (Upsher-Smith) and made a full-scale entry into the U.S., the world's largest pharmaceutical market.

Our aim going forward is that Upsher-Smith will drive sustainable long-term growth as a speciality generic drug company focused on generic drugs and small brands that leverage its unique commercial capabilities. Over the next three years, we plan to launch over 30 new products, increase the lineup of more challenging products, and differentiate from our competitors. In addition, over the three years to 2023, we will invest approximately ¥13.0 billion related to the construction of a new factory consolidating the production functions of Upsher-Smith to increase productivity and make other upfront investments aimed at improving future profitability. Furthermore, the generic drug market is changing more rapidly in the U.S. than Japan, and Sawai Group Holdings will provide more support than in the past for research and development at Upsher-Smith in a return to our roots in order to respond to these changes.

**U.S. business strategy**

<b>Desired state</b>	<b>Upsher-Smith will drive sustainable long-term growth as a specialty generic company focused on generics and small brands that leverage its unique commercial capabilities</b>
<b>Growth driver</b>	<ul style="list-style-type: none"> <li>Contribute to sales by promoting sales of existing brand drugs and generics</li> <li>Further expansion of product lineup mainly in niche generics</li> <li>Strengthen technically challenging product pipeline and product lineup in cooperation with Sawai Pharmaceutical</li> </ul>
<b>Picture of growth</b>	<p>(Yen/\$=100)</p> <p>Upfront investment to increase future profitability (equipment, R&amp;D, etc.)</p> <p>Aiming for growth from 2024 onward</p> <p>2020: ¥33.6 billion</p> <p>2021 2022 2023</p> <p>2030 (Target): ¥60 billion</p> <p>Sawai Group Vision 2030</p>

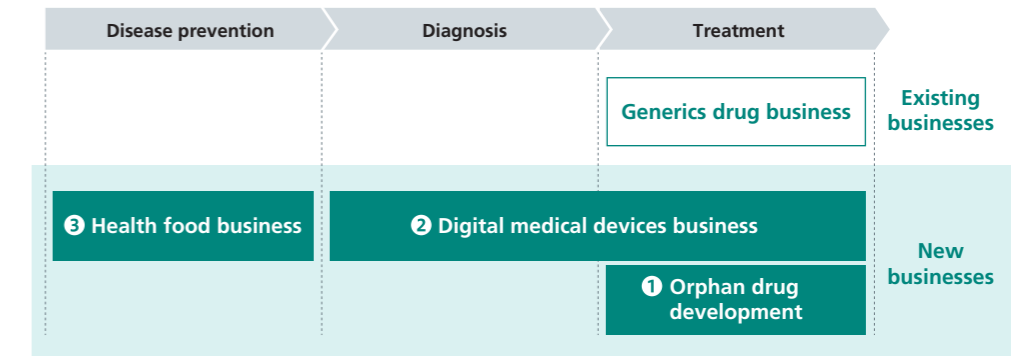
**New businesses Focusing resources on three domains with growth potential**

Entry into new businesses is another pillar of the strategy. It has become difficult for both originator drug manufacturers and generic drug manufacturers to achieve steady growth in the prescription drug market in Japan where healthcare finances are tight. To maintain sustainable growth in this environment, Sawai Group Holdings must venture boldly into healthcare domains such as pre-symptomatic illness and prevention while leveraging its strengths in generic drugs.

After a year of market analysis and repeated discussion, we narrowed down the business domains with future promise into which we should venture on a priority basis to three. These

domains are ① New drug businesses targeting rare diseases (orphan drug business); ② Digital medical devices business; and ③ Health food business. We have set an investment budget of ¥30.0 billion over three years and will focus resources on these new businesses. Of the three domains, the orphan drug business and the digital medical devices business have already taken their first steps, so I believe my mission is to steadily nurture them.

**New business domains to venture into**



In the orphan drug business, in June 2020, Sawai Pharmaceutical entered into an agreement with Neugen Pharma on a drug for amyotrophic lateral sclerosis (ALS) treatment, which was discovered by Neugen Pharma, and started joint development for all applicable indications as a prescription drug targeting global markets. We will proceed with development going forward, making full use of Neugen Pharma's knowledge on ALS and Sawai Pharmaceutical's clinical R&D capabilities including drug formulation design. We plan to launch Phase 1 clinical studies in the U.S. during fiscal 2021 with a market launch target of 2025 or thereafter.

In the digital medical devices business, several projects are already underway. One of them is the capital alliance with SUSMED Inc. (Head Office: Tokyo), a company that develop apps for healthcare. We have also entered into an exclusive development and marketing agreement with Neuroief Ltd. (Head Office: Israel) targeting the Japanese market for digital medical devices for migraines and depression.

Recent years have seen increasing needs for digital therapeutics and cognitive behavioral therapy in addition to drug therapy, especially in the central nervous system area. However, the development and provision of solutions in this area are still limited. Capitalizing on our strengths in the central nervous system area where we have an extensive product lineup, we aim to provide a trifecta solution that uses drug treatment, cognitive behavioral therapy applications, and neuromodulation to reduce pain with devices. We are the only corporate group able to provide these three services, and we believe it is a cutting-edge area going forward.

In this area, we hope to make a multi-dimensional contribution to healthcare through solutions that utilize IT technologies based on strategic alliances with various companies going forward. The success of the business hinges on how we find even better business partners. We share values with the management team and key people at SUSMED and Neuroief, the companies we chose to partner with on this occasion, and are firmly convinced we will become good business partners for each other.

In the health food business, we are considering entry into a business where we would support an extension of healthy life expectancy in the areas of pre-symptomatic illness and prevention. We are expanding our business which was previously focused on treatment into the area of healthcare, and in doing that we need to be creative in developing the uniqueness of Sawai.

**Quantitative targets**

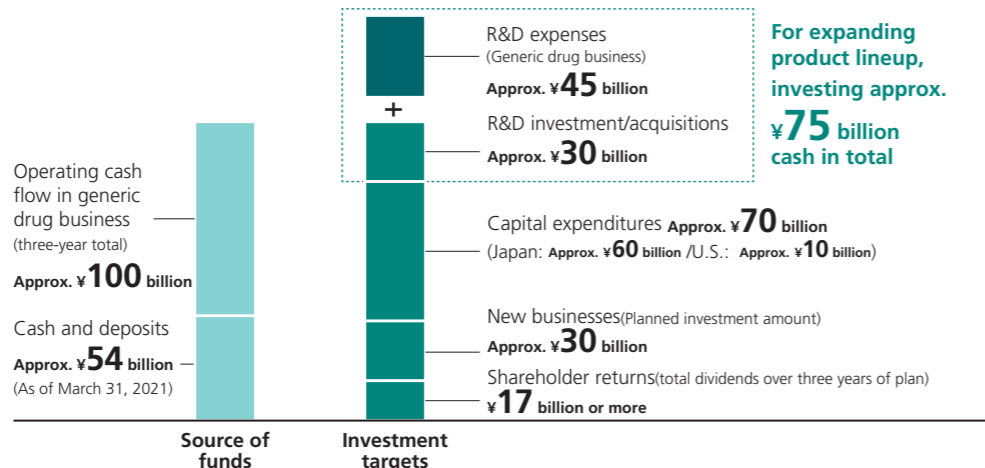
**Pursuing profitability and capital efficiency with target of 10% for ROE**

Under the long-term vision, we aim for total revenue of ¥400.0 billion in fiscal 2030 with ¥260.0 billion in revenue for the Japan business, ¥80.0 billion in revenue for new businesses, and ¥60.0 billion in revenue for the U.S. business. We have set challenging figures with a high share for new businesses, but we hope to make steady efforts to ensure profitability as well as scale.

The focus of our financial targets is capital efficiency. In other words, we will pursue how much return we can achieve on the capital we receive from our shareholders. In Japan, the usual target for ROE, an indicator of this return, is said to be at least 8%. However, Sawai Group Holdings will aim for 10% in fiscal 2030. Moreover, in terms of shareholder returns, we plan to pay a total of ¥17.0 billion in dividends over the three years of the Medium-Term Business Plan.

We must also ensure financial soundness. However, as improving capital efficiency and maintaining financial soundness are sometimes in conflict, we will work to achieve a balance.

**Investment plan during the period of the START 2024 Medium-Term Business Plan**



**Resolving social issues**

**We will promote ESG initiatives with a focus on contributing to society through business activities.**

It is important to note that nowadays shareholders and investors emphasize non-financial as well as financial aspects. At the Sawai Group, our business is a solution for social issues in its own right. For example, we contribute to a reduction of nearly ¥300.0 billion in healthcare costs every year in Japan alone through the stable supply of generic drugs, addressing the social issue of rising healthcare spending. In addition, sales volume of Sawai Pharmaceutical's drugs reached approximately 13.0 billion tablets in the previous fiscal year, accounting for some 8% of pharmaceutical sales volume in Japan (based on analysis by Sawai Pharmaceutical), and we are proud to be an indispensable part of the healthcare infrastructure in Japan.

Therefore, in formulating the long-term vision, we set new targets up to 2030 to guide us in how we will contribute to the issues outlined in the SDGs. We believe that setting numerical targets, including medical cost savings equivalent to approximately double the sales of the generic drug business in Japan and the U.S., has made the link between solving social issues and our business activities even clearer. We will continue to aim for sustainable social security systems and improved access to healthcare while expanding business to a wider range of healthcare domains to contribute to the extension of healthy life expectancy. Moreover, in our relationship with stakeholders, we will accelerate our efforts to address issues such as environmentally friendly production and respect for human rights.



Sawai's culture and future

**Initiatives to solve social issues**

**Value creation through our business**

Issues to address	Targets (quantitative etc.)	Related SDGs
Contributing to sustainable social security systems and improved access to healthcare (medical cost savings using generics)	<b>Achieving medical cost savings impact of approx. double Japan &amp; U.S. generics business sales</b>	3, 9
Contributing to extension of healthy life expectancy through new businesses	<b>Expanding business to a wider range of healthcare domains, including pre-symptomatic illness and prevention</b>	3, 9

**Foundation for value creation**

Issues to address	Targets (quantitative etc.)	Related SDGs
E: Environmentally friendly production	<b>Cuts of 25% in CO<sub>2</sub> emissions on production volume intensity basis (FY2030)</b> <b>Waste plastic recycling rate of 65% or more (in 2030)</b>	13
S: Talent development, work styles/motivation, respect for human rights	<b>Safe and diverse work environment</b> <b>Promotion of diversity</b> <b>Initiatives for respect of human rights</b>	8, 10
G: Deepening corporate governance	<b>Improvement and deepening of governance through conversion to holding company structure</b> <b>Stronger risk management / compliance</b>	17

**We will leverage a corporate culture that values people to create innovation based on collaboration with diverse people.**

Finally, I would like to say something about what I want to emphasize constantly as President. This is my desire to make Sawai Group Holdings into a company with more dreams where as many employees as possible can realize their own dreams.

The greatest asset of a company is its people, and that is precisely where our strength lies. The Sawai Group has a corporate culture that values all employees regardless of where they are from, even though many of our human resources are from outside the company like myself. I believe that even more human resources will be drawn to the Company as our new businesses take shape and our corporate culture will demonstrate its true value when this happens.

Another positive aspect of the Sawai Group is the integrity of our employees. Our employees have been working in the generic drug business seriously, honestly, and with integrity for many years. This attitude must not change in the future. On the other hand, the Sawai Group is approaching a turning point, and it is necessary to carefully assess what we should protect and what we should change.

Future growth will require collaboration with diverse companies, but what is important is building relationships that are not simply good for Sawai Group Holdings but also make us a good partner for others. To be perceived as a suitable partner and to gain trust, we must communicate not only our achievements but also our corporate culture. Based on our newly-launched holding company structure, I hope we will take advantage of our open culture to collaborate with diverse people inside and outside of the industry to create innovation.

**Kazuhiko Sueyoshi**

Representative Director, President,  
Group Chief Operating Officer and Group Chief Administrative Officer