

Always putting healthier lives first

## Integrated Report 2021



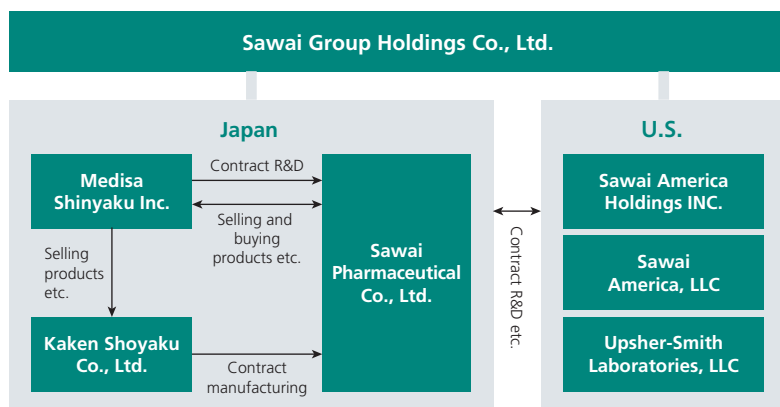
## Sawai Group Holdings' corporate philosophy

# Always putting healthier lives first

On April 1, 2021, Sawai Pharmaceutical transitioned to a holding company structure in the form of Sawai Group Holdings and established always putting healthier lives first as the Sawai Group Holdings' corporate philosophy.

This philosophy embodies our desire to contribute to the health of as many people as possible as a healthcare corporate group which develops sustainably alongside society with the generic drugs business as our core business. We will mobilize the strengths of all Group employees under the new system to pursue the challenge of meeting the expectations of all stakeholders.

### Group organization diagram







## Social issues

# Sustainability of healthcare being called into question

## Rising social security expenses

The falling birthrate and aging of the population is also driving up healthcare costs. In order to maintain Japan's excellent universal health insurance coverage system, the government has set a goal for the more widespread use of generic drugs.

**What Sawai is doing** → We are working to promote the use of affordable, highly reliable generic drugs.

## Improving QOL in an aging society

In Japan, which is the world's most aging society, the question of how the elderly can lead healthy lives while remaining in good health over the long term has become a major social issue.

**What Sawai is doing** → We are working to provide high value-added drugs which meet the needs of patients, including the development of tablets that are easy to take and easy to use.

## Improving healthcare access

Moreover, due to differences in health insurance systems, there are many countries in the world where people are unable to obtain adequate healthcare due to economic reasons. Patients in such countries are strongly calling for affordable drugs which they are able to use.

**What Sawai is doing** → We are promoting the globalization of our business so that we can deliver high-quality generic drugs around the world, not only in Japan.

## Editorial policy

This report references the International Integrated Reporting Council's International Integrated Report Framework and includes information that could impact our medium- to long-term corporate value creation and that is connected with information about the Company's strategies, performance, and future projections, as well as non-financial information concerning the environment, society, and governance. The contents herein have been assigned priority internally based on their nature and quantity, risks, opportunities, and dialogues with stakeholders, and have been deemed to be of particular importance.

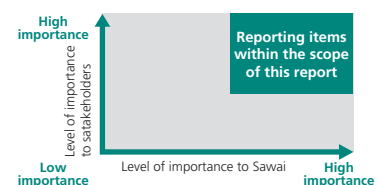
This report has been prepared by the Group Sustainability Committee, which is chaired by the President, and with the support of the committee's administrative office.

**Reporting period:** April 1, 2020 - March 31, 2021 (some information herein falls outside of this period)

**Reporting scope:** Sawai Group Holdings and its consolidated subsidiaries

**Abbreviations used:** Generic drugs are abbreviated as "GE" in this report.

**A caution concerning forward-looking statements:** This report contains information regarding the Company's strategy and performance, its future outlook, as well as its creation of corporate value in the short, medium, and long terms. In addition, this report includes information on matters related to finance, economic, social, environmental, governance, and other matters. Such information contained in this report has been included based on judgments regarding materiality from the points of view of assessments of quantity, quality, risk, and opportunities as well as inputs from dialogue with stakeholders. Information deemed to be of particularly high importance has been included.



## Value generated

# Sawai's ability to create value that supports people's healthier lives

## Research and development

We accumulate research daily with the mission of being first-to-market with high value-added drugs that have the same efficacy as new drugs through careful selection of only the best APIs from around the world and innovation in formulation to make drugs easier for patients to take and for healthcare professionals to handle.

Research and development expenses

¥8.1 billion

Sawai Pharmaceutical

¥4.6 billion

Upsher-Smith

Number of patents held

37

Sawai Pharmaceutical

## Contributing to healthcare financing

Through the manufacture and sale of high-quality, high value-added generic drugs which are more affordable than originator drugs, we are contributing to solving the social issue of rising healthcare costs associated with the falling birthrate and aging population as well as advancements in healthcare. In fiscal 2020, we helped to reduce healthcare costs by approximately ¥317.6 billion based on drug prices.

Amount of reduction in healthcare costs

Approx. ¥317.6 billion

Sawai Pharmaceutical

## Stringent quality management

To ensure quality management, we have established standards that exceed national standards in all processes from the selection of APIs and additives to manufacturing processes and after sales. We make uncompromising efforts to improve quality with the aim of providing even better generic drugs that everyone can use with peace of mind.

Number of staff in Quality Management Department

384 64

Sawai Pharmaceutical Upsher-Smith

Number of internal GMP audits

124 50

Sawai Pharmaceutical Upsher-Smith

## Ensuring stable supply

In order to deliver a stable supply of high-quality generic drugs, which require high-mix, low-volume production, we have developed an industry-leading production system equipped with the latest facilities. As our generic drug sales have reached approximately 13.3 billion tablets, which accounts for approximately 8% of sales volume in Japan, we serve as an essential part of the Japanese healthcare infrastructure.

Production capacity

Approx. 15.5 billion tablets

Sawai Pharmaceutical

Approx. 3.6 billion tablets

Upsher-Smith



## Providing accurate information

Delivering accurate product information promptly is an important aspect of quality. We provide information for all patients and healthcare professionals through our three contact points, which consist of approximately 380 MRs (medical representatives), the Medical Information Center inquiry desk, which is open 24 hours a day, 365 days a year, and our website.

Number of inquiries handled a year

Approx. **48,600** Approx. **1,700**  
Sawai Pharmaceutical Upsher-Smith

Number of MRs

Approx. **380** Approx. **40**  
Sawai Pharmaceutical Upsher-Smith

Approval rating among generic drug companies favored by pharmacists\*

**1<sup>st</sup> for 11 years in a row**  
Sawai Pharmaceutical

\* Research by Nikkei Drug Information

Number of products on sale

Approx. **800**  
Sawai Pharmaceutical

Approx. **120\***  
Upsher-Smith

\* Calculated according to the counting standards of Japan

# Strengthening business execution and striving for sustainable growth under a new management structure



**Mitsuo Sawai**

Representative Director,  
Chairman and  
Group Chief Executive Officer

## The purpose of becoming a holding company

### To flexibly and swiftly respond to business environment changes and dynamically pursue business execution

On April 1, 2021, we established Sawai Group Holdings Co., Ltd. and transitioned into a holding company structure, while in the process reorganizing the Group so that Sawai Pharmaceutical and its three subsidiaries are wholly owned subsidiaries of the holding company.

Accompanying this, I (Mitsuo Sawai) became Representative Director, Chairman and Group Chief Executive Officer (GCEO), Kenzo Sawai became Representative Director, Deputy Chairman and Group Chief Branding Officer (GCBO), and Kazuhiko Sueyoshi became Representative Director, President, Group Chief Operating Officer and Group Chief Administrative Officer (GCOO & GCAO).

The impetus for transitioning to a holding company structure came from an awareness of how severe the environment surrounding the generic drug industry has become. In response to expanding medical expenses accompanying Japan's declining birthrate and aging population, there has been an increasing switch to generics to hold down drug costs. As a result, the generic drug market has grown considerably; however, we forecast more intense competition and a battle for market share as the industry moves toward the national government's goal of achieving a generic drug market share of 80% or higher. Additionally, generics, as with new drug formulations, face pressure from more stringent regulations.

To grow and evolve within these challenging environmental changes, we must anticipate transitions and make our move ahead of the pack. We decided that a holding company structure was the optimal framework to flexibly and swiftly respond to business environment changes and leverage those changes as opportunities.

We have three major goals from becoming a holding company. First, is to further strengthen our core generic drug business. Through flexible and swift decision making as a holding company, we will continue to proactively and strategically coordinate with knowledgeable companies inside and outside Japan.

The second goal is to strengthen governance. As a company that provides pharmaceutical products that directly affect patient lives, governance as well as compliance are crucial themes related to quality. By separating management and supervisory duties from business execution, while also further strengthening governance to a yet higher level, we will pursue greater speed and efficiency for business execution.

The third goal is to take on new businesses that delight and inspire Sawai shareholders as well as employees. Japan aims to realize a society with health longevity through pre-symptomatic approaches, preventive measures, and data health reforms. For Sawai to continue growing, it is necessary for us to foster business in fields that the future will demand. Our transition to a holding company will build a structure for that purpose.

If we foster employees with diverse viewpoints as we create a multifaceted business, that will engender a competitive spirit and we expect it will help cultivate a next-generation management team.

Our Group's core business, however, will not change, since the generic drug business is part of social infrastructure and is an indispensable part of national finance policy. Because of the severe environment, expectations are high for the Sawai brand and its reliability, and we expect future growth.

Furthermore, as we become a holding company, sustainability is a theme that we would like to energetically address. With regard to the social issue of rising medical care costs, Sawai is faster than competitors at bringing to market—and stably supplying—generic drugs that offer high quality and high added value, yet lower prices than originator drugs. In other words, the Company itself is a social contribution. We established a Group Sustainability Committee in order to reinforce awareness of this concept for the entire Group. We believe that contributing in our unique way to achieving

the Sustainable Development Goals (SDGs) set by the United Nations for a better, more sustainable society will lead to realizing Sawai's corporate philosophy of "always putting healthier lives first."

### About our new management structure

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#### **Pursuing execution with clear division of duties while also strengthening governance**

With regard to the division of executive duties for the management team, I (Mitsuo Sawai) am in charge of the Group overall, while Kenzo Sawai, as deputy chairman and president of Sawai Pharmaceutical, handles the domestic generic drug business, and Kazuhiko Sueyoshi, as president of the holding company, is in charge of overseas and new businesses.

Deputy Chairman Kenzo Sawai, with his intimate knowledge of critical manufacturing R&D, will competently handle the growth and development of Sawai Pharmaceutical. It is my hope that he will leverage his marketing knowledge fostered in the Corporate Strategy Department, as well as his perspective that substantial growth can come from augmenting the Company's abilities with accretive M&A.

President Sueyoshi has accumulated considerable experience in corporate restructuring, reorganization, and starting new businesses during his career in banking. He has produced great results as a cost-savings leader at Sawai Pharmaceutical, where we have faced a tough environment of three straight years of NHI drug price revisions. Leveraging the track records of these two executives, we will move forward with business execution through clear division of duties addressing each of our business themes.

One of my major roles as a leader of the holding company is to make on-site visits to each Group company and carefully observe management and governance in person, which I believe will strengthen Group governance going forward.

The TSE Governance Code changed in June 2021 and further reinforced the supervisory functions of external directors. The Sawai Group has appointed two external directors, one an attorney and the other a physician, with knowledge that is directly related to our business. On the Board of Directors, these two executives are providing valuable opinions on topics such as compliance and the needs of those on the front lines of healthcare, and we are leveraging their opinions to strengthen our governance.

### The Sawai Group going forward

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#### **Sharing the "hope" expressed in our Corporate Philosophy and contributing to healthier lives**

After the words "mission" and "challenge" in our Sawai Pharmaceutical Corporate Philosophy, our third goal focuses on "hope;" that is, the "hope that we will become an indispensable part of society through our desire to be of service." If you ask our employees, they will recite this same hope.

This is evidence of a shared spirit committed to becoming an indispensable part of society through our desire to be of service to customers and to each other. Going forward, we will strive to contribute to the health of as many people as possible as a corporate healthcare Group focused on the generic drug business and sustainably growing alongside society.



Representative Director,  
Chairman and Group Chief Executive Officer





## Kazuhiko Sueyoshi

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

## Mitsuo Sawai

Representative Director,  
Chairman and Group Chief Executive Officer

## Kenzo Sawai

Representative Director,  
Deputy Chairman and  
Group Chief Branding Officer



# Going beyond Always Putting Patients First to Always Putting Healthier Lives First

1929

Sawai Pharmacy, the forerunner of Sawai Pharmaceutical Co., Ltd., was founded in Asahi-ku, Osaka City.



Eye drops, our core product when Sawai was founded

1965

Sawai transformed itself from a manufacturer of over-the-counter medications into a manufacturer of prescription medications.

2006

Purchased shares in Kaken Shoyaku and made it a subsidiary.

1948

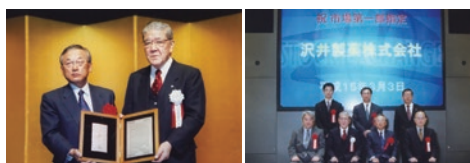
Sawai Pharmaceutical Co., Ltd. incorporated in Asahi-ku, Osaka City.



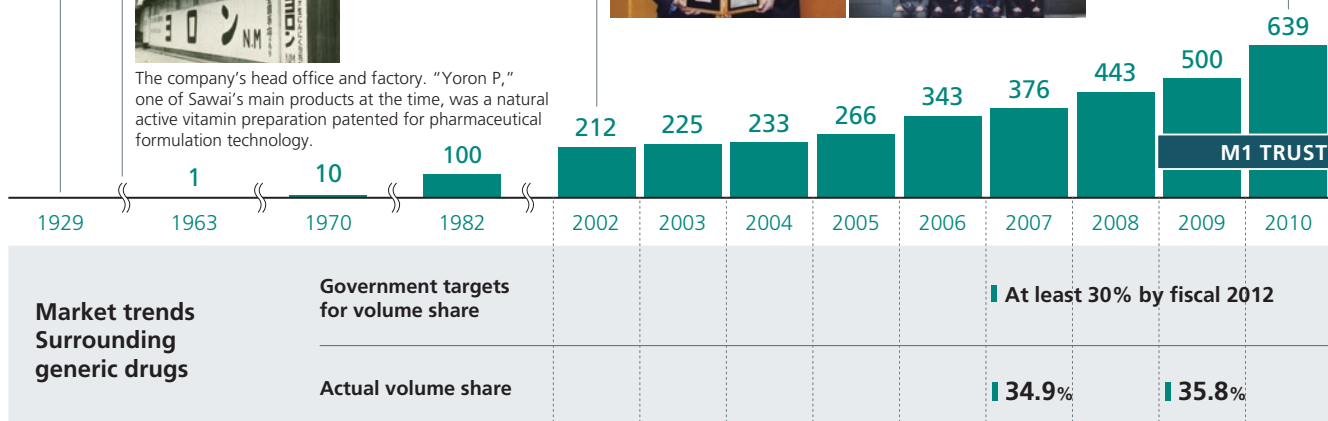
The company's head office and factory. "Yoron P," one of Sawai's main products at the time, was a natural active vitamin preparation patented for pharmaceutical formulation technology.

March 2003

Listed on the First Section of the TSE



2010  
Purchased shares in Medisa Shinyaku and makes it a wholly owned subsidiary.



## History of developing non-financial capital

1981

Completed the Kyushu Factory boasting advanced facilities

Manufacturing Capital

We built the Kyushu Factory in Iizuka City, Fukuoka Prefecture as an advanced factory compliant with GMP standards, the international standards for pharmaceutical manufacturing and quality management. In addition to underpinning the stable supply of high-quality Sawai products, the factory also contributed to developing the brand image of Sawai Pharmaceutical.

2006

Consolidated and relocated Head Office/ Research Laboratories to the new building

Intellectual Capital

We constructed a new building in Yodogawa-ku, Osaka City and relocated the Head Office from Asahi-ku, Osaka City, where the Company was founded. We also consolidated the Company's dispersed research laboratories, putting in place a system that facilitates more efficient research and development.

2007

Established a new Corporate Philosophy and Code of Conduct

Social and Relationship Capital

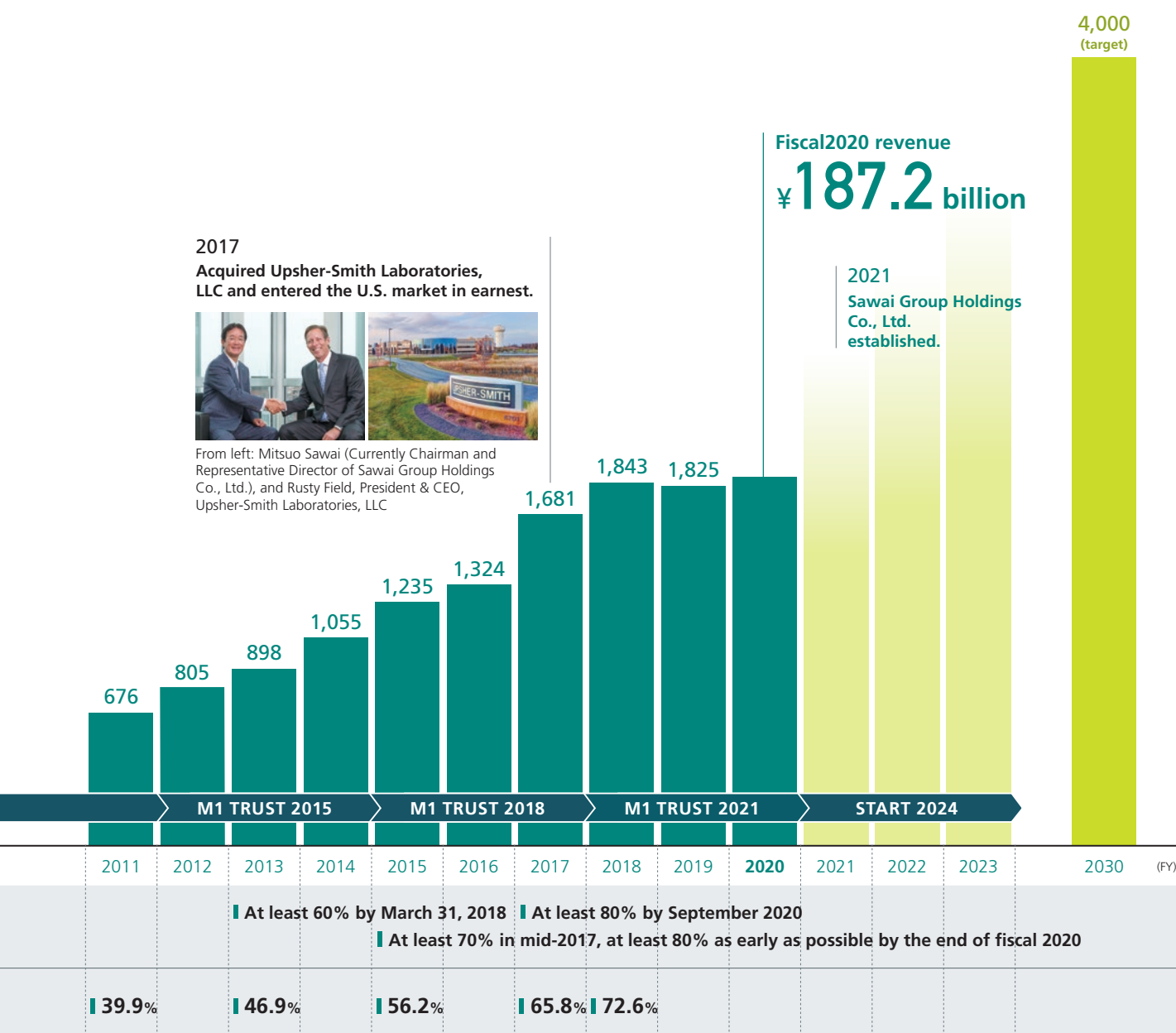
We established the Corporate Philosophy consisting of the three tenets of mission, challenge, and hope as the basis for the participation of all employees, centered on the Company's longtime motto Always Putting Patients First. We also established the Code of Conduct as a guide for the implementation of the Corporate Philosophy.

2007

Established the framework for provision of information to hospitals

Human Capital

We established new Hospital Sections in seven branches throughout Japan to serve as sales centers for hospitals that had introduced the diagnosis procedure combination (DPC) system. We also opened sales offices in Okayama and Kumamoto with the aim of reinforcing our sales structure.



## 2009

### Announced M1 TRUST, its Medium-Term Business Plan

#### Social and Relationship Capital

We announced a plan to achieve ¥100.0 billion in consolidated net sales within five years with expanding market share, further strengthening the management structure, and building a solid Sawai brand as the basic policies. The basic policies were carried over into the Company's subsequent Medium-Term Business Plans.

## 2013-2017

### Built the Kanto Factory and the Sanda Nishi Factory to boost production capacity

#### Manufacturing Capital

We built a new formulation factory on the site of the Kanto Factory (Mobara City, Chiba Prefecture) in March 2013, and the Sanda Nishi Factory (Sanda City, Hyogo Prefecture) specializing in packaging processes adjacent to the Sanda Factory in January 2017. This boosted production capacity and risk management, including disaster response.

## 2015

### Built Development Center in Suita City, Osaka

#### Intellectual Capital

We established a new Development Center in Suita City, Osaka Prefecture close to the Head Office. The Development Center consolidated some of the functions of the former Pharmaceutical Technology Center, which had been located in Asahi-ku, Osaka City, and the Research Laboratories as a site with responsibilities including commercialization and stable supply of products as well as improvement of launched products, in addition to the development of new products.

## 2018

### Packaging for Minodronic Acid Tablets 50 mg for which SAWAI won an award

#### Intellectual Capital

The patient-friendly packaging for Minodronic Acid Tablets 50 mg SAWAI, an osteoporosis drug, was highly rated, winning awards in Japan and overseas, including the WorldStar Packaging Awards sponsored by the World Packaging Organisation (WPO).



# Pursuing better quality in all processes

In recent years, the Sawai Group has achieved rapid growth with the success of upfront investment in production facilities and personnel in anticipation of expanding demand for generic drugs. In fiscal 2020, the Group recorded all-time high revenue despite the impact of a reduced number of medical consultations and other factors due to the spread of COVID-19.

## Social issues

### Rising medical expenses

Medical expenses

¥ **43.6** trillion

### The Hyper-aging society

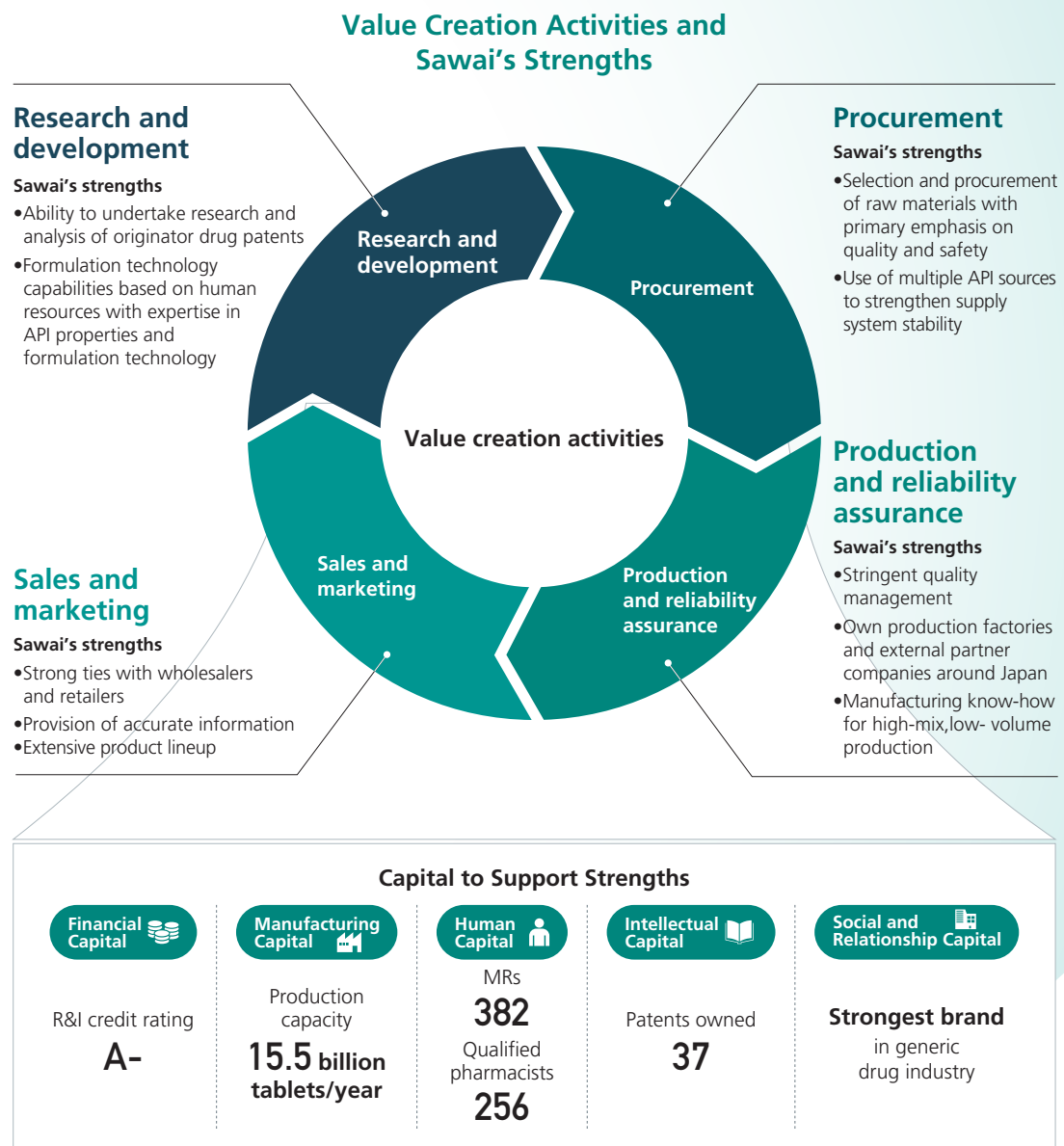
Percentage of Japanese population aged 65 or older

**28.7%**

### Need for affordable and safe drugs

### Increasing interest in QOL

### Disparities in healthcare access



## Achievements of value creation activities

(FY2020)

Revenue **¥187.2 billion**

Core operating profit **¥34.0 billion**

ROE **5.8%**

Dividends per share **¥130**

Number of tablets sold **13.3 billion tablets**

Number of new products launched **44**

Number of inquiries handled **48,600**

Investment in new businesses  
(FY2021 to FY2023)

Maximum of **¥30.0 billion**

The Medium-Term Business Plan START 2024 has envisioned the orphan drug business, the digital medical devices business, and the health food business as three growth areas that the Sawai Group should cultivate and set a maximum of ¥30.0 billion as the amount to be invested over three years.

## Value Provided

# Always putting healthier lives first

Reducing the burden on patients from medical costs

Volume share of generic drugs **78.3%**

Access to healthcare / improving QoL

Extending healthy life expectancy (2001-2016)

Men + **2.74** years, women + **2.14** years

\* Based on 2018 White Paper on the Aging Society, Cabinet Office

A sustainable health insurance system

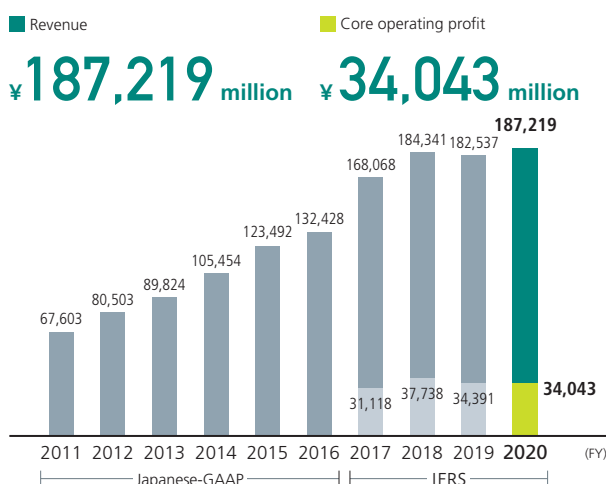
Reduction in medical expenses

**¥317.6 billion**

# Financial highlights

The Sawai Group adopted International Financial Reporting Standards (IFRS) in the preparation of its consolidated financial statements in fiscal 2017.

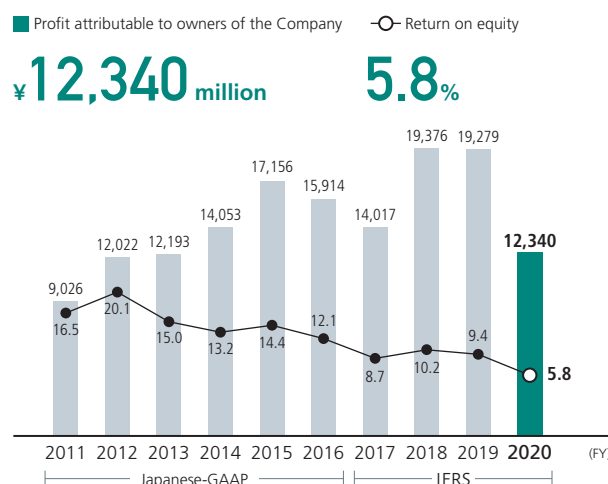
## Revenue / Core operating profit



In recent years, the Sawai Group has achieved rapid growth with the success of upfront investment in production facilities and personnel in anticipation of expanding demand for generic drugs. In fiscal 2020, the Group recorded all-time high revenue despite the impact of a reduced number of medical consultations and other factors due to the spread of COVID-19.

Note: Fiscal years 2011 through 2016 show figures for revenue based on Japanese-GAAP.

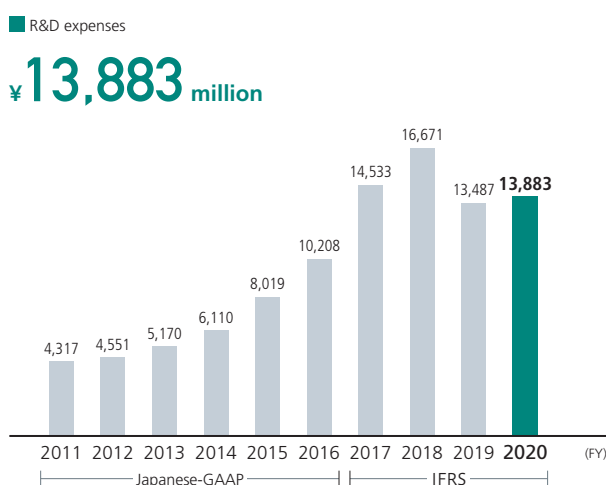
## Profit attributable to owners of the Company / Return on equity



In a challenging environment for both the Japan business and the U.S. business, the Group worked to secure profits by aggressively reducing raw material and other costs. The decrease in fiscal 2020 was mainly due to impairment loss on manufacturing and marketing approval rights for Tosymra™ acquired through the U.S. business in 2019.

Note: Fiscal years 2011 through 2016 show figures for profit attributable to owners of parent and return on equity based on Japanese-GAAP.

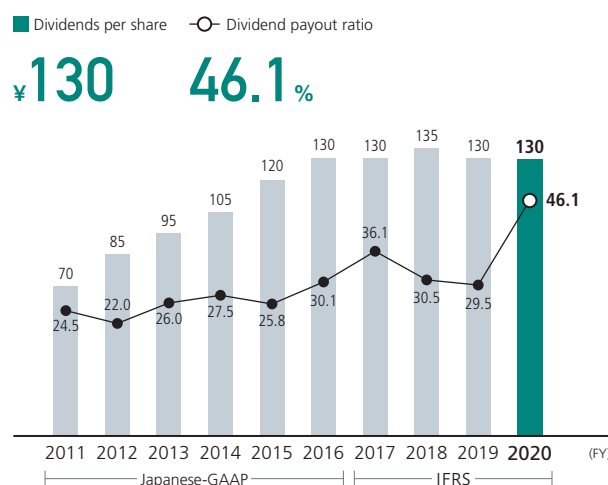
## R&D expenses



The Sawai Group invested aggressively in research and development in order to be first to market with new products that will differentiate us from our competitors to achieve future growth. In fiscal 2020, R&D expenses were ¥13,883 million, up 7.7% year on year.

Note: Fiscal years 2011 through 2016 show figures for R&D expenses based on Japanese-GAAP.

## Dividends per share / Dividend payout ratio



We aim to pay stable and continuous dividends with a target payout ratio of 30%, taking account of the balance between investment for growth and dividends, as well as comprehensively considering the consolidated financial results for each fiscal year, the dividend payout ratio, and other measures aimed at shareholder returns. In fiscal 2020, the Company provided an annual return to shareholders of ¥130 per share.

Note: As the Company implemented a two-for-one stock split of its common shares on October 1, 2013, figures for fiscal 2011 through fiscal 2013 were recalculated to reflect this split.

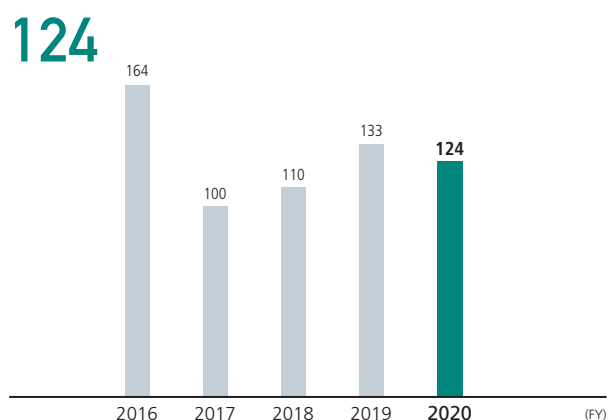


# Non-financial highlights

Scope of data: Sawai Pharmaceutical Co., Ltd.

## Number of GMP audits conducted by Sawai Pharmaceutical

■ Number of GMP audits conducted by Sawai Pharmaceutical

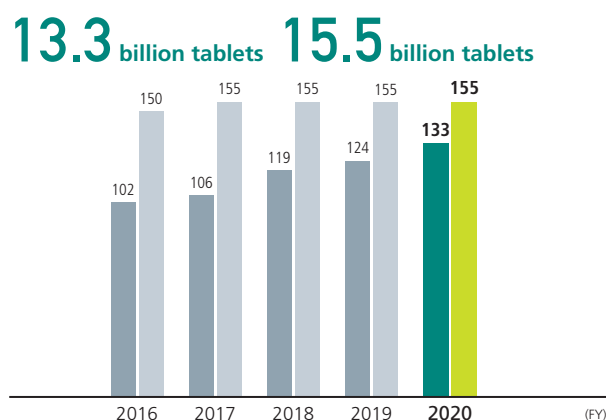


Sawai Pharmaceutical has formed a dedicated audit team, which performs more than 100 GMP audits a year. The number of audits conducted each fiscal year fluctuates within a certain range as the year for the next audit is determined based on the results of the previous audit. In fiscal 2020, the number of audits conducted declined temporarily due to the impact of the COVID-19 pandemic. However, we plan to implement remote audits and third party audits (outsourcing) going forward.

## Sales volume / Production capacity

■ Sales volume

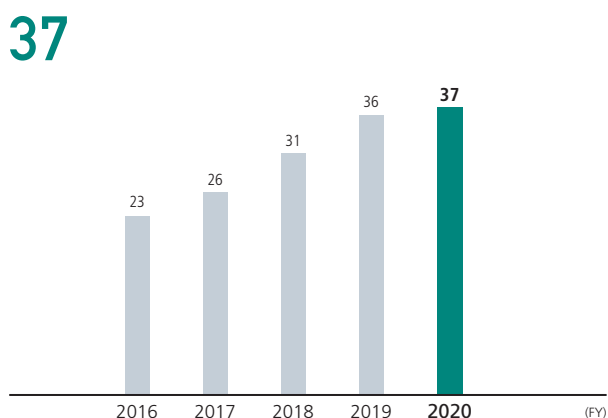
■ Production capacity



The Group's ability to supply a large number of top quality generic drugs is backed by our industry-leading production capacity. We are also able to adjust production in accordance with supply and demand due to the high proportion of in-house manufacturing.

## Number of patents held

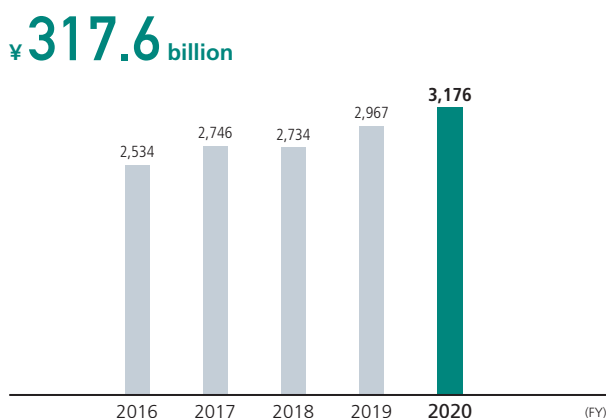
■ Number of patents held



We own a variety of patents, including a patent for reducing the bitterness of active ingredients and a patent for orally dissolving (OD) tablets that can be taken without water. Recently, there has been an increase in the number of patent applications for unique Sawai formulation technologies that are not linked to specific active ingredients.

## Amount of reduction in medical expenses

■ Amount of reduction in medical expenses



The Sawai Group's greatest contribution to society lies in increasing the sustainability of the health insurance system by reducing the burden of medical expenses through the supply of generic drugs. We have contributed to reducing medical expenses by approximately ¥300.0 billion.

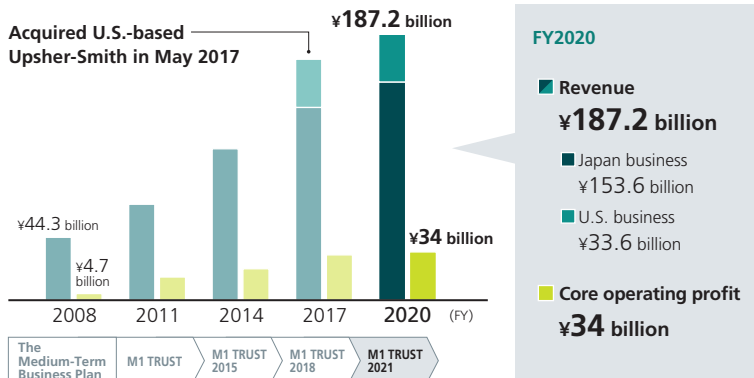
# Becoming a healthcare corporate group that contributes to healthier lives, with generic drugs as our core business

As the generic drugs market transitions to stable growth, new business opportunities are emerging for the Sawai Group as we enter an era of 100-year lifespans. To respond with precision to this market environment, we formulated the Sawai Group Vision 2030, our long-term vision, and START 2024, our Medium-Term Business Plan.

## Reviewing M1 TRUST 2021, the previous Medium-Term Business Plan (April 2018 to March 2021)

In the Japan business, we focused on establishing a structure capable of responding to changes in the structure of the generic drug industry and strengthening competitiveness. In the U.S. business, we worked to expand pipelines and product lineups and boost manufacturing capacity as a period for establishing the framework to accelerate growth. As a result, we achieved 10% growth in both revenue and core operating profit.

### Revenue / Core operating profit



### Matters achieved

#### Japan business

- Ranked No.1 or No.2 in generics in new product sales share
- Improve production efficiency by consolidating manufacturing sites through plant transfers, etc.
- Launch the first generic drugs and competitive-Lsuperior new products to market
- Develop proprietary technologies

#### U.S. business

- Expansion of pipelines and product lineups
- Started construction of a new factory to strengthen manufacturing capacity via factory consolidation

## Changes in the external environment

In addition to an aging society, there have been advances in technological innovations, such as new modalities, AI, and robots. Meanwhile, with the volume share of generic drugs approaching 80% in Japan, it is thought that growth in the size of the market will slow. Industry reorganization may also accelerate due to falling drug prices driving deteriorating profitability.

### Changes in Trends

An aging society, changes in values for prevention/pre-symptomatic illness

|   |
|---|
| Era of 100-year lifespans   |
| Increasing medical costs  |
| Emphasis on prevention of disease and pre-symptomatic illness state |
| Increasing home care  |

### Evolution of Technology

Advances in technological innovations such as new modalities, AI, and robots

|                |
|----------------|
| New modalities |
| AI             |
| Digital        |
| Robotics       |

### Overall outlook for the Japanese generics market

- Generic drugs volume share has reached almost 80% for the three years since 2017
- Although growth is expected to slow down in the future, the demand is expected to grow to some extent



Potential for accelerating industry reorganization due to falling drug prices driving deteriorating profitability

## Long-Term Vision

# Sawai Group Vision 2030

### The world we want to build

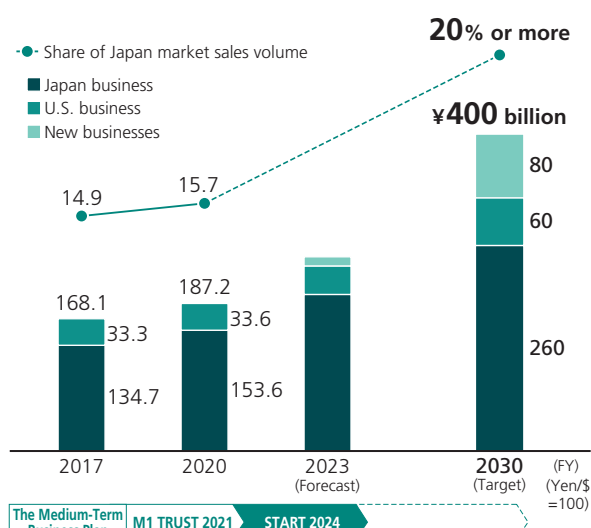
A world where more people can receive healthcare services and live a full life with peace of mind among society

### Our ideal state

A company with a strong presence that continues to contribute to people's health by providing a multifaceted mix of products and services based on scientific evidence that meet individual needs

#### FY2030 quantitative targets

|                       |                       | FY2020               | FY2030                     |
|-----------------------|-----------------------|----------------------|----------------------------|
| <b>Japan business</b> | Revenue               | ¥153.6 billion       | ¥260 billion               |
|                       | Sales volume          | 13.3 billion tablets | 20 billion tablets         |
|                       | Share of sales volume | 15.7%                | 20.0% or more              |
|                       | Production capacity   | 15.5 billion tablets | 23 billion tablets or more |
| <b>U.S. business</b>  | Revenue               | ¥33.6 billion        | ¥60 billion                |
| <b>New businesses</b> | Revenue               | —                    | ¥80 billion                |
| <b>Total revenue</b>  |                       | ¥187.2 billion       | ¥400 billion               |
| <b>ROE</b>            |                       | 5.8%                 | 10% or more                |



## The Medium-Term Business Plan

# 「START 2024」 (April 2021 to March 2024)

Under START 2024, we have set out three key 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. We aim to realize our long-term vision in 2030 through the speedy and steady implementation of these strategies.

### Generics business

#### ① Expanding share in the Japanese generics market

- Increasing sales of new products
- Strengthening stable supply capabilities

➡ P. 23 Creating value through business / Japan business

#### ② Business investment for future growth in the U.S.

➡ P. 17 Message from the President

### Entry into new businesses

#### ③ Cultivating new growth areas

- Digital medical devices business
- Orphan drug business (ALS, etc.)
- Health food business

➡ P. 17 Message from the President





## 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.

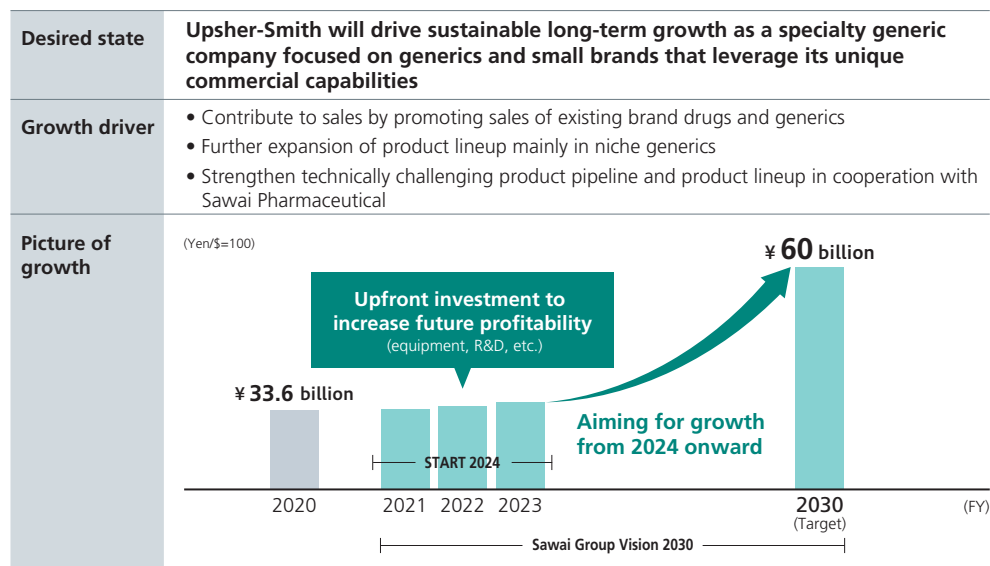
Under START 2024, the new Medium-Term Business Plan formulated as a three-year first step toward realizing the long-term vision, Sawai Group Holdings has set three focus strategies, which are (1) Expanding share in the Japanese generics market; (2) Business investment for future growth in the U.S.; and (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 specialty 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



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

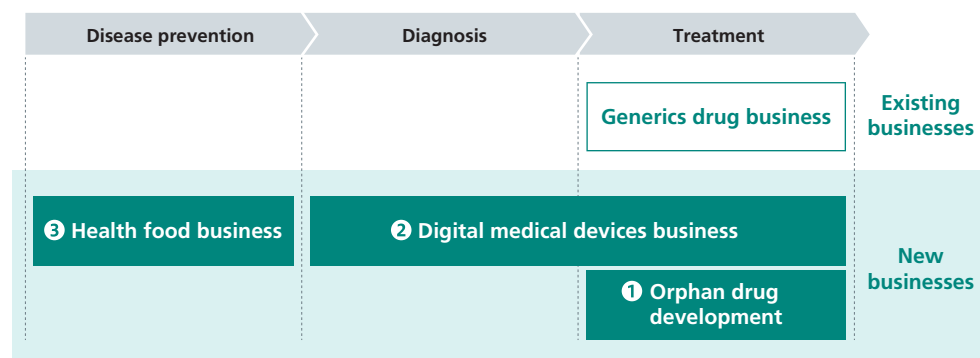
Entry into new businesses is another pillar of the strategy. It has become difficult for both originator drug manufacturers and generic drug manufacturers to achieve steady growth in the prescription drug market in Japan where healthcare finances are tight. To maintain sustainable growth in this environment, 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 ❶ New drug businesses targeting rare diseases (orphan drug business); ❷ Digital medical devices business; and ❸ 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 Neuro Relief 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 Neuro Relief, the companies we chose to partner with on this occasion, and are firmly convinced we will become good business partners for each other.

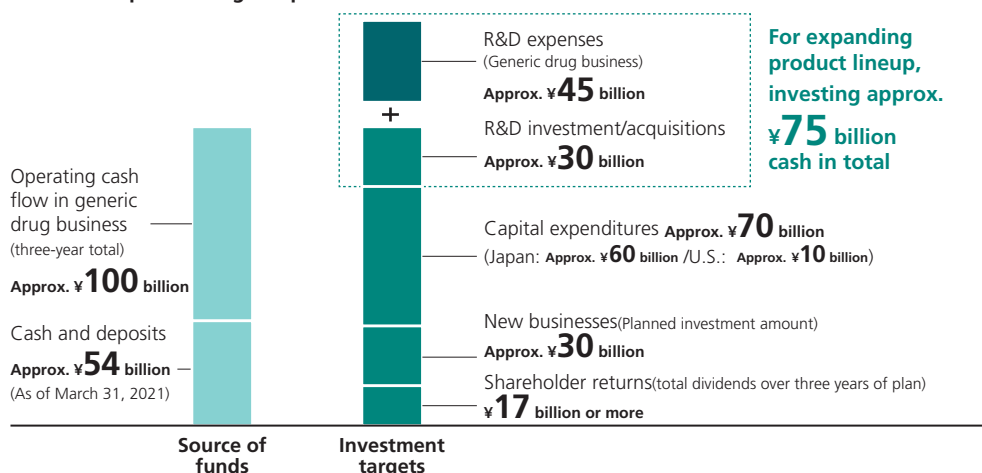
In the health food business, we are considering entry into a business where we would support an extension of healthy life expectancy in the areas of pre-symptomatic illness and prevention. We are expanding our business which was previously focused on treatment into the area of healthcare, and in doing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







## 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>            |   |
| 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> |   |

### 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><br><b>Waste plastic recycling rate of 65% or more (in 2030)</b> |    |
| S: Talent development, work styles/motivation, respect for human rights | <b>Safe and diverse work environment</b><br><b>Promotion of diversity</b><br><b>Initiatives for respect of human rights</b>                                  |   |
| G: Deepening corporate governance                                       | <b>Improvement and deepening of governance through conversion to holding company structure</b><br><b>Stronger risk management / compliance</b>               |    |

## Sawai's culture and future

## 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



## Japan Business

(Sawai Pharmaceutical)



Responding to patient expectations and being an indispensable presence in the industry as it faces a turning point

### Kenzo Sawai

Representative Director,  
Deputy Chairman and Group Chief Branding Officer  
President and Representative Director of  
Sawai Pharmaceutical Co., Ltd.

### Through new products, we achieved profit targets; in fiscal 2021, will meet quality and supply expectations

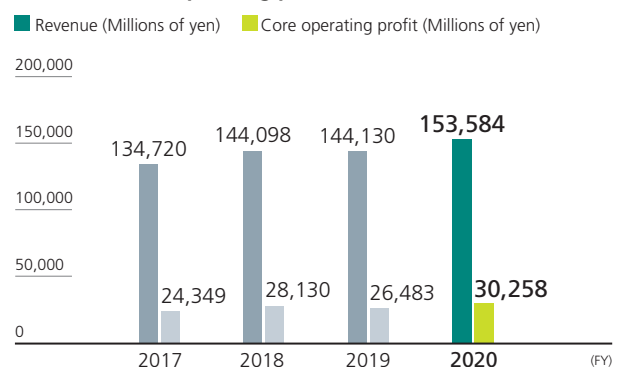
The domestic generic drugs market in fiscal 2020 weathered impacts from two drug price revisions, in addition to reticence toward medical visits due to the COVID-19 pandemic. In June and December, we had successful market launches of new products either independently or with few competitors, which greatly contributed to sales and profit. As a result, although revenue of ¥153,584 million (up 6.6% YoY) fell below our target, operating profit reached ¥26,284 million (up 7.7% YoY) and met our target. This year of adversity was an occasion for me to recognize anew the capabilities of our employees and the importance of continuing to bring new products to market.

In fiscal 2021, I think that the most important challenge will be to meet patient expectations by stably supplying high-quality generic drugs and by eliminating market concerns sparked by quality issues with generic drugs. Since bolstering

our supply capabilities is an urgent issue in order to meet these demands while growing our market share, we must immediately clarify the direction to take toward expanding our production framework.

For generic drugs, the drug volume share of the domestic pharmaceuticals market is approaching 80% and I expect growth of the overall share to slow going forward.

### Revenue / Core operating profit



However, there is a definite number of new drugs every year from patent expirations and we see the market for these new drugs to be approximately ¥700-800 billion over the next three years as original drug patents expire. If we assume that 70-80% of that market will be replaced with generics, there is plenty of room left for growth for Sawai. At present, generic drugs are facing a headwind due to reliability issues; however, Sawai can meet the expectations of a great number of patients by winning even more trust in this environment.

## Expanding sales through new products and dedicating ourselves to new product development and stable supply

This year, we formulated our new Medium-Term Business Plan START 2024, which lasts through fiscal 2023. One of the priority strategies of the plan is “expanding share in the Japanese generics market.” Growing sales of new products is a key element of this strategy and we plan to launch 85 or more new products in the next three years.

### Focus strategy 1 Strengthen new product development Increase products with low competition / few competitors

With generic drugs, the switchover to a new generic product happens quickly once the product is approved, after which it is quite difficult to challenge that product’s market share. In other words, if we develop new products before our competitors, we can quickly gain market share and reap long-term sales. Consequently, being the first to market after the patent expiration of an originator drug leads to competitive superiority.

A recent trend for many pharmaceutical companies has been toward joint development of products, leading

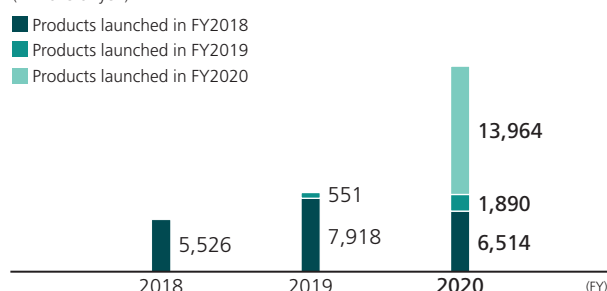
to simultaneous launches of generics, which fractionates market share. It is necessary for Sawai to grow our market share while, as much as possible, increasing the ratio of products with low competition, which can be achieved by bringing more challenging products to market and independently launching products ahead of other companies. In particular, considering the annual drug price revisions, it is essential to increase high value-added products in order to ensure stable operations.

In the last three years, we have actually launched 89 new products, which put our performance ahead of other companies in terms of the number of products and their unit sales volume. What has enabled such performance is our comprehensive strength from many years of accumulated expertise in the generics business. Sawai’s R&D human resources are vastly ahead of other generic drug manufacturers and we have a wealth of professionals intimately familiar with surveys and analysis for protecting and leveraging intellectual property, as well as understanding the characteristics of active pharmaceutical ingredients and formulation technology. Thanks to this comprehensive strength, we are able to identify blind spots in patents and generate ideas for leveraging our intellectual property.

The conventional, and arguably passive, process of generic drug development has been to receive approval as

### Revenue from products launched in the past three years

(Millions of yen)



### Numbers of products launched in the past three years and major products

Total number of released products: **89**

|  | FY2018  | FY2019   | FY2020  |
|--|---|--|---|
| Number of products*                    | 33(3)   | 14(7)  | 42(9)   |
| Major products released (generic name) | <ul style="list-style-type: none"> <li>•Capecitabine</li> <li>•Oseltamivir</li> </ul> | <ul style="list-style-type: none"> <li>•Micafungin sodium (for IV infusion)</li> <li>•Tadalafil CI</li> <li>•Aprepitant</li> </ul> | <ul style="list-style-type: none"> <li>•Eldecalcitol</li> <li>•Bazedoxifene</li> <li>•Fexofenadine hydrochloride / Hydrochloride pseudoephedrine (Pusofeki combination tablets)</li> <li>•Repaglinide</li> <li>•Vardenafil</li> </ul> |

\* Numbers in parentheses are for products that are the first generic drugs to market, or are strongly competitive.

### New product launch plan for the next three years

Number of products to be released: over **85**

|  | FY2021 | FY2022 | FY2023 |
|--|--------|--------|--------|
| Number of ingredients                  | 13     | 11     | 14     |
| Number of products                     | 32     | 27     | 26     |
| Original drug market (billions of yen) | 250.7  | 288.0  | 274.4  |

### Original drugs for first-listed Generic drugs

Cymbalta capsule / Patanol ophthalmic solution / Samsca OD tablets / Nexium capsules / Azilva tablets

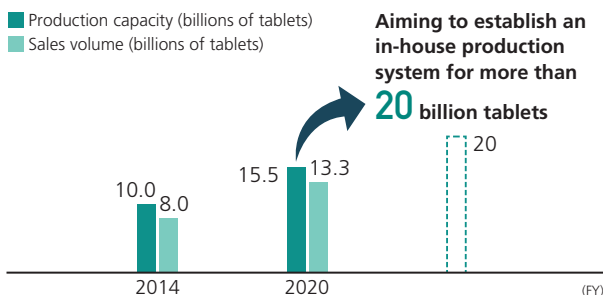
quickly as possible after a patent expires, but cleaving to this approach would likely make survival difficult going forward. We will take a stance toward patents that is more aggressive and challenging, and that other companies do not consider, such as ideas that avoid the patents of new drug manufacturers, as well as testing whether patents themselves could be invalid. Certainly, there is the risk of ending in failure, but I think the sizable merits outweigh the risks.

### Focus strategy 2 Strengthen stable supply capabilities Build production that can supply 20 billion tablets

Another key element for acquiring market share is strengthening our supply capabilities. In order to meet market demands, we must first fully utilize our current production capacity and quickly reach the ability to supply an annual volume of 15.5 billion tablets. Furthermore, we will aim, as quickly as possible, for a supply structure that can handle 20 billion tablets a year.

While there are various approaches to improving production capacity, I would like to build a structure that fully utilizes our capabilities. First off, this means bolstering our work force, then expanding and enhancing facilities at our existing factories. Simultaneously, we will consider a

#### Strengthening stable supply capabilities



variety of options, such as new capital expenditures, and alliances with and acquisitions of other companies, as we build out our supply capabilities.

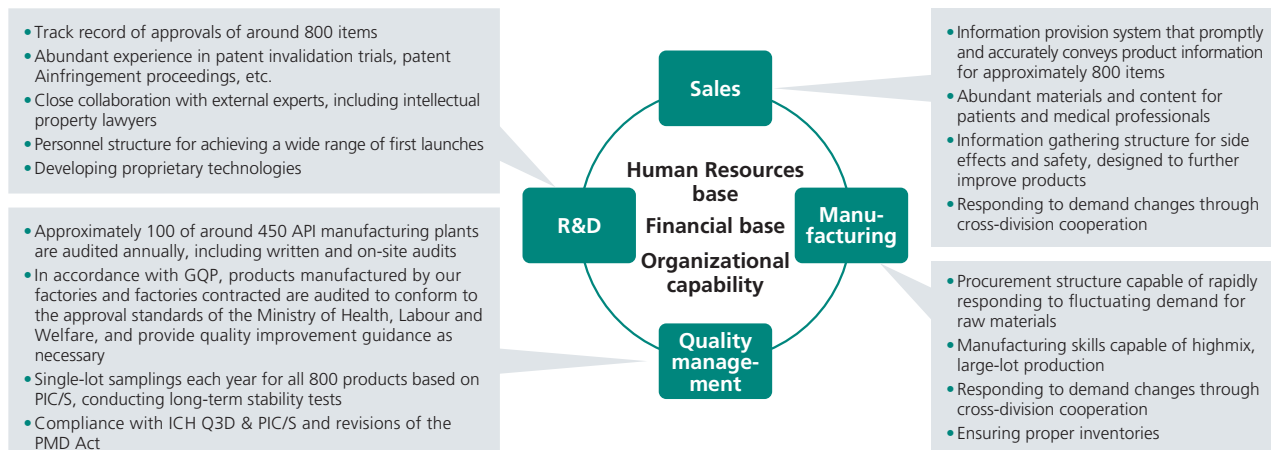
An important point that must not be forgotten in this process is maintaining systems that will steadfastly assure quality as we expand supply capabilities. Even if we create rules and procedures that loudly proclaim the importance of quality, it is people who must implement them. The most important thing is putting further effort into training in order to maintain and improve a mindset focused on quality.

### Striving to grow market share on the reliability and brands we have fostered

Starting a few decades ago when Japan had no generic drugs market, Sawai has been developing, producing, and marketing generics, while being a pioneer nurturing the growth of this market. In doing so, we have placed particular emphasis on quality, on training the employees who ensure that quality, and on continuous improvement activities in our work tasks. We have cultivated this approach over many years so that it is now deeply rooted as our corporate philosophy. With this as a strong foundation, Sawai has for over 50 years built the number one brand in the industry and the reliability that gives that brand its strength.

Going forward, we will ensure close coordination among divisions, including the R&D and Manufacturing Divisions, and the Marketing and Production Control Divisions. As we do so, we will strive to maintain high quality products and stable supply so that the Sawai brand and its reliability are never compromised, while also striving for greater market share.

#### Strengths that form our business foundation





## U.S. Business (Upsher-Smith)



### Upsher-Smith - Re-building for Future Growth

#### Rusty Field

President & CEO, Upsher-Smith Laboratories, LLC

Upsher-Smith's Fiscal Year ending March 2021 was a challenging year. Extreme competition in the U.S. generic market drove prices much lower in key generic products and COVID-19 slowed brand product growth. COVID-19 effects on patient behavior and physician access thwarted the Tosymra™ product launch and led to a significant impairment on that product, further impacting our net income performance. In addition, management underestimated the impact of the 3 novel CGRP products launched between October 2019 and March 2020. These impacts on our brand strategy expansion delayed a key effort to offset the risks in our generic business. While the nature of the competitive U.S. generic market was known at the beginning of the FY18-FY20 mid-term plan, the degree and duration of price impact could not be foreseeable at that time.

Throughout these great challenges, we maintained our "best in industry" supply to our customer and kept expenses well below plan. In March 2021 we completed a restructuring to better align our operating structure and expenses with our revenue base.

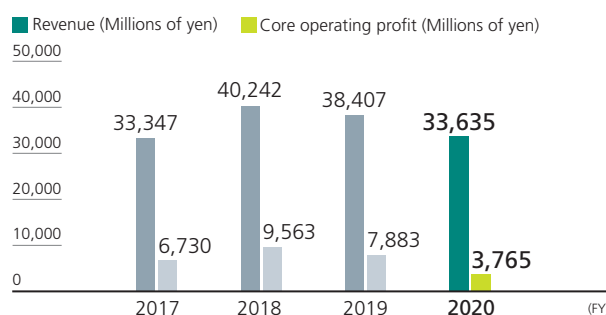
The next mid-term plan will be focused on repositioning Upsher-Smith for growth beyond FY24 and beyond. There are four critical strategies to accomplish this. First, we will drive growth from our brand portfolio and add new brand products. After deep analysis and evaluation of lessons learned, we implemented changes in August 2020 in key brand distribution strategies doubled Tosymra™ unit growth between October 2020 and March 2021. In April 2021, we implemented strategies to improve Tosymra™'s Average Selling Price (ASP). In addition to these strategies, new Direct-to-Consumer (DTC) strategies will be added Q1-Q2 FY21 to further enhance performance and drive to recoup some of the impairment losses. Second, we will reconstruct our organic pipeline portfolio to focus on commercially complex generic products and 505(b)(2)\* small brands. The changes in R&D structure and talent 2019-2020 position us well to accomplish this. Commercially complex

products include unique and challenging patient services. Third, we will complete consolidation of manufacturing to drive efficiency and quality for the future. Finally, we will further restructure the business to ensure our capabilities align with these strategies and lower operating costs to better position cash flow and operating profit into the future.

Our leadership and employees are deeply committed to doubling Upsher-Smith's business by 2030 in line with the Sawai Group Holdings long range plan. The near term will be challenging and strategies to mitigate these challenges and position the company for longer term growth are underway. The partnership with Sawai Group Holdings leaders is stronger than ever and the depth of understanding and involvement in our business strategies will enhance our performance into the future.

\* 505(b)(2) : A regulatory pathway that allows a sponsor to reference previous studies and information, e.g. safety studies, efficacy studies, literature and other information to seek FDA approval for the development of enhancements to an already approved molecule. These enhancements generally include new routes of administration or new formulations.

#### Revenue / Core operating profit





**Toru Terashima**

Director, Senior Executive Officer, and  
Group Chief Quality & Safety Officer

## Message from the Group CQO

### We do everything we can to ensure a quality assurance system for the stable supply of drugs that we would recommend to our own families

Over the past few years, there have been a number of misconduct cases involving several generic drug manufacturers, shaking confidence in the generic drug industry as a whole. The biggest issue is ensuring quality. For our Group, which has Sawai Pharmaceutical at its core, this issue is the foundation of our business and the very reason for our existence. Our mission is to provide a stable supply of top-quality, affordable drugs. So what must Sawai Pharmaceutical do in order to achieve this mission? The drugs supplied by Sawai Pharmaceutical are not 100% manufactured by us alone. All of our active pharmaceutical ingredients (APIs) are procured externally, and we purchase some 300 ingredients from 200 manufacturing sites in Japan and 300 sites outside Japan. Naturally, we confirm there are no issues with the APIs we purchase through acceptance testing and rigorous management, but our efforts do not end there. Our inspectors conduct regular onsite audits of the manufacturing environment, processes, and quality control for APIs. Audits are conducted at five sites a month and 60 sites a year on a five-yearly cycle, both in Japan and overseas.

On the other hand, in-house manufacturing accounts for almost all of our formulation processing. In compliance with the GMP standards stipulated in the Pharmaceuticals and Medical Devices Act and PIC/S-GMP, which is the global standard, we record the actual work performed and conduct process control tests to verify at each step that the required quality is achieved through the correct procedures for all products, lots, and processes. Lastly, by evaluating shipping test records and all manufacturing records for the final products, we have built a quality assurance system that ensures we supply only products of sufficient quality to medical facilities. In addition, as we do for APIs, we conduct regular onsite audits once every three years at our own six factories as well as approximately 50 factories to which we outsource formulation.

We have also taken a variety of other initiatives to ensure quality. The basis of these initiatives is the confirmation of any discrepancies between approval forms and actual manufacturing conditions. In addition to the annual quality verification required for each product under GMP, we are conducting simultaneous voluntary inspections in fiscal 2021. In addition, to prevent mistakes due to human error, we regularly provide workers with education and training in knowledge and practical skills. Under our two-worker system, the results of work performed by the primary person responsible for the work are verified objectively by a separate person to confirm that the work was performed and recorded correctly. Furthermore, if there are any issues, we immediately dispatch staff from the Quality Assurance Division, which is independent from the Manufacturing Division, to investigate the cause and take countermeasures in cooperation with the manufacturing site.

Pharmaceuticals only have the anticipated effect when products of sufficient quality are used correctly and safely. Therefore, in addition to quality assurance and regulatory affairs management, a variety of departments, including the Medical Information Center, work together, striving to achieve the peace of mind and confidence of patients and medical institutions by communicating correct information in a timely and appropriate manner, including information on side effects, precautionary information (formerly package inserts), and labelling.

Ultimately, it is people who make pharmaceuticals. The confidence that we make high quality products and can recommend them to our own families is the foundation of the entire Group. Staying true to this foundation, and with an awareness that we are members of the pharmaceutical industry which protects life, the Group's management and employees will work steadily to maintain and develop a quality assurance system that puts health first and provides peace of mind and confidence.



#### Sawai Pharmaceutical

- A video that introduces our quality initiatives



Group CQO Toru Terashima also delivers a message directly to stakeholders. (Only available in Japanese)

[https://www.sawai.co.jp/sawaigeneric/initiatives/quality\\_movies/](https://www.sawai.co.jp/sawaigeneric/initiatives/quality_movies/)



## Yoshiki Sakurai

Executive Officer,  
Group Chief Financial Officer,  
General Manager of Group  
Financial Department

### Message from the Group CFO

## Working toward our long-term Sawai Group Vision 2030 and striving to build a financial foundation conducive to dynamic investment

### Fiscal 2020 Performance

In fiscal 2020, while weathering the impacts of on-going reform of the drug pricing system in Japan, in addition to reticence toward medical visits due to the COVID-19 pandemic, we were able to book sales revenue in line with expectations thanks to the results of efforts to sell newly listed generics, including Pregabalin OD Tablets, Capsules. Additionally, amidst a spate of quality issues in the generic drug industry, we have made product quality our highest priority by carrying out rigorous manufacturing and quality control, while also striving for more efficient production by using multiple raw ingredient suppliers, closing the Osaka Factory, and moving its operations to the Sanda Nishi Factory. Through these efforts, we worked to further strengthen our cost competitiveness and improve production capacity with an eye toward growing our market share.

In the U.S., the business environment continued to increase in severity due to a variety of factors, including increasing purchasing power for buyers from consolidation among wholesalers, drug stores, and other parties, price declines for generic drugs, entry of competitors selling products competing with our mainstay branded products, and intangible asset impairment losses from poor sales of Tosymra™ due to the COVID-19 pandemic. Within this context, we strove to enhance and expand both our generic and branded products on the market by forming an alliance with Upsher-Smith.

As a result, although operating profit was down slightly compared to the previous year, we were able to increase revenue.

### Outlook for Fiscal 2021

In fiscal 2021, despite falling unit selling prices due to on-going reform of the drug pricing system in Japan, we forecast continued, steady growth of sales volume for generic drugs as we launch new products accompanying patent expiration for originator drugs. At the same time, there is the possibility of a continuously challenging competitive environment in the U.S. due to negative impacts from the COVID-19 pandemic.

Despite this operating environment, we will follow START 2024, our new Medium-Term Business Plan that kicks off this fiscal year, and we will gather the strengths of the R&D, Manufacturing, Reliability Assurance, Marketing, and other divisions as we strive for steadfast growth in both Japan and the U.S.

### Policy on Investments and Shareholder Returns

Sawai expects accelerated restructuring in the industry driven by a worsening operating environment accompanying annual drug price revisions. Additionally, as noted in our Medium-Term Business Plan, we are committed to aggressive investment in new businesses and R&D, and we plan to carry out this investment flexibly and dynamically. We will also strive to maintain and secure a solid financial foundation while keeping aware of the global environment, including at Upsher-Smith. In response to the COVID-19 pandemic, we made efforts to improve free cash flow and ensure a certain level of inventory to maintain a stable pharmaceutical supply structure, which is essential for preserving human health and life.

We strive for balance with our growth-oriented investments, while conducting comprehensive assessments that take into account factors such as the consolidated financial results in each period, the dividend payout ratio, and other shareholder return measures. Our goal is to achieve a stable and ongoing dividend payment with a payout ratio of approximately 30%. In fiscal 2020, Sawai Pharmaceutical paid an annual dividend of ¥130 per share (a total return to shareholders of ¥5.7 billion).



## Sustainability

**We aim to build a sustainable society by solving social problems through our business.**

### Sustainability key policies

1. Based on our corporate philosophy of “Always putting healthier living first,” we strive to do our part in realizing a sustainable society through our business, by contributing to the maintenance and development of healthy lives and superb healthcare systems.
2. We endeavor to stay engaged (building bonds of mutual trust) with all our stakeholders including patients and consumers, healthcare professionals such as medical institutions, business partners, employees, shareholders, local communities, and the global environment.
3. We pursue creativity and constantly evolve along with society, so that the Sawai Group can remain sustainable.

Sawai Group Stakeholders



E

Environment

S

Society

G

Governance





# Environment



Sawai Group Holdings

● ESG Data

● Environment-related data (PDF)

## Reduction of CO<sub>2</sub> emissions

At Sawai's six domestic factories, we are working on various energy-saving activities, such as consolidating production equipment, renewal of obsolete equipment, and reviewing the operating hours of equipment, with the goal of reducing energy emission intensity by 1% compared to the previous year.

In addition, as a medium- to long-term target, we are determined to "reduce CO<sub>2</sub> emissions 25% by 2030 in terms of production volume per unit based on 2013 + α."



### TOPICS

#### Letter of appreciation received from the Osaka City Environment Bureau!

Sawai, along with our headquarters, research institute, and the Shin-Osaka Sawai Building, have been given a letter of appreciation by the Osaka City Environment Bureau for outstanding and ongoing achievements in reducing and properly disposing of waste, and for keeping the living environment clean.

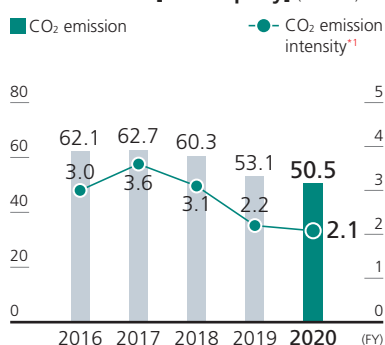
Every year, Sawai weighs all waste produced by our headquarters, research institute, and the Shin-Osaka Sawai Building (burnable trash, plastic, and recyclable paper, magazines, newspapers, and cardboard) and prepares a report on our waste reduction and recycling efforts for the city of Osaka. This award we have now received is in recognition of these efforts.



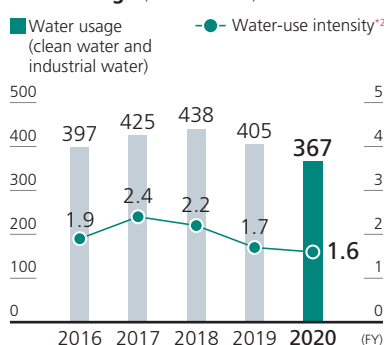
## Environmental data

Figures up to FY2020 were calculated by Sawai Pharmaceutical Co., Ltd (non-consolidated).

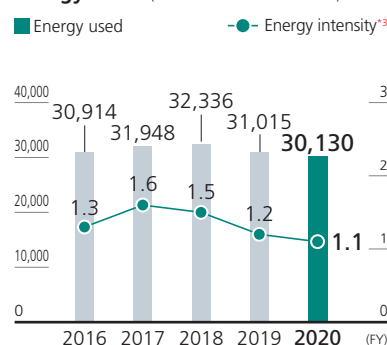
### CO<sub>2</sub> emissions [all company] (kt-CO<sub>2</sub>)



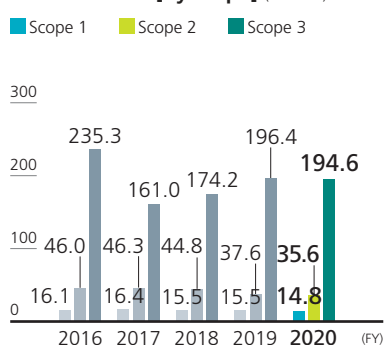
### Water usage (Thousand m<sup>3</sup>)



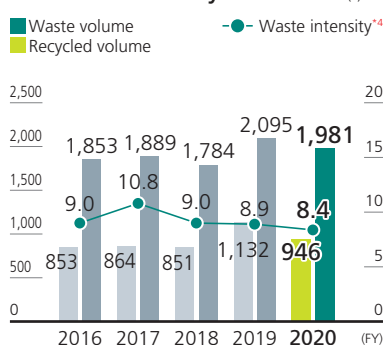
### Energy used (crude oil conversion kℓ)



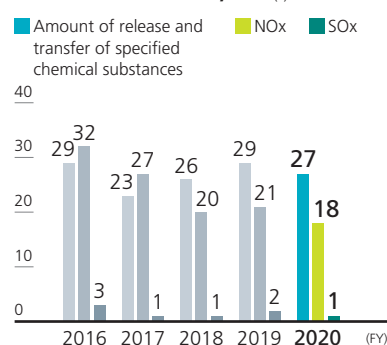
### CO<sub>2</sub> emissions [by scope] (kt-CO<sub>2</sub>)



### Waste volume / Recycled volume (t)



### Chemical substances, etc. (t)



<sup>\*1</sup> CO<sub>2</sub> emissions / Production volume (unit: billion tablets) <sup>\*2</sup> Water usage / Production volume (unit: 100 million tablets)

<sup>\*3</sup> Energy used / Production volume (unit: million tablets) <sup>\*4</sup> Waste volume / Production volume (unit: 100 million tablets)



## Society

### Quality management

#### Sawai Pharmaceutical

We conduct annual audits of our own factories, and we plan to start conducting unannounced audits from fiscal 2021.

In terms of the quality of APIs, we rigorously check whether each manufacturing factory complies with Good Manufacturing Practices (GMP) stipulated by law by conducting onsite verifications, etc.\* of API manufacturing sites for some 300 ingredients (a total of approximately 500 manufacturing sites), and only use APIs that have passed the verifications.

At our formulation factories, we implement manufacturing management and quality control in compliance with GMP. Furthermore, in accordance with GQP standards, Head Office and the Quality Assurance Department constantly check whether manufacturing factories observe GMP through onsite verifications, etc. to confirm that manufacturing management and quality control comply with standards.

In the supply chain, we also conduct audits of API manufacturers at least once every five years and formulation manufacturing subcontractors at least once every three years.

\* Evaluation by Sawai Pharmaceutical: 98%, Evaluation of results of audit by other company based on Sawai Pharmaceutical's standards: 2% (as of December 3, 2020)

### Active pharmaceutical ingredients (API) country of manufacture disclosure

#### Sawai Pharmaceutical

Since July 2019, we have made public the "API country of manufacture" for our products on Sawai Pharmaceutical's comprehensive information website for healthcare workers.

We disclose information on the percentage of API manufacturing countries and final drug substance manufacturing locations by country so that healthcare workers can use drugs sold by the Company with peace of mind.



### Preventing counterfeit pharmaceuticals

#### Sawai Pharmaceutical

We have introduced technologies for determining authenticity if a suspected counterfeit product is found. Some examples of this include holographic boxes with characters that change depending on the angle a box is viewed from, and sealing tape that leaves some of the printing on the tape behind on the box once it is peeled off, making it possible to check whether a box has been resealed.

#### Box seal

##### ① Adhesive seal/push open-type

(e.g.) OSELTAMIVIR Capsules 75mg SAWAI



1. Unopened box 2. Opening method 3. Opened box

##### ② Adhesive seal/pull open-type

(e.g.) LIMAPROST ALFADEX Tablets 5μg SAWAI



1. Unopened box 2. Opening method 3. Opened box

##### ③ Tape seal/push open-type

(e.g.) Oseltamivir DS3% SAWAI



1. Unopened box 2. Opening method 3. Opened box

WEB

**Sawai Pharmaceutical**

- Commitment to formulation
- Quality management in factories
- Attention to detail in packing design and design
- Feeling of responsibility about product improvement
- Research and development initiatives
- Production initiatives
- Quality initiatives

**Upsher-Smith**

Upsher-Smith and its pharmaceutical supply chain are promoting initiatives required under the Drug Supply Chain Security Act (DSCSA). The DSCSA is being implemented in stages with final compliance currently set for November 2023. At that point, Upsher-Smith products will be identified and traced using the product ID (serial number, global trade item number (GTIN), lot, and expiration) included on the product label in accordance with the DSCSA.

**Number of forcible searches, seizures, arrests and/or actions resulting in criminal prosecution related to counterfeit products**

**Sawai Pharmaceutical: 0 / Upsher-Smith: 0**

## Business ethics

**Sawai Pharmaceutical**

We have established an item on compliance with legal and promotional codes in the Sawai Code of Conduct, stipulating that we comply with relevant laws and industry standards in all activities involving product promotion and advertising, and ensure they are conducted ethically and appropriately.

We also strive to engage in appropriate corporate activities as a pharmaceutical company in line with the letter and spirit of relevant codes, including the Corporate Code of Conduct, Compliance Program Guidelines, and Promotion Code for Prescription Drugs set out by the Japan Generic Medicines Association (JGA), as well as the Sawai Group Holdings Corporate Philosophy and Code of Conduct.

Moreover, to increase transparency in our business relationships with medical institutions, we have established our own guidelines based on the JGA's Guidelines on Transparency in Corporate Activities Business Relationships with Medical Institutions, as well as publishing information on payments and funding for medical institutions on a dedicated page. We also disclose information for Medisa Shinyaku Inc. and Kaken Shoyaku Co., Ltd. on the same page.

WEB

**Transparency Guidelines**

<https://www.sawai.co.jp/company/transparency/>

**Upsher-Smith**

Upsher-Smith's business standards include several policies on proper promotion of products and medical interactions with healthcare professionals.

The company has explicitly adopted the PhRMA Code on Interactions with healthcare professionals, and its sales representatives are trained on appropriate product promotion activities that comply with the PhRMA Code and the applicable laws and only use approved product promotion items.

Upsher-Smith sales representatives receive further training to identify and avoid inappropriate interactions with healthcare professionals which could arise from the provision of other items of value in exchange for the use of the company's products.

**Total financial loss incurred as a result of legal proceedings related to corruption and bribery**

**Sawai Pharmaceutical: 0 / Upsher-Smith: 0**

**Total financial loss incurred as a result of legal proceedings related to false statements involving marketing**

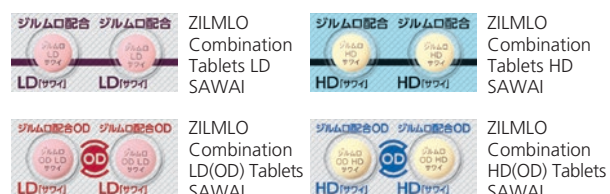
**Sawai Pharmaceutical: 0 / Upsher-Smith: 0**

## Product ingenuity

**Sawai Pharmaceutical**

Sawai endeavors to design products that incorporate features that take into consideration how the patient takes the dose.

In fiscal 2020, we received approval for the first orally disintegrating (OD) tablet as an azlisartan, amlodipine combination drug, as well as for a regular tablet. In order to improve identification, the name of ingredients and the content are printed on both sides of the tablets. The OD tablet has a film coating designed to improve stability.



## Providing drug information

### Sawai Pharmaceutical

Sawai Pharmaceutical believes that delivering accurate information promptly is one aspect of quality. MRs (drug information staff), the Medical Information Center (inquiry helpdesk), and the corporate website, which are the three points of contact for the provision of information, work together to meet the expectations of healthcare professionals and patients seeking peace of mind.

#### Provision of information by MRs

Approximately 380 MRs work to provide information, endeavoring to communicate more accurate information more quickly. In addition, information on the side effects and safety of drugs is collected and compiled led by the Pharmacovigilance Department. We ensure the proper use of drugs by feeding details of this information back to medical institutions.

#### Medical Information Center

We established the Medical Information Center which is open 24 hours a day, 365 days a year to respond immediately to inquiries from medical institutions even at night and on holidays. The center receives around 4,000 inquiries a month about product characteristics, usage, and safety.

#### Website for healthcare professionals

We disseminate the latest product information and information that can be used for treatment and medication guidance through Sawai medical site, our comprehensive information site for healthcare professionals. We were the first in the industry to introduce chatbots, a bilateral communication tool, to guide users quickly to the information they want on the website.



Sawai medical site

#### Website for patients

Sawai Pharmaceutical's corporate website provides information that is useful for patients to manage their health. In addition to basic information on generic



Sawai Kenko Suishinka

drugs and quality initiatives, we have posted a variety of healthcare-related information, including information on pre-disease and preventive measures, disease awareness, and health promotion through pages called Sawai Kenko Suishinka, Zutsu Online and others.

## Social contribution activities

### Sawai Pharmaceutical

#### Dementia Supporter Training Course

In September 2020, we were registered as an Orange Partner company, which indicates a company that is working to support people with dementia. We completed our registration after being invited to become an Orange Partner company by the Orange Team representatives from the Osaka Yodogawa Ward Eastern District Comprehensive Support Center, which provided the Dementia Supporter Training Course attended by 185 Sawai Pharmaceutical employees held at the Head Office / Research Laboratories.

Going forward, we will continue working together as a company that supports people with dementia and their families.



Orange Partner sticker



Osaka City Council of Social Welfare

[https://www.osaka-sishakyo.jp/orangepartner\\_list/](https://www.osaka-sishakyo.jp/orangepartner_list/)

#### Supporting the Pink Ribbon Campaign which donates to cancer patients

In February 2021, we renewed some of our vending machine contracts and changed them to a type that donates to Pink Ribbon activities. Five vending machines have been installed at the Head Office/Research Laboratories, the Development Center, and the Osaka Branch. The Pink Ribbon machines feature a pink wrap.

A portion of the sales will be donated to the Hohoemi (Smile) Foundation\* to support activities aimed at reducing the number of people suffering from breast cancer.



A vending machine with the Pink Ribbon wrap

\* Hohoemi (Smile) Foundation: a foundation operated by the Japan Cancer Society with the aim of decreasing the number of people suffering from breast cancer even if only by one person. The foundation supports activities to eliminate breast cancer such as promoting screening, raising awareness of early detection, training doctors and radiologists, and supporting patients.





#### Sawai Group Holdings

- ESG Data
- Social-related data

#### Sawai Pharmaceutical

- Providing drug information
- Information provision initiatives

### Producing and donating posters that raise awareness of infectious disease prevention to elementary schools

In collaboration with *The Yomiuri Shimbun*, which publishes *The Yomiuri KODOMO Shimbun* newspaper as an educational project aimed at elementary school students, we produced a poster to raise awareness of preventing COVID-19 and donated posters to around 300 elementary schools with approximately 115,000 students in Osaka City, which is the home of Sawai Pharmaceutical. It is our hope that the COVID-19 pandemic will be brought under control as soon as possible so that students can relax and work hard at their studies.



Poster to raise awareness of preventing infection

## Human resource initiatives

### Sawai Pharmaceutical

#### Development of personnel systems

Sawai Pharmaceutical has developed a variety of personnel systems, which include systems for the evaluation and treatment of employees, a career development statement system, training systems, and a childcare leave system, to ensure that our employees continue to work with a high level of motivation.

Last year, Sawai Pharmaceutical, the Group's core company, undertook personnel system reforms and established a new remuneration system to ensure that employees with high performance are properly rewarded. In addition, in order to facilitate the stable development and supply of generic drugs in the future amid a falling birthrate, aging population, and declining labor force, we have made our factory workers into regular employees and newly established a contract employee system that enables those

#### Main Initiatives in 2020

- Optimizing working hours and ensuring work-life balance and time for living
- Expanding the age range of eligibility for subsidized gynecological screening for employees from those aged 35 or older to those 18 or older
- Anti-smoking measures (no smoking on premises and no smoking during work hours, financial assistance for treatment and smoking cessation aids, etc.)
- Infection control measures (full subsidization of influenza vaccines for employees, development of telecommuting environment, etc.)

who want to continue working up until the age of 70.

In this way, we are developing a working environment that allows our employees to be motivated and challenged to achieve results and growth while also focusing on the establishment of a safety net so that employees can continue to work for us with peace of mind. We believe that our human resources are human "assets," and we will aim to be a company that is worth working for going forward.

#### Health and Productivity 2021 certification

Sawai was selected for Health and Productivity 2021 certification, recognized by the Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi as an enterprise engaging in efforts to advance health and productivity management.

In accordance with the corporate code of conduct that "better drugs are born from workplaces that are both mentally and physically healthy," we assign dedicated public health nurses to each worksite who strive to coordinate occupational health activities aimed at promoting safe and hygienic workplaces.

#### Message from the Sawai Group Workers Union

##### Toshitaka Niiyasu

Sawai Group Workers  
Union Central  
Executive Committee Chairman



Without the development of the Company, there can be no happiness for employees and their families. And without the growth (activity) of each employee, the Company cannot develop, which is to say, the Company cannot enhance corporate value. The Company recognizes that our union is an important stakeholder, and we continue to maintain sound labor management relations based on the union shop system (in principle, all employees are union members).

Last year, Sawai Pharmaceutical undertook personnel system reform, and we were able to have in-depth discussions with the Company looking ahead to what Sawai should be like in the future.

The union has changed its name and form in response to the establishment of Sawai Group Holdings. However, based on an unchanging policy of labor-management cooperation, we hope to contribute to the development of the Company and the happiness of employees by improving the job satisfaction of our members through our union activities, constantly thinking about what is best for both employees and the Company.



# Corporate governance

## Directors and Audit & Supervisory Board Members (as of June 30, 2021)



**Mitsuo Sawai**

**Representative Director,  
Chairman and Group Chief  
Executive Officer**

Born in 1956  
April 1982 Joined Kyowa Hakko Kogyo Co., Ltd. (currently Kyowa Kirin Co., Ltd.)  
January 1989 Joined Sawai Pharmaceutical Co., Ltd.  
June 2000 Director, Deputy Vice President of Sales Division, and General Manager of Sales Planning Department of Sawai Pharmaceutical Co., Ltd.  
June 2008 Representative Director and President of Sawai Pharmaceutical Co., Ltd.  
June 2020 Representative Director and Chairman of Sawai Pharmaceutical Co., Ltd. (incumbent)  
April 2021 Representative Director, Chairman and Group Chief Executive Officer of Sawai Group Holdings Co., Ltd. (incumbent)



**Kenzo Sawai**

**Representative Director,  
Deputy Chairman and  
Group Chief Branding  
Officer**

Born in 1968  
April 1995 Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)  
April 2001 Joined Sawai Pharmaceutical Co., Ltd.  
June 2010 Director, Vice President of Corporate Strategy Department of Sawai Pharmaceutical Co., Ltd.  
June 2017 Chairman of Upsher-Smith Laboratories, LLC  
June 2020 President, Representative Director of Sawai Pharmaceutical Co., Ltd. (incumbent)  
April 2021 Representative Director, Deputy Chairman and Group Chief Branding Officer of Sawai Group Holdings Co., Ltd. (incumbent)



**Kazuhiko Sueyoshi**

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

Born in 1957  
April 1980 Joined The Sumitomo Bank, Limited (currently Sumitomo Mitsui Banking Corporation)  
April 2012 Joined Sawai Pharmaceutical Co., Ltd. General Manager of Controller Department  
June 2017 Executive Administration, Upsher-Smith Laboratories, LLC  
June 2018 Director, Senior Executive Officer, Vice President of Corporate Administration Division of Sawai Pharmaceutical Co., Ltd.  
April 2021 Acting Vice President of Corporate Administration Division of Sawai Pharmaceutical Co., Ltd. (incumbent), Representative Director, President, Group Chief Operating Officer (incumbent)



**Toru Terashima**

**Director, Senior Executive  
Officer,  
and Group Chief Quality &  
Safety Officer**

Born in 1959  
April 1984 Joined Sumitomo Chemical Company, Limited  
October 1984 Joined Sumitomo Pharmaceuticals Co., Ltd. (currently Sumitomo Dainippon Pharma Co., Ltd.)  
January 2016 Joined Sawai Pharmaceutical Co., Ltd.  
June 2017 Director, Corporate Officer, Vice President of Reliability Assurance Division of Sawai Pharmaceutical Co., Ltd.  
June 2019 Director, Senior Executive Officer, Vice President of Reliability Assurance Division (incumbent) of Sawai Pharmaceutical Co., Ltd.  
April 2021 Director, Senior Executive Officer, and Group Chief Quality & Safety Officer of Sawai Group Holdings Co., Ltd. (incumbent)



**Masatoshi Ohara**

**External Director**

Born in 1951  
April 1979 Registered as a lawyer at Osaka Bar Association  
Joined Kikkawa Sogo Law Offices (currently Kikkawa Law Offices)  
August 1986 Attorney registered in the State of New York, the U.S.  
January 1988 Partner of Kikkawa Law Offices (incumbent)  
April 2017 The President of Osaka Bar Association, the Vice President of Japan Federation of Bar Associations  
June 2019 Director of Sawai Pharmaceutical Co., Ltd.  
April 2021 Director of Sawai Group Holdings Co., Ltd. (incumbent)



**Nawomi Todo**

**External Director**

Born in 1959  
June 1984 Obtained medical license  
July 1984 Staff Doctor at Osaka University Hospital  
January 2002 Staff Doctor at Osaka-tetsusyou Health Insurance Society (incumbent)  
January 2007 Obtained Certified Occupational Physician Qualification of Japan Medical Association  
June 2015 Director of Sawai Pharmaceutical Co., Ltd.  
April 2021 Director of Sawai Group Holdings Co., Ltd. (incumbent)



**Tadao Tsubokura**

**Full-time Audit &  
Supervisory Board Member**

Born in 1961  
July 2008 Joined Sawai Pharmaceutical Co., Ltd. General Manager, Controller Department of Sawai Pharmaceutical Co., Ltd.  
April 2012 General Manager, General Affairs Department of Sawai Pharmaceutical Co., Ltd.  
June 2018 Full-time Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd.  
April 2021 Full-time Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. and Auditor of Sawai Pharmaceutical Co., Ltd. (incumbent)



**Takanobu Tomohiro**

**External Audit &  
Supervisory Board Member**

Born in 1958  
April 1991 Registered as an attorney  
Joined Kogoshi Takizawa Law Office (currently, Kobe-Kaito Law Office)  
April 1994 Partner of Kobe-Kaito Law Office (incumbent)  
June 2016 Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd.  
April 2020 President, Hyogo-ken Bar Association  
April 2021 Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)



**Junichi Hirano**

**External Audit &  
Supervisory Board Member**

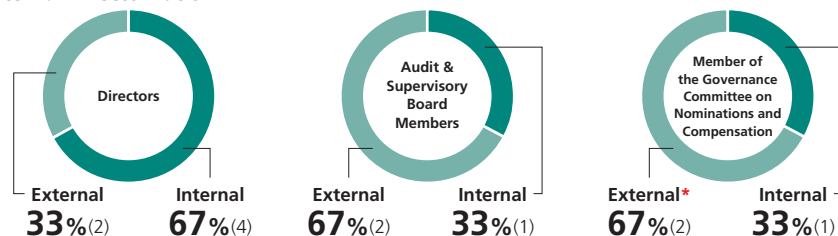
Born in 1955  
July 2013 Director, Co-ordination Division, Second Large Enterprise Examination Department, Osaka Regional Taxation Bureau  
July 2014 District Director, Higashi Yodogawa Tax Office  
July 2015 District Director, Himeji Tax Office  
August 2016 Established a certified tax accountant office  
June 2017 Audit & Supervisory Board Member of Sawai Pharmaceutical Co., Ltd.  
April 2021 Audit & Supervisory Board Member of Sawai Group Holdings Co., Ltd. (incumbent)

## Skill Matrix

|                     | Current Positions at Sawai  | Legal affairs / risk management | Finance, accounting, tax affairs | Production and quality | Marketing and sales | Research, development, technologies | Medicine and pharmaceuticals |
|---------------------|---|---------------------------------|----------------------------------|------------------------|---------------------|-------------------------------------|------------------------------|
| ● Mitsuo Sawai      | Chairman, Representative Director, member of the Governance Committee on Nominations & Remuneration |                                 |                                  |                        | ●                   |                                     |                              |
| ● Kenzo Sawai       | Deputy Chairman, Representative Director  |                                 |                                  |                        | ●                   | ●                                   | ●                            |
| ● Kazuhiko Sueyoshi | President, Representative Director  | ●                               | ●                                |                        |                     |                                     |                              |
| ● Toru Terashima    | Director  |                                 |                                  | ●                      |                     | ●                                   | ●                            |
| ◆ Masatoshi Ohara   | Independent External Director, Chairman of the Governance Committee on Nominations and Compensation | ●                               |                                  |                        |                     |                                     |                              |
| ◆ Nawomi Todo       | Independent External Director, member of the Governance Committee on Nominations and Compensation   |                                 |                                  |                        |                     |                                     | ●                            |
| ● Tadao Tsubokura   | Full-time Audit & Supervisory Board Member  |                                 | ●                                |                        |                     |                                     |                              |
| ◆ Takanobu Tomohiro | Independent External Audit & Supervisory Board Member   | ●                               |                                  |                        |                     |                                     |                              |
| ◆ Junichi Hirano    | Independent External Audit & Supervisory Board Member   |                                 | ●                                |                        |                     |                                     |                              |

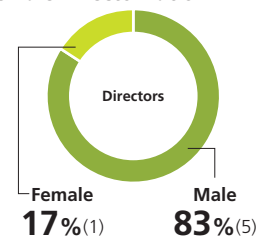
● Internal ◆ External

## External Director ratio

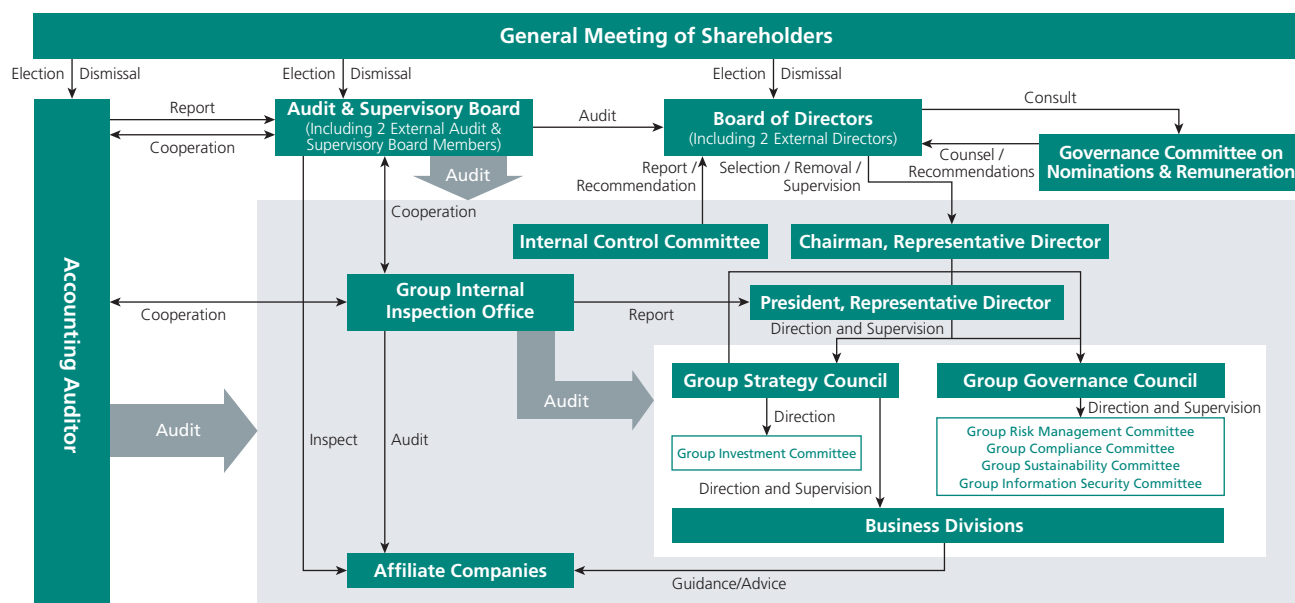


\* The Committee Chairman is an External Director

## Female Director ratio



## Corporate Governance Structure



## Governance system

The Board of Directors makes decisions and votes on matters provided for in laws and the articles of incorporation, as well as matters set forth in the Regulations of the Board of Directors, which are of high importance for the Company's business.

As business oversight is an important duty of the Board of Directors, Sawai uses an corporate officer system whereby corporate officers are entrusted with the execution of business in accordance with resolutions passed by the Board of Directors. Executive policy is discussed and decided on at Group Strategy Council, which are attended by the Chairman, President, and corporate officers. Matters that involve sums below a certain threshold or that are of low importance are executed according to the Decision-making Standards Table, which is provided for separately, in the interest of ensuring efficiency and flexibility.

The Company also elects chief officers and officers in charge of the corporate functions of each Sawai Group company. These individuals are tasked with directing and supervising these companies and providing regular situation reports to the Board of Directors in order to ensure proper corporate supervision.

## Governance Committee on Nominations & Remuneration

Sawai's Governance Committee on Nominations & Remuneration comprises directors elected by approval from the Board of Directors. Committee members with particular vested interests in matters deliberated on by the committee are required to refrain from voting on such matters.

Committee resolutions must be passed by a majority of the committee members in attendance, and a majority of all members able to vote must be in attendance. The primary matters deliberated on by the committee are the election and dismissal of Company leadership and the chief executive officer (CEO); succession plans for the CEO; compensation for Company leadership and corporate officers; and the basic policies, regulations, and procedures involved in these matters. The committee reports the results of its deliberations to the Board of Directors.

The Board of Directors is required to fully respect all advice and suggestions received from the committee.

### Message from an External Director



#### Building a growth company by thinking not only about pharmaceuticals but also about what we can do for everyone's health

**Nawomi Todo** External Director

The global COVID-19 pandemic that broke out in 2019 forced us to re-acknowledge the difficulty and importance of maintaining a healthy lifestyle. Furthermore, in the interest of achieving sustainability, Sawai has been holding discussions for some time around making the company about more than just pharmaceuticals, and in April 2021, we established Sawai Holdings based on our corporate philosophy of "always putting healthier lives first." Previously, Sawai has pushed forward as a leading company in generic pharmaceuticals, guided by its corporate philosophy of "always putting patients first." Now, one could say that we have been reborn as a company that thinks about not only pharmaceuticals but also about what we can do for everyone's health. Based on this corporate philosophy, we are working hard to satisfy the expectations of our stakeholders.

Furthermore, recent years have seen a growing expectation for companies to provide working environments where everyone with the desire to work can do so free of discrimination based on gender or SOGI\*. To facilitate efforts to achieve these goals as a company, I will share my views as is appropriate to an External Director.

Sawai has always worked with a strong sense of conscience and responsibility to effect good product quality management, while never engaging in wrongdoing. This has never seemed more important than it does now. A company cannot grow without a dedication to good corporate governance. With a confidence that diligent effort is the best path to winning people's trust, I will make every effort to see that Sawai Holdings continues to be a growth company.

\* SOGI: Sexual Orientation & Gender Identity.



## Improving the operation of the Board of Directors

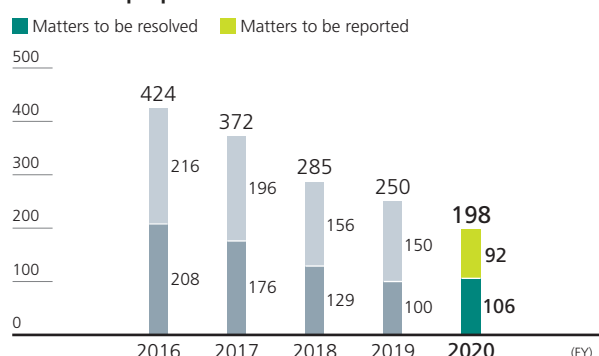
Important matters will now be discussed by the Board of Directors following deliberation by the Group Strategy Council and Group Investment Committee, which was established with the Company's transition to a holding company system. This change will see the Board of Directors

engage in deeper discussions on a narrower range of important topics based on thoroughly prepared materials. We have also changed to a Board of Directors Secretariat system to facilitate a more proactive approach to addressing sustainability issues.

### Major Discussions Following the Transition to a Holding Company System

| Director                           | Comment  |
|------------------------------------|--|
| External Director A                | Business execution authority should be fully transferred to operating companies so that subsidiaries can quickly make decisions about and execute on the businesses they handle.   |
| External Director B                | Although some success has been achieved in the generic pharmaceuticals business, uncertainty over the future business environment suggests that we should implement a flexible organization in the form of a holding company and develop new businesses that are not bound by existing businesses. |
| Audit & Supervisory Board Member C | To fulfill its supervisory obligation, the Board of Directors for the holding company should design an appropriate system that accounts for things such as matters to be resolved, matters to be reported, and Board of Directors meeting frequency.   |

### Number of proposals



## Director compensation

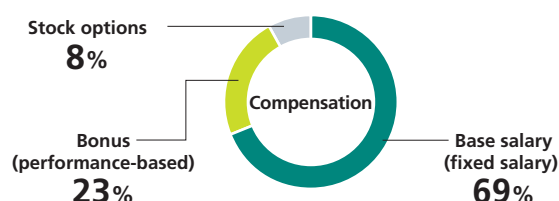
Decisions concerning Director compensation are reported to the Board of Directors upon deliberation of matters concerning Director compensation at meetings of the Governance Committee on Nominations and Compensation.

Compensation for Directors (excluding External Directors) consists of a base salary (fixed salary), bonus (performance-based compensation), and stock options. Base salary and bonuses are generally paid at a 3:1 ratio. Stock options generally account for at least 10% of total compensation and are granted based on Director position and years of service, and in accordance with the separately determined internal regulations of the Company.

The compensation limit for Directors as defined in the articles of incorporation is ¥670 million per year (not including employee salaries). The articles of incorporation

also stipulate a compensation limit for Audit & Supervisory Board Members of ¥50 million per year. The compensation system, including for Director compensation, will be reviewed every three years, in principle, based on a comprehensive accounting of market trends concerning Director compensation, the Company's performance trends, and cost of living trends.

### Distribution of Director Compensation



### Distribution of compensation for Directors and Audit & Supervisory Board Members (A & SB Members)

| Classification   | Total compensation (Millions of yen) | Total compensation by category (Millions of yen) |                                |               | Number of eligible persons |
|--|--------------------------------------|--|--------------------------------|---------------|----------------------------|
|  |                                      | Fixed salary                                     | Performance-based compensation | Stock options |                            |
| Directors (not including external directors)           | 299                                  | 205  | 70                             | 24            | 5                          |
| A & SB Members (not including external A & SB Members) | 18                                   | 18   | —                              | —             | 2                          |
| External Directors and A & SB Members                  | 25                                   | 25   | —                              | —             | 4                          |

## Financial indicators (Sawai Group Holdings Co., Ltd. and its subsidiaries)

| Japanese-GAAP                                       |                 | FY2010   | FY2011   | FY2012   | FY2013   | FY2014   | FY2015   |
|---|-----------------|----------|----------|----------|----------|----------|----------|
| <b>For the fiscal year</b>                          |                 |          |          |          |          |          |          |
| Net sales   | Millions of yen | 63,853   | 67,603   | 80,503   | 89,824   | 105,454  | 123,492  |
| Cost of sales                                       | Millions of yen | 33,736   | 34,411   | 42,511   | 48,353   | 60,048   | 71,858   |
| Gross profit  | Millions of yen | 30,117   | 33,192   | 37,992   | 41,471   | 45,406   | 51,634   |
| Selling, general and administrative expenses        | Millions of yen | 16,531   | 18,188   | 20,607   | 22,380   | 24,718   | 28,449   |
| Operating income                                    | Millions of yen | 13,586   | 15,004   | 17,385   | 19,091   | 20,688   | 23,185   |
| Profit before income taxes                          | Millions of yen | 12,289   | 14,928   | 18,098   | 18,990   | 20,298   | 23,092   |
| Profit attributable to owners of parent             | Millions of yen | 7,183    | 9,026    | 12,022   | 12,193   | 14,053   | 17,156   |
| Research and development (R&D) expenses             | Millions of yen | 3,902    | 4,317    | 4,551    | 5,170    | 6,110    | 8,019    |
| Capital expenditures                                | Millions of yen | 2,805    | 4,599    | 4,599    | 7,353    | 13,251   | 17,775   |
| Depreciation and amortization                       | Millions of yen | 3,066    | 3,389    | 3,793    | 4,989    | 5,863    | 7,044    |
| <b>At fiscal year-end</b>                           |                 |          |          |          |          |          |          |
| Total assets  | Millions of yen | 117,056  | 123,400  | 127,843  | 149,348  | 166,180  | 206,492  |
| Inventories   | Millions of yen | 21,218   | 25,780   | 29,529   | 39,182   | 44,663   | 55,668   |
| Total current liabilities                           | Millions of yen | 25,811   | 26,932   | 30,105   | 39,097   | 42,209   | 50,078   |
| Total long-term liabilities                         | Millions of yen | 40,382   | 37,893   | 36,258   | 8,949    | 11,572   | 30,692   |
| Net assets  | Millions of yen | 50,863   | 58,575   | 61,480   | 101,302  | 112,399  | 125,722  |
| <b>Cash flows</b>                                   |                 |          |          |          |          |          |          |
| Net cash provided by operating activities           | Millions of yen | 5,937    | 7,814    | 12,256   | 13,422   | 12,112   | 19,975   |
| Net cash used in investing activities               | Millions of yen | -20,362  | -2,371   | -1,373   | -8,283   | -14,123  | -22,937  |
| Net cash provided by (used in) financing activities | Millions of yen | 24,756   | -4,578   | -10,970  | -178     | -922     | 13,473   |
| Cash and cash equivalents at end of year            | Millions of yen | 19,805   | 20,671   | 20,584   | 25,537   | 22,604   | 33,096   |
| <b>Financial Indicators</b>                         |                 |          |          |          |          |          |          |
| Ratio of R&D expenses to sales                      | %               | 6.1      | 6.4      | 5.7      | 5.8      | 5.8      | 6.5      |
| Return on equity                                    | %               | 15.1     | 16.5     | 20.1     | 15.0     | 13.2     | 14.4     |
| Shareholders' equity to total assets                | %               | 43.4     | 47.4     | 48.0     | 67.8     | 67.6     | 60.8     |
| <b>Per share information</b>                        |                 |          |          |          |          |          |          |
| Net income—basic                                    | Yen             | 228.04   | 285.25   | 386.71   | 365.18   | 382.26   | 465.57   |
| Net income—diluted                                  | Yen             | 203.67   | 235.07   | 318.17   | 330.41   | 381.85   | 465.25   |
| Cash dividends applicable to period                 | Yen             | 55.00    | 70.00    | 85.00    | 95.00    | 105.00   | 120.00   |
| Net assets  | Yen             | 1,605.16 | 1,846.84 | 2,027.15 | 2,755.29 | 3,053.29 | 3,405.20 |

## Non-financial indicators (Sawai Pharmaceutical Co., Ltd.)

|  |                         | FY2010 | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|--|-------------------------|--------|--------|--------|--------|--------|--------|
| Sales volume   | Billion tablets         | 4.6    | 4.7    | 5.7    | 6.5    | 8.0    | 8.9    |
| Production capacity                                    | Billion tablets         | 5.5    | 6.0    | 8.0    | 8.6    | 10.0   | 11.3   |
| Number of new products launched                        |                         | 39     | 39     | 32     | 23     | 28     | 25     |
| Number of patents held                                 |                         | 8      | 8      | 9      | 14     | 19     | 21     |
| Number of GMP audits conducted by Sawai Pharmaceutical |                         | —      | —      | —      | —      | —      | —      |
| Number of employees                                    |                         | 912    | 991    | 1,050  | 1,121  | 1,239  | 1,490  |
| Number of female employees in managerial positions     |                         | —      | —      | —      | —      | 10     | 10     |
| Ratio of female employees in managerial positions      | %                       | —      | —      | —      | —      | 5.2    | 4.5    |
| Energy Used  | Crude oil conversion kℓ | —      | —      | —      | —      | 20,473 | 26,781 |

Notes 1. Capital expenditures are presented on a cash flow basis.

2. As the Company split its common stock two for one on October 1, 2013, amounts per common share for fiscal 2011 – fiscal 2013 were recalculated to reflect the share split.

3. The Company has adopted International Financial Reporting Standards (IFRS) from fiscal 2017.

| FY2016   | IFRS  | FY2016   | FY2017   | FY2018   | FY2019   | FY2020   |
|----------|---|----------|----------|----------|----------|----------|
| 132,428  | Revenue   | 132,392  | 168,068  | 184,341  | 182,537  | 187,219  |
| 80,309   | Cost of sales   | 80,548   | 98,628   | 109,442  | 109,037  | 114,785  |
| 52,119   | Gross profit  | 51,844   | 69,440   | 74,899   | 73,500   | 72,434   |
| 31,486   | Selling, general and administrative expenses<br>(including research and development expenses) | 28,497   | 47,264   | 49,051   | 46,862   | 53,820   |
| 20,633   | Operating profit  | 22,943   | 22,209   | 25,798   | 26,793   | 18,888   |
| 19,871   | Profit before tax   | 22,757   | 20,251   | 25,666   | 26,497   | 18,460   |
| 15,914   | Profit attributable to owners of the Company  | 17,969   | 14,017   | 19,376   | 19,279   | 12,340   |
| 10,208   | Research and development expenses   | 7,238    | 14,533   | 16,671   | 13,487   | 13,883   |
| 16,194   | Capital expenditures  | 18,839   | 16,807   | 10,709   | 18,173   | 21,124   |
| 8,645    | Depreciation and amortization   | 8,520    | 14,239   | 16,280   | 17,954   | 18,291   |
| 221,539  | Total assets  | 225,609  | 358,453  | 372,889  | 384,814  | 393,341  |
| 61,777   | Inventories   | 61,924   | 65,217   | 63,449   | 75,460   | 79,120   |
| 54,876   | Total current liabilities   | 57,668   | 74,579   | 72,826   | 82,715   | 80,452   |
| 29,063   | Total non-current liabilities   | 26,704   | 81,433   | 76,861   | 68,413   | 72,139   |
| 137,600  | Total equity  | 141,237  | 202,441  | 223,204  | 233,686  | 240,750  |
| 20,628   | Cash flows from operating activities  | 23,270   | 28,472   | 42,923   | 30,256   | 31,857   |
| -16,207  | Cash flows used in investing activities   | -18,827  | -127,900 | -16,820  | -18,173  | -21,794  |
| -6,740   | Cash flows from (used in) financing activities  | -6,761   | 108,597  | -9,513   | -12,747  | -11,991  |
| 30,771   | Cash and cash equivalents at the end of the year  | 30,771   | 39,992   | 57,067   | 56,082   | 54,269   |
| 7.7      | Ratio of research and development expenses to revenue   | 5.5      | 8.6      | 9.0      | 7.4      | 7.4      |
| 12.1     | Return on equity attributable to owners of the Company  | 13.4     | 8.7      | 10.2     | 9.4      | 5.8      |
| 62.0     | Ratio of equity attributable to owners of the Company to total assets                         | 62.6     | 50.6     | 53.4     | 54.6     | 55.5     |
| 431.65   | Basic earnings per share  | 487.38   | 360.49   | 442.62   | 440.37   | 281.80   |
| 431.39   | Diluted earnings per share  | 487.08   | 360.26   | 442.32   | 440.00   | 281.51   |
| 130.00   | Dividends per share   | 130.00   | 130.00   | 135.00   | 130.00   | 130.00   |
| 3,722.90 | Equity attributable to owners of the Company per share  | 3,830.84 | 4,143.15 | 4,551.50 | 4,796.40 | 4,984.51 |

| FY2016 |  | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 |
|--------|--|--------|--------|--------|--------|--------|
| 10.2   | Sales volume   | 10.2   | 10.6   | 11.9   | 12.4   | 13.3   |
| 15.0   | Production capacity                                    | 15.0   | 15.5   | 15.5   | 15.5   | 15.5   |
| 18     | Number of new products launched                        | 18     | 43     | 33     | 12     | 44     |
| 23     | Number of patents held                                 | 23     | 26     | 31     | 36     | 37     |
| —      | Number of GMP audits conducted by Sawai Pharmaceutical | 164    | 100    | 110    | 133    | 124    |
| 2,502  | Number of employees                                    | 2,502  | 3,252  | 3,131  | 3,066  | 3,003  |
| 11     | Number of female employees in managerial positions     | 11     | 14     | 15     | 15     | 15     |
| 4.5    | Ratio of female employees in managerial positions      | 4.5    | 5.5    | 6.0    | 6.1    | 5.8    |
| 30,914 | Energy Used  | 30,914 | 31,948 | 32,336 | 31,015 | 30,130 |

4. Dividend per share in fiscal 2018 included our 90th anniversary commemorative dividend of 5 yen.

5. In fiscal 2020, non-current liabilities for guarantee deposits were transferred to current liabilities as minor errors were discovered with the current / non-current classification. Information for FY 2016 through FY 2019 (IFRS) has therefore been revised and reprinted.

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### External evaluations

Sawai Group Holdings is selected for inclusion in the FTSE4Good Index Series and the FTSE Blossom Japan Index, which are representative indicators for ESG investment.



External evaluations other than the above can be found on the following page of our corporate website.  
<https://global.sawaigroup.holdings/sustainability/evaluation/>